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Intermediary:
The Vital Link

बीमा विनियामक और विकास प्राधिकरण

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From the Publisher

Intermediaries have a key role to play in the success of some financial services. Insurance, globally in general, and in emerging markets in particular; has always depended upon the skills of the distributor. In India, historically it has been the ubiquitous agent who has been responsible for not just garnering business but also in disseminating whatever information that was there at his disposal. This phenomenon greatly contributed to the growth of insurance even in the remote corners of the country.

In the post-liberalized scenario, we have seen the introduction of other channels of distribution viz. bancassurance, brokers, corporate agents etc. which have been increasingly consolidating their strengths in the Indian domain. In the case of corporate customers particularly, the role of the intermediary goes beyond merely identifying the insurance needs of the client. There is need for a comprehensive assessment of the several risks that they are exposed to; and accordingly work on a total risk management package. It is gratifying to observe that this aspect has come to be seen in the Indian insurance industry. The role of brokers in this regard is hugely important. Similarly, the corporate agents have been steadily growing in their strength, owing to the access they have to their vast client base.

In the case of individual business, however, the need for a direct contact with the prospect still continues to be predominantly in vogue. Although the awareness levels of the general masses as regards insurance have been going up, the Indian insurance industry is still not at a stage where the common public can assess their insurance requirements; and plan their insurance portfolio themselves. In this regard, it has to be appreciated that the distributor has to be more of a wholesome professional rather than a mere insurance salesperson. Such a healthy situation would lead to the prospect taking an informed decision which in turn will be responsible for higher business retentions, especially in the area of life insurance.

The focus of this issue of the **Journal** is on 'Role of the Intermediary in Insurance'. One more aspect of the healthy growth of Indian insurance business in the post-liberalized scenario is the introduction of riders in insurance contracts, which obviate the need for buying an insurance policy for each of the client's needs. 'Riders in Insurance Policies' will be the focus of the next issue of the **Journal**.

J. Hari Narayan

INSIDE

ISSUE FOCUS

THINKING CAP

Scaling New Heights
- Through Effective Distribution

The success of a product depends to a great extent on the efficacy of the distributor. Especially when the product is of an intangible nature, the distributor plays a key role in enhancing the product's visibility. Insurance, particularly in emerging markets, still needs to be pushed and in this regard, the distributor's role-play is very vital. Historically, the agent has shouldered the responsibility of distribution entirely. In a domain that was devoid of competition, it was not a big constraint. The products that were in circulation were mostly homogenous in nature and did not need great professionalism. It should, however, be admitted that given the limited scope; the institution of agents has done a tremendous job, especially in ensuring that insurance reaches the farthest corners of a geographically vast country.

The opening up of the insurance industry to private participation led to the genesis of several players in the market, most of them in partnership with some of the big names in global insurance. A natural consequence of this phenomenon was the introduction of some products that were hitherto unheard of in the Indian insurance market. It also meant that a great deal of professionalism was required to be introduced into the job of distributing the products. The tremendous success of the erstwhile insurers in tandem with the new ones in the liberalized landscape meant that this professionalism was always existing, waiting to be tapped to its fullest extent.

The new-found dynamism and vibrancy in the market meant that there is need for other channels of distribution as well. This led to the introduction of brokers, corporate agents, bancassurance etc. who co-existed with the time-tested channel of agents. The uniqueness of the brokers is that while they are paid by the insurers, they are not tied to any particular insurer and hence are in a position to advise the client of the best of the available services. This aspect has certainly raised the bar in the domain of insurance distribution. Similarly, the corporate agents have the advantage of making use of their vast network of resources to spread the message of insurance. Banks in India have been synonymous with unlimited reach – especially the hitherto inaccessible rural areas. This wide reach has put them in good stead for augmenting their business skills with insurance selling. While the extent of success of each of these channels is a debatable issue, there is no doubt that they have contributed a great deal to the visibility of insurance in the country.

'Role of the Intermediary in Insurance' is the focus of this issue of the **Journal.** We open the debate with words of wisdom from the Chairman of the Committee on Distribution Channels Mr. N.M. Govardhan who takes a look at the evolution of the different distribution channels in vogue today. The best of financial services have reached mostly to the urban elite and the rural masses have not been so fortunate in this regard. This aspect is highlighted by Mr. P.C. James who writes that a farmer who is informed of the advantages of agriculture insurance would certainly perform better. In the next article, Mr. V.G. Dhanasekharan discusses the transition of a broker from a mere distributor to a wholesome risk manager. Mr. V. Sitapathy argues that the institution of brokers has certainly added a new dimension to insurance business in the Indian market.

Mr. Anand Pejawar, in his article describes how bancassurance could add value to insurance distribution; and in turn, improve the business retentions of insurers. In the last article on the issue focus, we have Mr. S.K. Sethi throwing light on how a broker can provide the ultimate difference in serving insurance clients. In the 'Thinking Cap' section, we have two articles for you – the first based on the inaugural address delivered by Mr. G. Prabhakara at the seminar on Balance Scorecard for Life Insurers; and the second by Mr. Sanjib Chaudhuri who analyses the issue of emerging risks for insurers.

Riders provide a great deal of flexibility by being optional and at the choice of the applicant. The focus of the next issue of the **Journal** will be on 'Riders in Insurance Contracts'.

U. Jawaharlal

Report Card:LIFE

First Year Premium of Life Insurers for the Period Ended August, 2008

Sl No.	Insurer	Premium u/w (Rs. in Crores)			No. of Policies / Schemes			No. of lives covered under Group Schemes		
		August, 08	Up to August, 08	Up to August, 07	August, 08	Up to August, 08	Up to August, 07	August, 08	Up to August, 08	Up to August, 07
1	**Bajaj Allianz**									
	Individual Single Premium	32.99	139.89	193.51	7960	32677	32282			
	Individual Non-Single Premium	344.16	1404.56	1285.57	224974	926797	974635			
	Group Single Premium	0.12	0.96	4.91	0	0	0	123	1073	3716
	Group Non-Single Premium	12.46	42.28	8.26	51	220	111	550825	1858419	231538
2	**ING Vysya**									
	Individual Single Premium	1.87	14.41	6.80	242	1741	518			
	Individual Non-Single Premium	48.28	250.05	194.50	27096	136481	117082			
	Group Single Premium	1.51	6.75	0.85	1	1	0	460	1545	168
	Group Non-Single Premium	0.24	1.43	2.05	15	50	7	14101	26135	39285
3	**Reliance Life**									
	Individual Single Premium	26.15	189.79	52.96	6537	47097	10736			
	Individual Non-Single Premium	229.31	863.26	360.06	133430	525490	205693			
	Group Single Premium	11.86	43.92	51.57	1	5	28	40	14576	41806
	Group Non-Single Premium	7.07	15.64	9.62	18	129	114	48111	282965	173007
4	**SBI Life**									
	Individual Single Premium	43.62	244.99	270.73	8167	37749	37903			
	Individual Non-Single Premium	201.84	866.22	456.01	57271	246790	152430			
	Group Single Premium	20.34	90.87	74.50	1	1	0	9418	45310	38311
	Group Non-Single Premium	40.60	561.96	66.87	16	36	18	569099	1457620	155797
5	**Tata AIG**									
	Individual Single Premium	4.22	21.58	10.03	779	4455	1379			
	Individual Non-Single Premium	72.26	347.76	227.62	58510	257495	168635			
	Group Single Premium	2.26	17.49	27.26	2	7	0	5774	57862	171871
	Group Non-Single Premium	2.32	28.09	14.87	5	38	24	10586	76080	76348
6	**HDFC Standard**									
	Individual Single Premium	10.83	55.73	43.72	3494	23561	139189			
	Individual Non-Single Premium	214.84	824.55	607.63	73568	289906	203619			
	Group Single Premium	18.90	39.97	23.99	8	55	55	11745	100257	56431
	Group Non-Single Premium	1.00	10.48	31.21	2	4	16	385	13175	17851
7	**ICICI Prudential**									
	Individual Single Premium	18.60	112.17	134.21	3312	20088	21296			
	Individual Non-Single Premium	489.36	2143.59	1631.86	219196	1033741	833407			
	Group Single Premium	16.15	114.71	78.16	11	133	89	54154	304056	189219
	Group Non-Single Premium	103.80	449.79	171.62	6	279	225	40581	437810	241036
8	**Birla Sunlife**									
	Individual Single Premium	4.87	17.22	9.42	14298	55498	24711			
	Individual Non-Single Premium	158.69	834.76	368.00	79039	291609	122932			
	Group Single Premium	2.90	5.83	1.53	0	2	3	7577	14116	1900
	Group Non-Single Premium	29.92	44.64	28.60	22	69	56	36760	89003	54585
9	**Aviva**									
	Individual Single Premium	1.20	6.90	8.25	185	1025	1228			
	Individual Non-Single Premium	54.77	266.05	275.37	32511	138688	117011			
	Group Single Premium	0.00	0.05	1.28	0	0	0	0	63	583
	Group Non-Single Premium	1.07	8.91	15.59	4	29	60	95346	401194	267127
10	**Kotak Mahindra Old Mutual**									
	Individual Single Premium	1.82	10.82	8.06	263	1224	1004			
	Individual Non-Single Premium	113.23	425.86	182.38	66890	227652	68468			
	Group Single Premium	3.73	14.59	8.17	2	4	1	14473	60847	63667
	Group Non-Single Premium	3.78	16.43	18.98	27	148	83	40720	234347	170831

11	**Max New York**									
	Individual Single Premium	18.41	104.10	78.28	1223	7682	4983			
	Individual Non-Single Premium	114.27	652.89	387.20	83086	464715	256734			
	Group Single Premium	0.71	6.47	0.00	0	10	0	0	187394	0
	Group Non-Single Premium	0.52	12.30	14.31	32	246	187	27743	245678	235189
12	**Met Life**									
	Individual Single Premium	0.99	2.60	10.11	413	780	1549			
	Individual Non-Single Premium	77.43	323.74	154.40	22821	87046	59126			
	Group Single Premium	2.80	9.13	4.06	18	52	34	45364	114158	83543
	Group Non-Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
13	**Sahara Life**									
	Individual Single Premium	4.82	18.50	9.54	1241	4761	2484			
	Individual Non-Single Premium	7.23	26.97	17.16	8106	31050	26638			
	Group Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
	Group Non-Single Premium	0.00	0.00	0.00	0	2	2	0	78	52
14	**Shriram Life**									
	Individual Single Premium	18.74	84.15	43.59	3299	14105	8533			
	Individual Non-Single Premium	17.65	58.20	36.95	9005	29812	22574			
	Group Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
	Group Non-Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
15	**Bharti Axa Life**									
	Individual Single Premium	0.58	2.78	0.32	127	651	30			
	Individual Non-Single Premium	23.65	85.95	12.32	17672	59607	11669			
	Group Single Premium	0.62	3.40	0.00	0	1	0	3698	15741	0
	Group Non-Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
16	**Future Generali Life**									
	Individual Single Premium	0.28	0.43		63	91				
	Individual Non-Single Premium	2.92	5.62		2526	8752				
	Group Single Premium	0.00	0.00		0	0		0	0	
	Group Non-Single Premium	3.92	6.64		13	29		155266	201481	
17	**IDBI Fortis Life**									
	Individual Single Premium	13.74	40.48		1951	5583				
	Individual Non-Single Premium	22.81	53.45		5705	16499				
	Group Single Premium	0.00	0.00		0	0		0	0	
	Group Non-Single Premium	0.00	0.00		0	0		0	0	
18	**Canara HSBC OBC Life**									
	Individual Single Premium	0.00	0.00		1	1				
	Individual Non-Single Premium	24.71	37.40		2226	3365				
	Group Single Premium	0.00	0.00		0	0		0	0	
	Group Non-Single Premium	0.00	0.00		0	0		0	0	
19	**Aegon Religare**									
	Individual Single Premium	0.03	0.04		4	5				
	Individual Non-Single Premium	0.88	0.95		1229	1320				
	Group Single Premium	0.00	0.00		0	0		0	0	
	Group Non-Single Premium	0.00	0.00		0	0		0	0	
	Private Total									
	Individual Single Premium	**203.78**	**1066.59**	**879.54**	**53559**	**258774**	**287825**			
	Individual Non-Single Premium	**2218.28**	**9471.83**	**6197.03**	**1124861**	**4776815**	**3340653**			
	Group Single Premium	**81.90**	**354.13**	**276.28**	**44**	**271**	**210**	**152826**	**916998**	**651215**
	Group Non-Single Premium	**206.69**	**1198.59**	**381.97**	**211**	**1279**	**903**	**1589523**	**5323985**	**1662646**
20	**LIC**									
	Individual Single Premium	1299.81	4732.93	6452.19	389266	1322369	1773279			
	Individual Non-Single Premium	1242.50	5725.27	10293.88	2045137	8711984	12304353			
	Group Single Premium	1020.62	3901.82	3460.59	1667	6498	8525	2951942	7197084	8449119
	Group Non-Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
	Grand Total									
	Individual Single Premium	**1503.58**	**5799.52**	**7331.72**	**442825**	**1581143**	**2061104**			
	Individual Non-Single Premium	**3460.78**	**15197.10**	**16490.91**	**3169998**	**13488799**	**15645006**			
	Group Single Premium	**1102.52**	**4255.95**	**3736.88**	**1711**	**6769**	**8735**	**3104768**	**8114082**	**9100334**
	Group Non-Single Premium	**206.69**	**1198.59**	**381.97**	**211**	**1279**	**903**	**1589523**	**5323985**	**1662646**

Note: 1. Cumulative premium/policies upto the month is net of cancellations which may occur during the free look period.
2. Compiled on the basis of data submitted by the Insurance companies

Providing Product Flexibility

Riders in Insurance

'RATHER THAN THE COMPULSION TO BUY AN INSURANCE PRODUCT FOR EVERY NEED, THERE MUST BE CUSTOMIZED SOLUTIONS THAT CAN BE WORKED OUT WITH VARYING OPTIONS. RIDERS PROVIDE THIS FLEXIBILITY TO A GREAT EXTENT' SAYS U. JAWAHARLAL.

Most life insurance contracts are in the nature of an assurance wherein there is a promise to pay the sums assured either on the date of maturity or in case of an earlier death. This quality of assurance has been the hallmark of the success of life insurers historically, as 'tangible benefits' is what is at the top of priorities for the average Indian mindset. Conversely, it is also the reason for the pure risk or term covers enjoying only partial success. While a gradual reversal of this trend can be observed, it is still far from where it should have been. Apart from this, product availability was also limited to only a few; until the industry was thrown open for private participation. This meant that policyholders needed to buy different products for different needs, within the given range of availability.

The flexibility of product differentiation has a lot to do with how various solutions can be arrived at by simply changing a few optional add-ons. These add-ons or 'riders' in life insurance parlance have the ability to dynamically alter the coverage under a contract; and thus eventually turning out to be customized solutions. In the pre-liberalized scenario, there were hardly any riders – with the accident benefit rider being the most popular one. Riders or add-ons were introduced on a major scale after privatization of the industry; and presently there are some players who manage with just a few basic covers. They leverage the availability of riders in different combinations thereby resulting in several customized options for the policyholder.

The beauty of the riders is that applicants do not have to look for separate policies for their needs; and in working with the add-on options can fulfill their insurance needs. The downside is that these riders cost additionally – after all, there is no such thing as a free lunch – and also limit the quality of assurance of life insurance contracts, in view of their being contingent in nature. However, it comes as a huge advantage especially in case of term covers if the policyholder opts for an automatically renewable facility, thereby obviating the need for risk assessment at the end of the term. For underwriters, there has to be additional consideration of the risk on account of the riders, as the total amount of payout may rise rapidly in case of the happening of the event.

In the non-life insurance class, although one does not use the term 'riders', the add-ons that are available should be judiciously made use of. Insurers and particularly distributors have to highlight the availability of such add-ons and work out possible insurance solutions for the client rather than enforcing him to buy a product for each of his needs.

'Riders in Insurance Contracts' will be the focus of the next issue of the **Journal.** We look forward to a healthy debate on the issue from different stakeholders of the industry.

Multiple Options
for a Policy Holder

in the next issue...

Relevance of Distribution Channels

Emerging Insurance Markets

N.M. GOVARDHAN ASSERTS THAT TIME-TESTED DISTRIBUTION CHANNELS STILL HAVE A KEY ROLE TO PERFORM FOR A SUCCESSFUL INSURANCE BUSINESS, ESPECIALLY IN EMERGING MARKETS.

Introduction

Marketing of life insurance and general insurance products is a predominant activity of all insurance companies. Insurance being an intangible commodity has to be sold. The concepts, terms and conditions, benefits and privileges have to be explained to the customers. Penetration and density of insurance is linked to the sweep and reach of the marketing of insurance through various distribution channels. The Board and top management of insurance companies are keen to develop the various distribution channels for effective growth of new business and to gradually increase the vast reservoir of life insurance and general insurance funds.

It is pertinent to examine how India stands in relation to the global insurance scenario. The world insurance scenario as reported by the IRDA annual report 2006-07 is as under:

“Worldwide insurance premium amounted to US$ 3723 billion in 2006 comprising of US$ 2209 billion in Life and US$ 1514 billion in Non Life Business…It may be interesting to note that in most of the countries the growth in life insurance premium was faster than growth in economic activity. Booming stock markets favoring unit linked products, regulatory changes and tax incentives helped in increasing demand for life insurance. With increasing ageing population and governments moving from public to private pension schemes, the demand for life insurance products has also increased. In emerging markets the growth in life insurance tripled to 21.1% from 7.5%in 2005. The global non-life business grew by 1.5% in 2006 recovering from last year’s stagnation. The global growth performance in non-life business varied between industrialized countries at .6% and emerging markets at 11%”.

IRDA annual report 2006-07 shows the penetration of life insurance at 4.1% of GDP, and premium density at around 1600; as compared to the U.K at 13% of GDP and premium density at around 5100. In general insurance, India lags behind at around 0.6% of GDP and premium density at around 400; as compared to the U.S.A and Switzerland which are the leaders at 4.7% of GDP and premium density at around 2000. (Insurance penetration is measured as a ratio of premium to GDP. Insurance density is measured as a ratio of premium to total population).

It appears that in India, post opening up of the insurance sector; in particular life insurance penetration and premium density have increased quite spectacularly. In general insurance there has been good progress, but it still lags behind many countries. The table below sourced from Swiss Re is indicative of India’s position in the global insurance scenario.

Insurance penetration

Countries*	% GI Premium/ GDP	% LI Premium/ GDP
US	4.80%	4.00%
Japan	2.20%	8.30%
India	0.60%	4.10%
Malaysia	1.70%	3.20%
China	1.00%	1.70%
Continents		
North America	4.70%	3.90%
Europe	3.00%	5.30%
Asia	1.60%	5.00%

With increasing ageing population and governments moving from public to private pension schemes, the demand for life insurance products has also increased.

The low penetration in general insurance has been attributed to low penetration in retail insurance products.

Different Distribution Channels

Individual Agent: The individual agent has been the bedrock and the lynchpin in the marketing of insurance, especially life insurance. The professional agent has been the strongest link between the life insurer and the customer. The professional agent has the onerous role of explaining the concepts, terms and conditions, benefits and privileges of the insurance contract. He has to analyze the financial requirements and risks faced by the customers and market insurance plans suited to the needs and means of the customers. All insurance companies, and life insurance companies in particular, have recognized the paramount importance of this channel. The number of agents has grown at a spectacular rate. Training institutes have developed all over the country inculcating professional skills and teaching the intricacies of plans, the concepts, terms and conditions, benefits and privileges of insurance contracts to the ever increasing number of agents. Of course there has also been a large turnover of agents. Perhaps only 20% of agents recruited, do develop as professional career agents. This has been a cause of concern as insurers realize, especially in life insurance that low lapse rates, high persistency and a good conservation ratio are the *sine qua non* of a good efficient life insurer. To this end, insurers are encouraging professionalism and greater competency amongst agents.

In general insurance the retail agent markets mainly the personal lines of Fire, Motor, Burglary, Household Insurance, Travel Insurance and Health Insurance. Due to the low ticket size, the number of agents has not increased astronomically as in life insurance. There is a feeling amongst general insurers that there is a necessity to liberalise the present rules to attract more agents by allowing agents to sell products of more than one non-life insurer.

The persistency rate in Bancassurance, due to the continuous contact with the client is better than in other channels.

It is essential to note that commission, incentives and disincentives could be structured to improve low lapse rates, persistency and conservation ratios. Perhaps a certain amount of flexibility in this regard could be given to the insurers.

Corporate Agents: The number of corporate agents has grown in recent years. Corporate agent is a concept introduced with a view to taking advantage of the presence of a large number of entities with a sizeable client base, contacts and goodwill already operating in the market. With multi locations and a network of people assisting them, these entities have a different structure and purpose. Hence their existing network could be utilized to market insurance. The corporate agent could thus be defined as a person - meaning a firm or company formed under the Companies Act, 1956 or a banking company or a Bank/RRB or a co-operative society registered under the Co-operative societies Act, 1912 or a panchayat or a NGO/MFI covered under the Co-op Societies Act or a NBFC registered with RBI or any other institution. They assist greatly in the spread of insurance through the greater reach of the institutions.

Brokers: Brokers are permitted to sell products of more than one insurer. Brokers have been very predominant in the non life arena. Large risks require quite sophisticated expertise. Brokers have played a very key role in this area both in selling products and in servicing of Insurance claims. Brokers have now also entered the Life Insurance market.

Bancassurance: Bancassurance is developing as an important channel in India. This is due to the large reach and customer base of banks in both urban and rural areas in India. The persistency rate in Bancassurance, due to the continuous contact with the client is better than in other channels. The ease of payment of premium and the facility of maturity/claim payments through the bank account make it a customer friendly channel.

It is to be noted that Bancassurance models vary widely both in India and globally. The differences could be in ownership, point of sale, specially designed products, sharing of the client database and in the administration and servicing. The various models may require different levels of assistance from the Insurer. Hence perhaps different compensation levels are necessary.

Referrals: This is a new concept very similar to getting a prospecting list and leads to effect sales with customers. It is evident that in addition to banks, there could be various other entities which could act as a referral provider due to the large database of members/clients, like credit cardholders association members, society members etc. In short, such institutions could share or market their database to provide leads to the intermediaries to sell insurance products. The referral provider is not a licensed intermediary, but can be regulated by the insurance Regulator, through approval of the terms of the agreement, between the insurer and the referral provider. The U.K model of introducer envisages introduction of customers to insurance products and insurers. The regulatory provisions inter alia envisages access to database, voluntary participation of the customers, contract only between insurers and insured, no principal-agent relationship between referral/introducer and insurer.

Referral providers enhance the penetration of insurance through provision of good prospecting lists and the vast databases. Hence this model could be encouraged and regulated with tight guidelines to prevent any abuses especially in compensation levels, which should be in relation to the services rendered.

The volatile investment environment meant that interest guarantees over a long term could be quite hazardous and required additional reserving.

Direct Marketing: In the new technological environment, new innovative marketing systems have evolved. The use of inter-net, web based sales, e-marketing, telecalling, mobile SMS have made giant strides in reaching out to customers. This is an emerging channel which in future may grow in size and proportion of sales. This channel requires active regulation which should be on issues of transparency, disclosure, privacy, contract, TRAI guidelines etc. It would be necessary to give full complete information through soft copies of proposal forms, schedules, policies etc.

Micro insurance: This is an initiative to reach out to low income groups both in the urban and rural areas covering life, general and health areas. Co-operative banks, RRBs, Micro finance institutions registered with the RBI, NGOs registered as trusts, should be permitted to distribute micro insurance policies. The definition of micro insurance agency could be widened to include any entity registered under the societies act.

For micro insurance policies, the claims administration should be jointly undertaken by the insurer and the distributor; as the distributor can be accessed more easily by the rural customer. The mode of payment for the claim settlement/ bonus and maturity could be flexible (allow cash etc as the rural markets still don't have access to bank accounts) and the distributor could be permitted to participate in claim disbursement. Product design could be left to the insurer.

Current Issues

ULIPs: There has been in recent years a very large increase in the portfolio of unit linked Insurance products. This phenomenon is present globally and is not confined to India. It is pertinent to examine the reasons for the large spurt in unit linked insurance products. Traditional products of term, whole life and endowment had in built guarantees of maturity benefits with some limited interest guarantees depending on the plan. With-profit plans developed to give an upside benefit due to favorable investments, with an assured guarantee of basic sum assured and vested bonuses, with the added attraction of terminal bonuses. Essentially it was a bundled product combining protection and investment with increasing guarantees of basic sums assured and vested bonuses. The volatile investment environment meant that interest guarantees over a long term could be quite hazardous and required additional reserving. Regulators insisted on policyholders' reasonable expectation to be met, resulting in stronger reserves and solvency provisions. Further, customers and analysts felt that traditional with-profit bonus declarations and terminal bonuses were not very transparent. This led to the development of unit linked insurance products which unbundled the protection and investment parts of the plan; and caught the imagination of policyholders who could see transparently the net asset values. The added attraction was the freedom to choose the investment funds depending on the risk profile of the customer. Investing a greater proportion in equities gave customers over a long term of over 15 years a very attractive return. However the pitfall was that the investment risk was to be borne by the policy holders, as the net asset values

Employers have recognized the need to keep their employees healthy, fit and energetic, for increased effective production and performance.

were entirely dependant on the market and there were no guarantees on the investment returns, similar to the risks in Mutual Funds, where there is no guarantee on capital or interest. The prerequisite for the sale of such products is that the concepts, terms and conditions, benefits and privileges are properly explained to the customer.

Customers, in course of time seeing the volatility in the market, have been demanding limited guarantees of capital and minimal interest guarantees. Insurers are now offering such products. With the present turmoil in Indian and global markets, possibly some more limited guarantees would be welcomed. Perhaps the solution lies in selling balanced funds and possibly with-profit plans to first insurance customers and to those who are risk averse. Perhaps, also new innovative products combining elements of the traditional and the ULIPs may appear. Intermediaries should also sell ULIPs or traditional policies on a long term basis.

Pension Products: Life expectancy at age 60 (in 2001) in India is 15.7 for males and 17.1 for females which translates to male pensioners expected to live to age 76 and female pensioners expected to live to age 77. Now in 2008, this life expectancy at age 60 should have gone up by another one or two years.

The life insurers who bring out attractive investment oriented pension products would capture the pension market. The senior citizens of today are much better off than in previous years both health wise and financially. In fact many of them do seem to have an income more than in their working life time. Further, the improvement in healthcare, quality of life and scope for working even after retirement has made senior citizens, a group which requires attention in providing additional pension income from investment oriented pension products - invention of annuities with the increasing longevity is a crying need for Actuaries to devise new sophisticated products. Intermediaries should take advantage of this new developing market.

Health Insurance: It is of note that generally 8% to 12% pf GDP is possibly spent on healthcare in various countries. The need for Health Insurance products have spiraled. Employers have recognized the need to keep their employees healthy, fit and energetic, for increased effective production and performance. Both preventive and curative medicare was needed to be financed. This has led to emergence of a host of Health Insurance products. Active support from the Government and the regulator has spurred the growth of these products. The intricacies of these Health Insurance products have to be carefully explained to the customers by intermediaries, highlighting the benefits, and the limitations and restrictions transparently.

Training of Intermediaries: The sale of traditional and the new innovative products in life and general insurance as discussed above, requires very strong well trained professional intermediaries. These intermediaries should be financial services savvy and be able to intelligently understand the nuances, the intricacies of the fast changing economic, financial and investment environments, as well as to advise customers on their risk management plans. The need is for financial planners and risk management specialists. The intermediaries of today should be conversant with not only the life and general insurance market, but also the Mutual Funds and Securities markets with an understanding of the role of the banks. Training institutions should be able to cater to the changing needs and to develop strong professional skills of the insurance intermediaries.

The author is ex-Chairman, LIC of India; and Chairman of the Committee on Distribution Channels.

Need for Intermediation

Agriculture Insurance

P.C.JAMES EMPHASIZES THAT THE NEED FOR INTERMEDIATION IN AGRICULTURE INSURANCE IS ALL THE MORE EMPHATIC, IN VIEW OF THE HIGH LEVELS OF ILLITERACY AND THE COMPLEXITY OF INSURANCE WORDINGS.

Risk is being increasingly seen, not merely as a negative and fearsome spectre, but more as a necessary enhancer for economic advancement. Risk taking has been ever present in human lives and new developments have had risk taking as an inescapable necessity in whichever field there has been innovation and advancement. People across all economic activities and occupations know they live in a risk economy. This means that to thrive and succeed today, risks have to be factored in, with the chance of both a generous upside as well as a rarer but unforeseen chance of shocks and losses. So there is a felt need for risk management and risk transfer in all areas of activity. Earlier when people had to manage their risks, they often attempted a simplistic diversification, such as by planting a variety of crops in their fields, but this usually resulted in spreading their resources thinly and getting poor returns. People also tended to avoid risks altogether and thus shied away from investing or taking loans and fatalistically took the low road to go on with the traditional and meager livelihood approaches.

Today the world needs and encourages more investments and risk taking to go for rapid development and ensuring economic success for all. Society has mastered technologies, techniques and services that are increasingly affordable and learnable; and these can act as stepping stones for rapid development. These technologies and services need to move down to all the segments of society. In this context the infusion of financial services into peoples' lives is being seen as critical to achieve the affordability and sustainability required for their betterment. Financial inclusion thus has become a dominant theme in all policy level discussions and decision making. Financial literacy follows this need as a pre-requisite for effective financial inclusion as knowledge and familiarity grows and deepens the usage of such products for generating higher efficiencies and returns.

In the fight against poverty and vulnerability to the disadvantaged, it is considered desirable to step up the assistance to them in their effort to rapidly climb up the developmental ladder. The emphasis has been to shift from a reactive, unplanned and poorly targeted cash infusion ex-post disasters and losses, to developing an ex-ante approach that can step up the right investments and manage their risks better. In this scheme of things, the infusion of credit and insurance play a significant role. Along this tangent of thought and policy making, there is a consumer oriented approach to move away from free, compulsory and universal schemes; to optional or voluntary schemes which charge fully or partly for services rendered, and such services are to be offered through a plentiful menu of product options as well as competing product/service providers.

Society has mastered technologies, techniques and services that are increasingly affordable and learnable; and these can act as stepping stones for rapid development.

The Indian agriculture sector, which commands a lowly 18% of the GDP, however finds nearly 70% of the population squeezed into it for their livelihood directly or indirectly, with at least 50% of them actually engaged in direct farming. This makes almost all of them close to, if not fully, being mired in the zone of transient or chronic poverty. Therefore there is an urgent need to reach them with frugally engineered and lean-managed modern economic tools and practices that in more costly versions have served well the other sectors of the economy, so as to increase their prosperity and well being. This has two very liberating possibilities for the economic wellbeing of the country. First, very large numbers in the rural sector can escape from the clutches of poverty; and secondly, if agriculture is well imbued with the latest financial services and other inputs, Indian agriculture which is already a world leader in many agricultural products, can be the plentiful granary of the world.

Market based, choice oriented, risk targeted and actuarially priced products have mostly remained the privilege of the financially literate elites and stayed clear of the ignorant and the poorly educated.

The dependency of a large number of farmers makes for a majority of them being either small or marginal, and this creates a vicious cycle of under investments, poor capital formation and perpetual vulnerability. This stunts their capability to meet not only their basic needs but also excludes them from higher order benefits such as education, health, and other quality of life enhancing goods and services. This impecunious environment also threatens the continuation of the various insecurities they face in their lives. Ex-post relief after disasters, though essential, does not give them the confidence that ex-ante measures can do, to build their lives on the back of incentives for growth and protection against future uncertainties and hardships. Thus the introduction of financial products and especially insurance products become necessary to ensure the stability and sustainability of their livelihoods.

Insurance, in the rural environment need to be nurtured, as contrary to the nature of rural simplicity and backwardness, it tends to flourish in a high information environment; and its products are contractual, complex and intangible. This has generally compelled policy makers to go in for compulsory, free or near free, universal types of insurance covers that have generally produced sub-optimal results. Market based, choice oriented, risk targeted and actuarially priced products have mostly remained the privilege of the financially literate elites and stayed clear of the ignorant and the poorly educated. Carrying such insurance to the backwoods and the forgotten segments that do not have ready access to the knowledge and complexities of these essential products have been a vexatious challenge to policy makers and development oriented institutions.

In this context, the rapid rise of microfinance concepts and of rural NGOs has cut through seemingly insurmountable barriers including those relating to fundamental issues such as those of moral hazard and adverse selection. Micro mutuality principles are found to address and police effectively the many avenues of misutilisation feared; and mutuality based stewardship has brought exemplary discipline in financial and insurance behavior that is sometimes not seen even in the best developed markets. Good insurance practices thus can be learned by neophyte insureds if mentored properly. This is the reason why the IRDA Micro-insurance regulations have underlined the need for the demonstrated ‘involvement of committed people’ when insurers select NGOs and SHGs to act as their agents. The concept of commitment alone makes sense for bestowing enlarged functions and empowerment to micro-insurance agents when marketing insurance products, despite lesser onus on capacity building as compared to other intermediaries.

Insurance faces further problems when going deep into the countryside. There is almost no mind space or wallet share for concepts that can mitigate the risk in their lives. Even though experience teaches the rural citizen that risk is pervasive in their lives, translating the issues of risk transfer needs a whole array of pioneering and path breaking work. Insurance awareness needs to be created in the face of high levels of skepticism;

CUSTOMER	INSURER
Despite felt need, customers do not appear to enjoy buying insurance - consumer needs considerable motivational push to buy.	Helps the insurer to attract good risks. There is always a knowledge asymmetry faced by the insurer with regard to an insured. Intermediaries can reduce these considerably.
Creating awareness of the products on offer and advising the methods to translate customer need into a best buy, lowers the search costs of the insured.	Following on the above, the pricing of risks become far more accurate and helps to retain low risk customers and price rightly higher risk customers.
Insurance products are couched in a complex contract, in a language that is difficult to understand, and which offer intangible benefits of a promissory nature. All this needs customer hand-holding and assurance, to reduce the uncertainty costs of the insured.	The services of the intermediary helps everyone in the insurance market as otherwise the frictional costs that can arise out of asymmetric information can thrust a premium load on all policyholders, leading to less demand and credibility of the service offered.
Intermediaries assist in crossing the many procedural hassles involved such as filling the proposal form, production of documents etc. and thus the intermediary reduces the complexity costs involved.	The intermediary can bring to the table the behavioral aspects of the insured's risk, which even a comprehensive risk survey cannot bring out.
There are needs for additional services such as endorsements to the policy, renewals, refunds etc. and this enhances the lifetime value of the coverage.	Intermediaries can act as market makers, match buyer needs with insurer's products and service capability, give feedback on customer demand and aspirations.
In the unfortunate event of a claim, the insured needs even more handholding and liaisoning with the insurer to speed assessment and settlement.	The intermediary carries to the market new products, and helps to gauge market reactions to new offerings proffered by insurers and help to discover and validate the price points at which sales can maximize.
They help to evaluate customer needs and help to ensure that the full line of insurance protection based as per life cycle and occupational needs is offered to the consumer for consideration.	Intermediaries provide detailed information to assist the insurer in ensuring that risks are properly underwritten and that claims are considered fairly and settled fast.
They can make meaningful the security of the cover offered and the transparency and understandability of the products purchased. This enhances the feeling of security for the insured.	They can help to carry out research, test and develop new products, or new services.
The intermediary helps to shield customer against the actuarial mindset of the insurer who can callously treat an insured as one of the thousands of policy-holders they deal with daily.	They help insurer competitiveness by collection of risk specific or general information.
They help the customer to evolve with the changes that are taking place in the marketplace with regard to better products and prices.	They assist in policy renewal and claims documentation, and the lifelong retention of the customer through a double tier of relationships.
They thus give the necessary risk management, informational, relational and liaisoning services to the insured.	They can give feedback on the quality of service rendered by the insurer and the reputation of the insurer in the market and thus enhance insurer competitiveness.

Only insurers and intermediaries that understand these requirements will finally build markets and capture rural hearts and wallets.

micro products need to be designed for specific local requirements and demonstrated for their affordability and effectiveness; the process and practices of taking cover need to be simplified and the paperwork almost eliminated; the services offered must be marked by a sense of urgency to indemnify, on terms understood by villagers and not on the basis of paradigms that give comfort to distant company bureaucracies and so on. Only insurers and intermediaries that understand these requirements will finally build markets and capture rural hearts and wallets.

Beyond the producer parameters lie an important chasm that has been least understood in the Indian context, owing the dearth of dynamic intermediary cadres or institutions in the period when the sector was nationalized. As it is, reaching insurance to the average consumer is a difficult task; and reaching it to difficult and unfamiliar territories is well nigh impossible unless committed intermediary institutions are built up, and they see at least a break even revenue model for their operations.

The importance and indispensability of intermediaries in insurance business has been validated both in practice and theory. Customers have a whole gamut of values that intermediaries can bring, and insurers have even more requirement of intermediaries to ensure credible underwriting, rating and connectivity with their customers. Given the high informational environment in which insurance works, this indispensability has many facets some of which are described in summary form below.

Coming to agricultural insurance, it may be seen that it has its own complexities that confront insurers and intermediaries and thus add on to the complexities insureds already face when dealing with other usual insurances. A few such special features include the following:

Product features depend on various factors such as the area fertility, specific area climate features, the season concerned and the type of crop cultivated. Hence the product structures will vary from area to area.

- In the Indian context agricultural insurances will be area based, that is, all the insureds in a homogenous area will have the same indemnity level for a given crop. This is owing to the fact that an agricultural risk is close to being a systemic risk or an 'in-between' risk in a given area.
- This creates the problem of 'basis risk' which means that as against the standard index of loss on which the whole given area is being indemnified, individual farmers will have a higher or lower yield, but will get the same amount of claim per insured unit.
- Product features depend on various factors such as the area fertility, specific area climate features, the season concerned and the type of crop cultivated. Hence the product structures will vary from area to area.
- Premium rates are likely to be very high, and there may or may not be subsidy offered by the government.
- The marketing windows are very short and the premium needs to be collected before the risk periods, which are small, start.
- Farmers are in distant places and need to be kept in touch with and motivated to buy despite the many handicaps in communication and distances. The product updates need to be brought to them; and where necessary, premium financing assistance needs to be tied up to enable the farmer to pay the premium in time.
- The ticket size of individual premium is likely to be small and hence to make the profession viable, large numbers of farmers need to be covered.

Given these difficult features of enrolling and covering farmers, agriculture insurance intermediaries are facilitated by some of the innovations brought about by the regulations introduced by the IRDA. The introduction of corporate agency has allowed banks, in general; rural banks; co-operative societies and banks; panchayats and local authorities; NGOs; MFIs and NBFCs; and any other institution that may be specifically approved by the Authority to act as corporate agents. The introduction of the broker in the insurance market has given a welcome opportunity for dedicated intermediaries to offer complex and difficult-to-introduce products in the agriculture insurance market. Finally the introduction of the micro-insurance regulations has brought in institutions that work in the heart of rural areas, namely the NGOs, the MFIs and the SHGs.

Given the shallow reach achieved in the rural belt till now for voluntary insurance covers, and the need to scale up rapidly so as to enable the farmers to move from low risk taking to higher investment oriented risk, taking the following intermediary approaches appear more credible and sustainable.

- Institutionalized intermediation with a clear committed rural upliftment philosophy and a business model that encompasses multiple benefits to farmers will be more sustainable and credible, and can carry the awareness building costs and other costs to convince and commit farmers to risk transfer products.
- Area based approaches to selling insurance will be more viable for generating volumes and setting the mutuality principle in lime light, and to

> **Premium financing arrangements need to be in place and intermediary capability to arrange for them may prove invaluable so that a cash flow mismatch of the farmer does not affect his protection.**

bring down the risks of adverse selection and moral hazard.

- Creating a platform where all insurers through the intermediary can offer a menu of the full range of insurance covers, as also allied financial products, can help to make insurance a proposition of long term interest and value to them.

- Premium financing arrangements need to be in place and intermediary capability to arrange for them may prove invaluable so that a cash flow mismatch of the farmer does not affect his protection.

- A one stop service centre is needed to ensure all hassle reduction even when documentation and other hassles are minimised. Communication channel through such centers need to be kept open and unclogged particularly when there is rush for insurance on the last day of coverage cut-off date, and when claims come flooding in due to covered disasters and losses.

In India insurance penetration levels are so low that it can be said that virtually no retail customer is insured voluntarily. The future lies in insuring all and preferably through willing voluntary basis. This calls for the transformation of the current mindsets, and more importantly the proliferation of large numbers of credible intermediary institutions as also individuals; and the increased use of technology to kill distances and hassling paperwork. Regulatory facilitation will also be required to enable the insurers and intermediaries to tackle the challenges of insuring all in the near term to bring the fruits of development to all.

The author is General Manager, Agriculture Insurance Company of India Ltd. The views expressed are the author's own and in no way represent the viewpoint of the organization.

On the Steady Path of Progress

Insurance Brokers

VG DHANASEKARAN OBSERVES THAT THE INSTITUTION OF BROKERS HAS MADE A LOT OF POSITIVE DIFFERENCE TO INSURANCE BUSINESS IN INDIA, AND IS GROWING STRONGER BY THE DAY.

It has been more than five years now since insurance brokers have become a part of the fabric of the Indian insurance market. The first set of broking licenses were issued in January 2003 and expectations were naturally high as stakeholders in the industry anticipated a paradigm shift in the way Insurance was being bought and sold. In a country used to dealing with the ubiquitous "agent" (who by definition is an agent of and represented the insurer's interests), here was a sophisticated, knowledgeable alternative - a person who worked on behalf of his clients.

As we look back at these five years, we need to do an assessment on what progress brokers have made. Have they been able to fulfill the expectations of insurers, clients and the regulator? Where do we go from here and how do we ensure a healthy growth? This article attempts to do a sort of reality check on how the role of the insurance broker has evolved in these years.

Personal lines products often drive a developing economy's initial growth in insurance penetration and India may be no exception to that.

Indian Broking Industry - Some quick statistics

Growth in numbers

If we look at the statistics pertaining to the growth of insurance brokers in India, we find that as against forty brokers as on 31st March, 2003 (when the broking industry was born), we now have 263 insurance brokers (as on August, 2008). In a little over five years, the number of insurance brokers has increased manifold. And, the party is still on with more and more adding to the numbers.

How it started: Forty insurance brokers as on 31st March 2003

- Direct Brokers: 24
- Composite Brokers: 12
- Reinsurance brokers: 4

Where it is now: 263 insurance brokers as on 4th August 2008

- Direct Brokers: 225
- Composite Brokers: 32
- Reinsurance brokers: 6

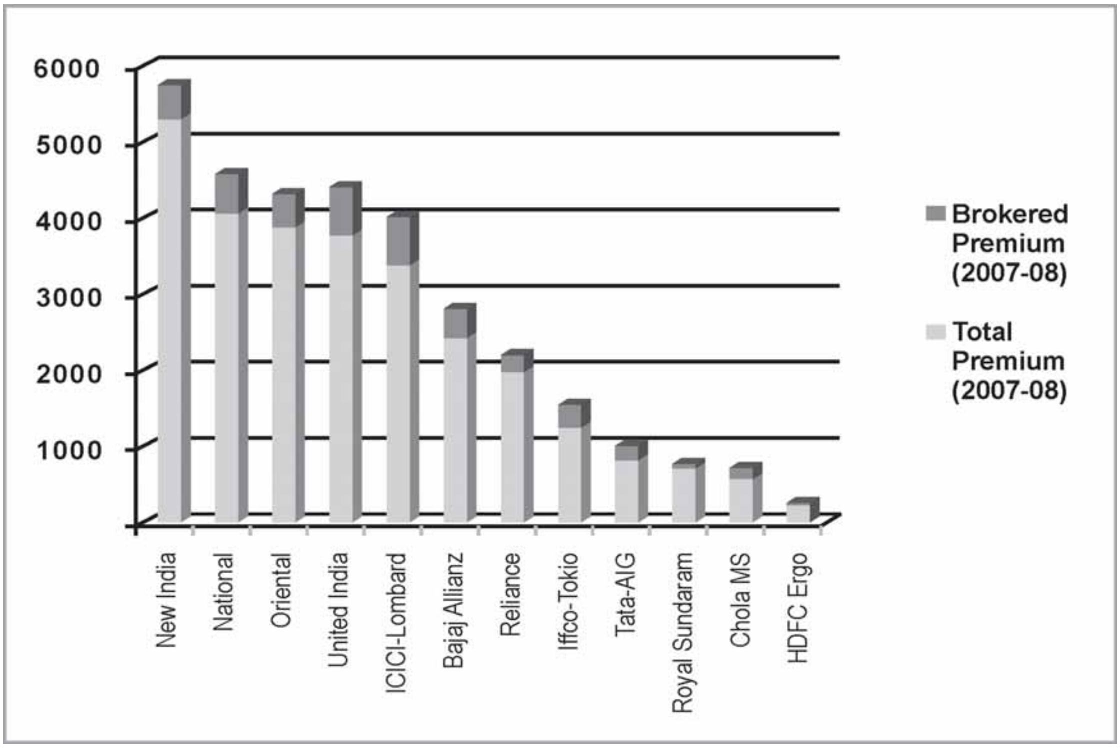
The number of new licenses issued by IRDA was 26 in 2005, declined to 22 in 2006, slightly improved to 27 in 2007 and is at 10 as of August, 2008.

Another trend witnessed in India is the tilt that brokers have towards retail lines insurance. Worldwide, brokers concentrate more on large and medium sized commercial business while retail is left to the agents but in India it is not so. One reason could be the large uninsured retail market and its growing consumer class. Personal lines products often drive a developing economy's initial growth in insurance penetration and India may be no exception to that.

Business Volumes

The most significant measure of any industry's growth and presence is the volume of business it has done. For insurance broking, we could look at aggregate premium placed or brokerage as a benchmark.

On an aggregate non-life market premium of approx Rs.29000 crores in FY07-08 (excluding Agriculture Insurance Co.), brokers have been instrumental in placing business of around 4100 crores i.e. around 15% of total business. On the other hand, the brokers' commission has increased from Rs.125 crs in FY 04-05 to approximately Rs.420 crs (official figures



insurance marketplace, albeit with perhaps greater oversight and involvement than in the past.

We conducted a survey in June 2008 on the “Role of an insurance broker and the perception of their services”. The survey participants were a mix of corporate clients, insurers, TPA’s, insurance surveyors and others who are involved in the insurance industry. The survey results offer insights on brokers and their role in this ever-changing insurance environment.

are awaited) in FY 07-08. Definitely not a small achievement in 5 years!

The growth in numbers and business volumes indicate that insurance broking in India is slowly becoming a force to reckon with. It has been slow, but we must admit it has been rather steady and there have been no major surprises or upsets so far.

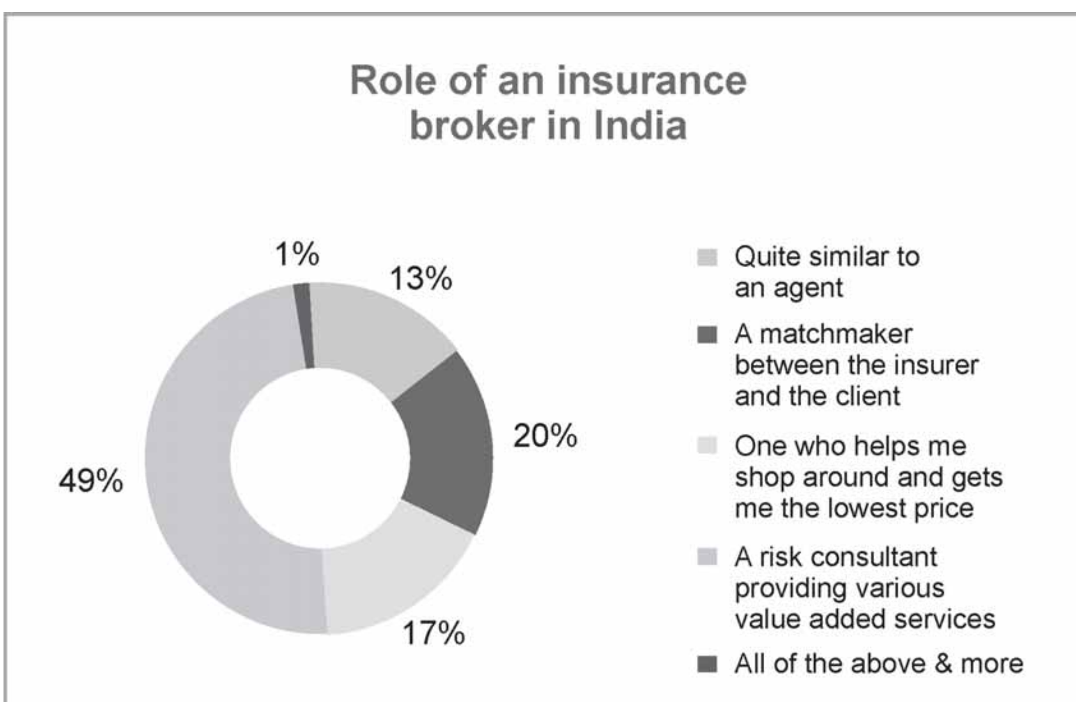
Evolution of the role of an insurance broker

When we run down the memory lane, we remember those days when a broker was considered a glorified postman delivering policies and endorsements from the insurer to the customer. As time passed, brokers realized that they needed to exceed the expectations of their customers to remain in business. Some caught on to it and have become indispensable to their clientele. Large insurance buyers have also begun to rely on the qualified professionals in insurance brokerage houses to represent their interests in the

Main Findings of the Survey

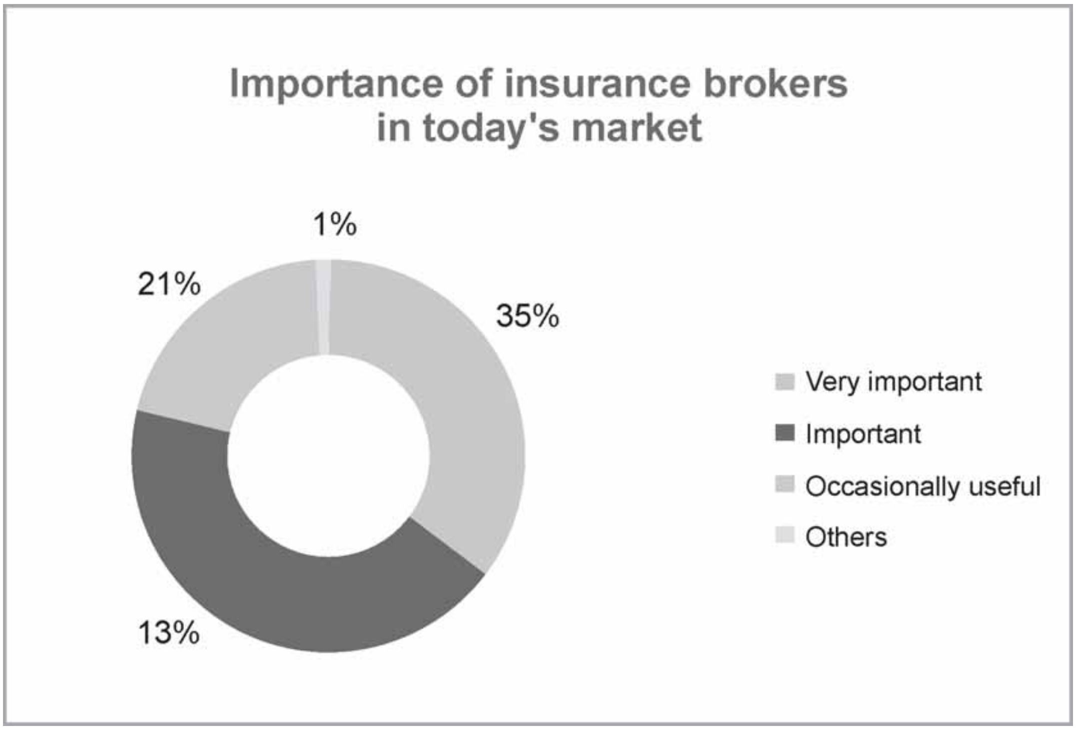
- What is your perception on the role of an insurance broker in India?

  A majority of the participants (49%) feel



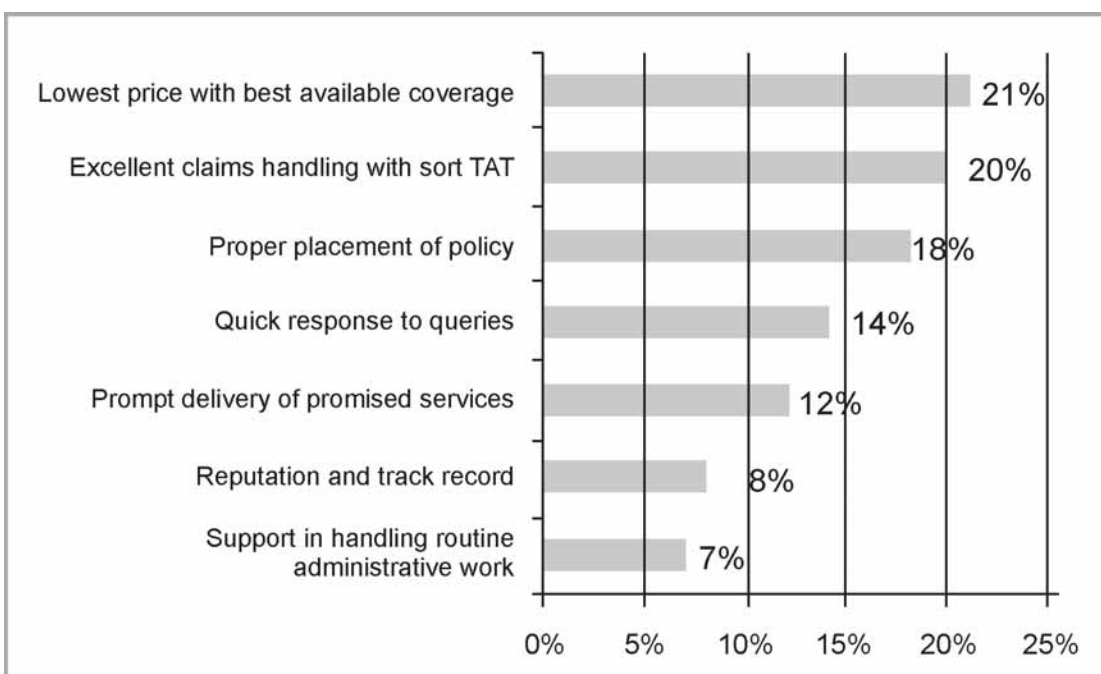
that *the role of an insurance broker has evolved from being that of a matchmaker between the insurer and the client to a risk consultant providing various value-added services*. These services include loss control, claims management, contract reviews, safety program recommendations and other risk management services that go beyond the structuring and placement of insurance cover. Initially, when the concept of insurance broking was introduced in the market by IRDA, most of the people considered the role of a broker very similar to that of an insurance agent. Over a period of time, their views have changed and this evolution is in tandem with the changing risk landscape.

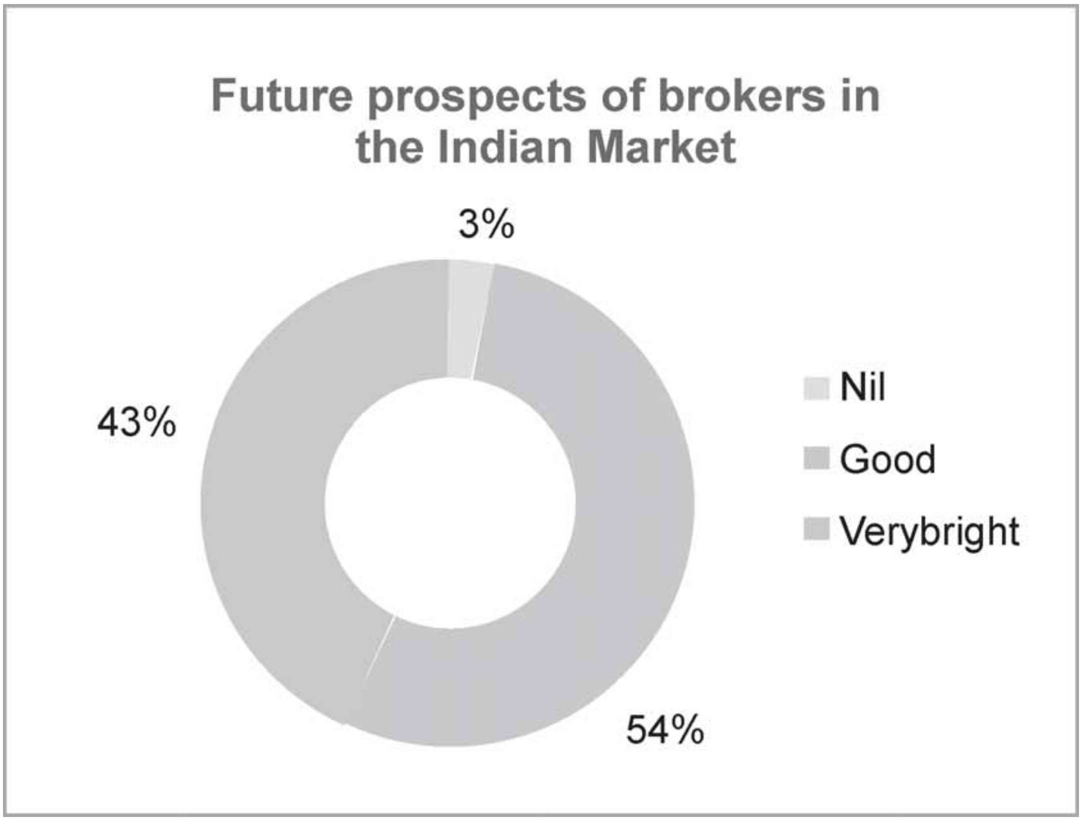
- How do you rate the importance of insurance brokers in today's market?



43% of the survey participants consider insurance brokers to be i**mportant** in today's market while 35% view them as **very important**. Brokers have become important in today's market because their clients are benefitting from their clear and unbiased advice, which may otherwise be hard to come by. They feel brokers reduce the time, mind space and search costs incurred by insurance buyers when they have to look at multiple insurers for placement of the policy.

It is also observed that larger companies having insurance portfolio greater than 25 lakhs consider the role of a broker as very important. This may reflect both the complexity of larger firms and their awareness of the benefits of using a broker. Although the awareness of the concept of a broker has been increasing, different people





and different organizations can have a significantly different understanding of it.

- Parameters critical for deciding an insurance broker?

  Lowest price with best available coverage, excellent claims handling with short turn around time (TAT) and proper placement of policy are the three aspects that were valued highly by the participants. Lowest price with best available coverage was valued most, with 21% votes for this, while excellent claims handling with short turn around time (TAT) occupied the second spot with 20% (missing the top slot by a narrow margin), proper placement of policy occupied the third slot with 18% voting for it.

- Future prospects of brokers in the Indian market?

  It appears that all parties view the future prospects of brokers as good and critical to the insurance business in India. 43% of respondents feel that they have '**very bright**' prospects while 54% feel that they have '**good**' future prospects. The insurance boom sweeping India is coming as manna from heaven for the insurance broking community.

There is likely to be a trend of acquisition of small brokers by the larger ones and in the end; only those brokers who learn the new rules of the game will survive.

The results of the survey reaffirm the fact that brokers are making a difference to their customers' businesses daily by anticipating trends, understanding the risks, offering choice, structuring their insurance program, extending the cover, solving problems, and management of claims; and reducing cost for a majority of commercial and retail customers who trust their brokers for expert advice and unbiased opinion.

The Road Ahead

From the matching and placing of insurance risks for their clients with insurers and reinsurers in the past, brokers have moved up the value chain to provide added services to remain competitive and relevant.

- They still need to keep up the learning curve - not only in understanding the developments within their clients' areas of activities but also the gamut of new potential exposures and risks their clients face. Only then, can they provide value-adding risk management and insurance advice.
- Across the globe, multinational corporations are facing an unparalleled spectrum of interrelated risks, such that the need for advice, analysis and problem solving is greater than at any time in recent history. Brokers must regularly and effectively communicate new and emerging trends and their impact to clients.
- Brokers need to recognize that their job is not to focus solely on risk transfer mechanisms through insurance but also

> **There is likely to be a trend of acquisition of small brokers by the larger ones and in the end; only those brokers who learn the new rules of the game will survive.**

to concentrate on managing the total cost of risk. All actions taken in creating the insurance program, and managing losses and related costs, should support the reduction of the total cost of risk. Risk management is much more than loss control on insurable risks. Rather, it extends into all aspects of the organization.

- The advent of detariffing will slowly bring brokers to the forefront, as it will enable them to demonstrate their value in 'shopping around' for the best deal. With the insurance market ready to get flooded with multiple products having various coverages and exclusions, customers will have to look at brokers to help them wade through.
- The need for training and professionalism of brokers is greater in the detariffed era as they need to help customers sift through the maze of policies. But brokers have shot themselves in the foot—trying to get short-term savings, they have cut training and education. The absence of technical knowledge is proving to be a big hurdle in the orderly growth of the broking industry. The insurance talent pool is fast shrinking; and all the stakeholders together need to do something before it becomes a full-blown crisis.
- Increased competition in the broking space will add to the pressure as brokers struggle to maintain profitability. There is likely to be a trend of acquisition of small brokers by the larger ones and in the end; only those brokers who learn the new rules of the game will survive.

Conclusion

In every industry, there are islands of excellence and large numbers of mediocre players – and insurance broking is no exception to that. The broking community still has a long way to go in meeting the needs of customers. While detariffication is changing the dynamics of the broking community, it is likely to take significant time and resources to ensure that clients understand the full benefits brokers can bring to them. The key is to be aware of international trends, remain service oriented, flexible and sensitive to the challenges facing customers. Brokers need to exceed expectations and create surprises. After all, in business… what distinguishes leaders from laggards, and greatness from mediocrity, is the ability to uniquely imagine what could be.

Disclaimer: While we have made every attempt to ensure that the survey results are accurate, India Insure accepts no responsibility for any errors or omissions or for the results obtained from the use of this information. The survey results are provided solely for informational purposes and are not to be construed as providing advice, recommendations, endorsements, representations or warranties of any kind whatsoever.

The author is Vice President, India Insure Risk Management & Insurance Broking Services P Ltd

What Has Been and What Will Be?

Role of an Insurance Broker

V SITHAPATHY OPINES THAT THE BROKER IS GRADUALLY EVOLVING INTO THE NEW ROLE OF A FACILITATOR TO ENSURE THE SATISFACTION OF THE NEEDS FELT BY THE INSURED.

Role in the past

An insurance broker is seen as one of the intermediaries who operates in the insurance market. The term insurance broker finds a mention in the definition of the term intermediary or insurance intermediary in the Insurance Regulatory and Development Authority Act, 1999. The definition intermediary includes and limits itself to insurance brokers, reinsurance brokers, insurance consultants, surveyors and loss assessors. It would be pertinent to note that there is no mention of the term agent in this definition as of date.

The description "intermediary" is usually synonymous with the concept of a third party whose role is to ensure that both the parties to a contract obtain what they want, the third party working for both parties for their joint benefit. However, in the Indian context, the insurance broker has been seen since the introduction of the Broking Regulations as a person who will represent the insured and add value to the transaction. The relationship is almost invariably contractual supported by a mandate from the insured and is usually intended to be paid for the services rendered, by way of brokerage which forms part of and emanates usually out of the premium.

The upshot of this view was that although the broker owes his loyalty primarily to the insured, the broker gets ultimately paid by the insurer for services being rendered primarily to the insured. This leads to a dichotomy of sorts with the poser as to how an insured could trust the loyalty of his broker when the latter was being actually paid by the insurer. In the light of this method of receiving compensation, the scenario could be ripe for an unprincipled insurer to step in and take advantage of the situation vis-à-vis the insured by justifying his stance that it was the insured who desired to approach the insurer directly despite the presence of the broker owing to alleged loss of confidence and trust in the broker by the insured. Of course, in the international arena there were departures from this norm with consultancy assignments being undertaken on a Fee basis with payments made by the insured to the broker. The transition into this phase in India is seen in some segments where the role of the broker is perceived rightly by the user of such services by seeing value creation by the broker in the transaction.

In the Indian context, the insurance broker has been seen as a person who will represent the insured and add value to the transaction.

As regards general insurance business in the tariff regime, the function of the broker was to advise the insured on a suitable insurance programme by improving the current programme and to attract suitable insurers on the best terms. In the absence of opportunity being provided to the intermediary to bring to the table his experience in drafting the policy wordings or for that matter in improvising the rates, a question was often raised as to what is the value addition that the broker can bring to the transaction. The most important and crucial role that a broker played, which all would appreciate, was to increase the level of informed "decision making" by the insured in transferring the risk to the most competitive insurance company.

However, in the detariff scenario the role and responsibilities of the insurance

Though quality of product becomes the focus area together with price sensitivity, the moves made by the different players in the market clearly herald a drive towards consumer retention.

broker have multiplied in the sense that he not only has to get the right price for the insured to enable him to take informed decision to select the right underwriter; but he also has a duty towards the underwriter to ensure that all parameters of rating a risk have been rightly applied. This is only to ensure that a clear balance is maintained so that one does not impinge on the other in the event of a catastrophe.

The way forward

Thrust towards developing and cultivating consumer loyalty:

Advances in technology are transforming the traditional roles of the broker and the consumer. The broker is gradually evolving into the new role of the facilitator. He facilitates the satisfaction of the needs felt by the insured. In the process, the underwriter, broker and the consumer are forming symbiotic relationships in which their mutual loyalties are recognised and nurtured.

In the earlier era, when the broker was absent, the consumer was taken for granted. He was a docile underdog in the world of insurance. Business opening hours, mode of payment, suite of products, range of services etc were all decisions dictated by the underwriter at his sole discretion. Dissatisfied insureds were pushed aside and the queue for buying the products continued to be filled in by the less demanding and more subservient consumers.

However, the unprecedented sea change brought in by the private insurers both in life and general insurance business post liberalisation of the insurance industry has resulted in a new movement where consumer delight is the buzz word. We have witnessed this in the banking and telecom sectors in our country in the last two decades and there is no reason why it will not catch up with insurance sector in the next decade.

Shift towards retaining the client

Handling over zealous and well informed consumers who are increasingly demanding to satiate for themselves the best of services, thanks not only to the purchasing power but also due to the variety of choice confronting them is going to be the order of the day. We have seen new patterns of consumption with the spread of electronic media and consumer activist groups. Though quality of product becomes the focus area together with price sensitivity, the moves made by the different players in the market clearly herald a drive towards consumer retention.

Today, as environmental awareness is on the rise and further, the media reporting of any managerial misadventure prompt and instantaneous, consumer reactions impinge far more swiftly on purchasing patterns. At times, the immediate fall out of this is that the consumer forms pre conceived notions with regard to supply side of insurance. In this context, the broker will have to play an important role to play as he will do the cementing of relationships with the right information. The true role of a broker will get tested and be up for judgement by those who would avail of his services.

Adequate data based experiences

In the wake of the discussions above, a broker's office would be expected to deliver far more than what has been delivered in the past. This would call for a high degree of qualified professionals with hands-on experience manning the brokers' offices and the brokers' offices functioning with a combined strength of the extended marketing arm of the underwriters and the erstwhile risk management role played by the in house team of the insured's.

Implementing such schemes requires a high degree of professionalism, infrastructure to understand the forces that are redesigning the concept of the insured's and dynamism into the market brought in by the changing roles of consumer group activists. A broker's office therefore will have to be built on these foundations on which it is expected that the consumer loyalty will be built and sustained.

The author is Director and Principal Officer, VIG India Insurance Brokers Pvt Ltd. Mumbai; and Director and Hon. Secretary, Insurance Brokers Association of India.

Bancassurance in India

POTENTIAL UNLIMITED!

ANAND PEJAWAR WRITES THAT BANCASSURANCE IS GOING TO BE THE LEADING DISTRIBUTION CHANNEL IN THE INDIAN INSURANCE DOMAIN IN THE YEARS TO COME, CONSIDERING THE VAST REACH AND CUSTOMER SERVICE POTENTIAL OF THE BANKERS.

Imagine you enter into a bank and suddenly out of the blue an employee of the bank who has been maintaining the account approaches you with a broad smile and introduces himself or herself as an insurance facilitator with the bank. He starts checking up on your risk potential and starts giving you advice which you never expected? Does this sound weird?

In bancassurance, the insurance company makes use of the vast network of the bank branches, its customer base, which is a very important 'raw material' for life insurance

Yes, today it does sound a bit weird. But very soon it is going to be a reality. In fact it has already started in a few banks and may become a common sight in all banks in the near future through Bancassurance.

What is Bancassurance?

What does this Bancassurance mean? In simple terms, it means that the insurance company and the bank come together to offer insurance products from the counter of the banks to the common person who is the bank's customer. In bancassurance, the insurance company makes use of the vast network of the bank branches, its customer base, which is a very important 'raw material' for life insurance; and the infrastructure of the bank, including the staff is utilized to identify the insurance needs of their customers and try and meet the same through the various products the insurance company can provide.

Origin of Bancassurance

This is already prevalent in a big way in the European countries and is picking up very fast in India. From the statistics available almost 60% of the total business in life insurance is generated from Bancassurance. If we trace back the history of Bancassurance it all originated around the 1980 in France. The word Bancaassurance is a word derived from two French words ***Banque*** meaning Bank and ***Assurance*** which denotes insurance. These two words have joined to form the word ***"Bancassurance"***.

Global scenario

Various models operating in Bancassurance:

World wide this business is run on 4 models which are running very well:

Out of the above, the top three models are in operation in India while Financial Holding Company is not prevalent in India as of date. It is one of the most successful models in the Europeans countries.

Scenario in India

Till 1999, Life Insurance Corporation of India, (LIC), which was formed with the promulgation of an Act of the Parliament in 1956, was the only company which was serving the life insurance needs of the Indian population. This Act actually amalgamated almost 248 odd life insurance companies already operating in the

Table A7
Advantages and Disadvantages of Bancassurance Models [13]

Model	Advantages	Disadvantages
Pure distributor: The bank acts as an intermediary offering products of more than one insurance company	The bank, acting as intermediary, is able to offer new lines of products to its customer base without having to make significant upfront investment This model works well in markets where customers value advisor independence	Both the bank and the insurance company have a "fragmented" view of the relationship with the customer
Strategic alliance: The bank sells the products of only one insurance company	The bank is able to select the best insurance provider in terms of the quality of products offered, brand image, the quality of after-sales service etc. This model offers the bank an easy way of increasing the portfolio of products without investing large amounts of money. This model offers low risk in terms of required investment The insurance company gains access to the bank's customer base without having to make a major financial investment	There are low levels of integration between the bank and the insurance company as both companies operate as separate entities. Bank staff may be reluctant to sell insurance due to low product knowledge Administration issues may arise from the fact that the customer does not have a clear understanding of who is responsible for which product or who should be contacted in the case of claim.
Joint Venture: The bank and the insurer establish a jointly owned insurance company or distributor, thus creating a new entity	There are equal partnerships and joint decision making Partners can leverage each others' strengths in the new venture as each one will be focusing on its line of business Products are designed specifically for banking customers	Insurers may feel that they lose control of the distribution side of the operation as the bank acts as the distributor Bank staff may be reluctant to sell insurance products
Financial holding company: A holding company owns both an insurer and a bank	Operations and systems can be fully integrated There is high capability to leverage on bank's existing customer and other service provisions One-stop shopping for financial services is possible for customers There is potential for fully integrated products.	

country at that point of time. On the General (Non-life) side there were the four general insurance companies who were serving the needs and were all sponsored by the Government and working under the overall supervision of the General Insurance Corporation of India (GIC).

In 1990s when our present Prime Minister, Dr. Manmohan Singh who was the then Finance Minister understood the true potential of the Indian financial markets and decided that there is an urgent need for the same to be liberalized. A new LPG dawned on the horizon that stood for Liberalisation, Privatisation and Globalisation. It is this changed scenario, on the recommendations of R. N. Malhotra Committee on the opening up of the insurance sector, which changed the face of the insurance industry in India. Well structured, very transparent, highly competent regulator in the form of Insurance Regulatory and Development Authority (IRDA) came in to existence. This shaped the insurance industry's future and what we see today are benefits of the same liberalization of the financial sector which started in 1992.

Penetration level

If one goes back and looks at the penetration rate of life insurance in India (which is measured by the New Business Premium as a percentage of the country's GDP) our penetration level was just 1%. This steadily grew from the year 2000 and as of date it is at 4.10%. This as compared to the Asian average of 6.83% and the global average of 7.52% is still quite low. This clearly proves that though some of us may be having life insurance policies, the coverage that we have taken is not 'adequate' to meet our respective life value requirements. Most of the Indian

The relationship would be that of the bank being a pure distributor while that of the insurer being a pure manufacturer of the insurance products.

population is either not insured or heavily underinsured.

Density

The Indian insurance density (per capita premium) is as low as US $ 22.70 as compared to the Asian average of US $ 197.90 and the global average of US $ 518.50

Foreign companies looking at India as a destination for insurance business:

Many companies took advantage of this liberalistaion and we saw a whole lot of good international companies coming to India and tying up with large financial institutions, banks and large industry houses to form the Joint Venture (JV) insurance companies in the private sector. Indian groups could hold a maximum of 74% in the equity while the foreign participant could hold a maximum of 26% in the said insurance JV Company.

Though substantial work was done since opening of this sector from the year 2000, the Bancassurance regulations were made clear by mid 2002. It was then clear that banks could enter into any one of the two relationships with one life and one non life partner for distributing the insurance products purely on a "Non – Risk Participating basis". The two relationships that the banks could enter are:

- ***Corporate Agency Arrangement:*** In this arrangement the bank employees would be identified, they would undergo the IRDA mandatory training programme, pass the IRDA exam and then get licensed. Only on completion of the same they would be authorized to sell the products of the insurance companies to their customers. The relationship here in this arrangement would be that of the bank being a pure distributor while that of the insurer being a pure manufacturer of the insurance products. The bank would get a 'commission' on the sale of the business.

- ***Referral arrangement:*** In this arrangement the bank would provide the insurer all the infrastructural support and "refer" the customers who are interested in buying insurance plans to the representative of the insurance company, placed in the bank premises, who would then sell the required plan to the customer. For referring the customer of the bank to the insurance company, the bank would be paid a '*Referral Fee*' on the business actually booked, as per the IRDA norms.

Reasons for banks entering into Bancassurance business

There are many reasons for a bank to enter Bancassurance business. Some of the important ones are as under:

- ***Limitations on profit margins of traditional banking products:*** The profit margin in the traditional products is under tremendous pressure and banks are always looking out for other sources of non interest income generation. With the deposit rates going up and the advances rates falling, pressure is building on the profit earning capacity by the bank in traditional business. This with the addition of the Capital Adequacy Ratio (CAR) is also killing.

- ***Regulatory Changes:*** Earlier RBI had not permitted the banks to enter into insurance distribution business. Now that the regulator has permitted on non-risk participating basis more and more banks are looking at this activity with a view of offering more products to its customers and also to earn more non-interest income.

- ***Better use of Banks' network and infrastructure:*** Most banks have invested heavily in creating a huge network of branches and also the infrastructure in terms of the IT base which can be very effectively used in Bancassurance business. Separate infrastructure need not be created for this activity. In fact this can be a very good activity taken by the bank for an effective improvement in the branch Cost-Income ratio.

- ***Customer Loyalty:*** The loyalty factor which the customer has in an institution like banking is far from any other institution. This is also one of the factors which is leveraged in Bancassurance business. It has also been proved by research that if the bank customers are offered investment products by their bankers the trust factor is very high and also the productivity in this activity by the banker is much above the normal market benchmark.

- ***Customer's information as marketing tool:*** This is a very important aspect why banks must do Bancassurance. If we logically look at the scenario, a banker is the one who knows the entire financial transaction of the customer. What money comes in, where the customer issues the cheques and what is the Net Investible Surplus is all known to the banker. The banker is bound by the Secrecy Act and cannot disclose the details of the transactions to outside public but the information available at his finger tips can be made use of for the benefit of the customer. On a proper analysis of the transactions, the banker can understand the *"Investment psychology"* of the customer and accordingly offer the insurance products to them.

On a proper analysis of the transactions, the banker can understand the "Investment psychology" of the customer and accordingly offer the insurance products to them.

All this with the stability of the organization, brand equity, loyalty and trust factor makes the bank and the banker a perfect person/unit to suggest investment and insurance products to its customers. When all these products are offered to the customer from the same bank branch, it automatically makes the bank's branch a *"One stop financial services provider"* or a *"Super market of financial services"* to its customer.

Choosing the right partner in Bancassurance

The most important or critical factor for a successful Bancassurance partnership is

- ***Full commitment from both the partners in a deal:*** Here the commitment levels from the banker and the insurer at all levels is very crucial. It has been seen that internationally also many 'marriages' between the banker and the insurer have landed up in 'Divorce' due to the lack of the commitment from either of the partners in the deal. Then it is more of a blame game where the bank blames the insurer for lack of support and the insurer blames the bank for the lack of commitment in this activity.

- ***Brand / Franchise:*** The brand of the bank is very important as many customers are bound by the bank for its brand value and name.

- ***Large Customer base:*** Customers are the raw material in life insurance business and this is one of the important criteria in choosing the right partner.

- ***Capital Strength:*** The requirement of capital in the banking core business is always on a rise and this will then be an important factor for a growing bank. All banks in India must have a strong capital base or must be in a position to go to the market to get one if required.

- ***Complementary products and services and new economy distribution system:*** The bank looking for such an Bancassurance arrangement must have a robust distribution system in place for its own product which can then be used for distribution of insurance products also - the only difference being that banking products are 'Pull' products, while insurance products are 'Push' products.

- ***Regional Technology platform:*** This is again very important as at a later stage this technology can be made use of for customer service. This would include the common IT platform, which can connect all the bank branches on a single common platform, their ATM network for various requests from the customer and also for payment of renewal premiums etc. Both banks and insurance companies can at a later stage also think of integrating the servers for rendering service to the bank's customer at the counters of the bank itself which can turn the entire service concept into "Customer Delight".

Defining the Roles and Responsibilities in a Bancassurance deal

It is very important for both the partners to know what their respective roles and responsibilities in the deal are. This will help reduce any doubts and misunderstandings on the roles and responsibilities and can help in smooth

> **Products sold through bancassurance channel should be simple to understand, simple to sell and simple to buy.**

functioning of the agreement. Some of the factors that one should look at in this are:

- Business model, Relationships in the deal, Who does what in the deal?, Whom to sell? What to sell? How much to sell? Remuneration, etc.

Broadly, insurer's functions can be summarised as :

- Helping the bank in low cost product development, deliver sales support, deliver after-sales support.

Bank's Functions can be summarised as:

- Value adding to distribution through its network, major customer base, accurate customer information, deliver sales etc.

Challenges in Bancassurance business

For the bank and its employees who will be selling the products:

- Conflicts with bank's own products
- Development of internal culture of the bank towards selling third party products
- Cultural integration of two sales force and handling conflict situations
- Cultural differences between banks and the insurance companies. Banks tend to be service and transaction oriented while these non banking financial companies are more sales oriented.
- Reduced individual visits to the bank branch due to ATM's and internet banking
- Having agreements with multiple principals can create cultural differences within the various principles and also their strategies which might be difficult to overcome.

For the insurer

- Biggest challenge is to train and motivate the bank staff to sell insurance products.
- Handling bank customers' dissatisfaction
- Development of bank specific products. (Very few insurers have developed bank specific products)
- Lack of trained and professional bank staff to sell these "Push" products.
- Multi-tasking is difficult to manage in the bank staff. Needs a totally different mindset.
- Commitment from the top management has to cascade down to the lowest level in the bank and all of them have to think alike to get success in this venture.
- Development of the right product should not only meet the customer's needs but also help the bank's income flow in the long run.
- Not integrating these products with the bank's core products
- Non existence of or very minimal incentive / compensation for the bank staff who are involved in this distribution.

"Mantra" for a successful Bancassurance model

Having complied with all the above mentioned points and identified a partner, which are as per the most successful business models globally; the important ingredients for a successful bancassurance are:

Products

Products sold through bancassurance channel should be simple to understand, simple to sell and simple to buy. Some of them can be sold by everyone and anyone in the bank, some sold as a combination along with the banks core banking products, with least or no underwriting requirements.

Usually, there are three stages in the development of Bancassurance products:

- **Credit Life Products:** These are very simple products which can give the "value added" base to the bank's core lending products. These products protect the outstanding amounts of the loan in the eventuality of the death of the borrower, to the extent of the original outstanding as per the original EMI schedule. This also builds in the confidence in the banker that he can also sell the insurance products.

The lengthy forms, lengthy processes, tough underwriting norms, cumbersome health check up will put off the customer as they are used to having simple and faster approvals.

- **Low advice "Over the Counter" (OTC) products:** Next are those products which can be sold over the counter in the banks. These are pure term, or term with return of premium or simple savings cum protection products with low or no underwriting, or predefined underwriting norms.

- **High Advice sales:** Once having gained the confidence of selling insurance product it is time when high end consultative need based selling can be done. This will need the banker to fully understand the needs of the customer and accordingly suggest the right insurance product. These could be high end ULIP, Universal Life kind of products.

Processes

One has to ensure that the process that is to be used by the banker while selling insurance is simple and short. The lengthy forms, lengthy processes, tough underwriting norms, cumbersome health check up will put off the customer as they are used to having simple and faster approvals. One has to remember that any lapse on the part of the insurer can have a negative impact on the relationship with the banker. This can also put off the banker completely, which may also result in the banker not selling the insurance product.

Bankers over a period of time have devised their own systems and procedures in their line of business. They have also devised methods to have their own checks and balances. Insurers have to try and fit in their process within the banks process so that the whole thing is simple and the banker does not see it as an "additional burden" in his routine work.

Technology

All banks as of date have their own tested technology which is fully capable of delivering the required customer service to their client. Insurers have to ensure that this technology is fully leveraged to provide the best customer service to the bank's client. Bankers are used to this technology and anything that one can do around this technology can give very good results.

Future of Bancassurance in India

By the year 2011, as per the JP Morgan report published in 2007 – 08, it is estimated that the total penetration level in Indian life insurance industry is expected to be around 5.50% to 6%. In this presently the bancassurance share is around 32%. With more and more PSU Banks entering the fray of being insurers and setting up their own life insurance companies, and a few along with world renowned JV partners; one can look forward to seeing Bancassurance business being completely unleashed and the business levels from this segment rising in high proportions.

The future is bright and positive. Indian life insurance industry, which is growing at a CAGR of around 25% is expected to be a big boon to this segment which could be a major contributor in Asian Bancassurance markets in the coming years.

The author is Country Head - Bancassurance & Micro Insurance, SBI Life Insurance Company Ltd., Mumbai.

Role of the Intermediaries in Insurance

Importance of Brokers

S.K. SETHI OBSERVES THAT BROKERS ENJOY A PLACE OF PROMINENCE IN THE DOMAIN OF INSURANCE DISTRIBUTION OWING TO THE FACT THAT IT IS THE ONLY CHANNEL WHICH CAN COME OUT WITH A COMPLETE SUITE OF INSURANCE SOLUTIONS.

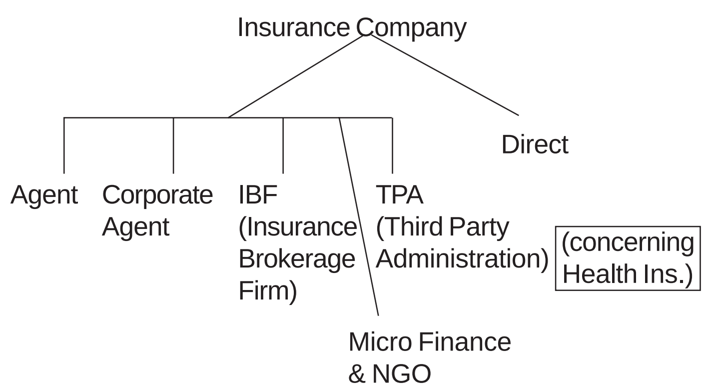
Till 2001, the terminology associated with intermediaries in Indian insurance industry was limited to the extent of development officer and insurance agent. Out of these, the development officer was the paid employee of the insurance company and the agent was an individual who worked on commission basis and was expected to represent only one life insurance company and /or only one non life insurance company.

Consequent upon the opening up of the insurance sector in 2001 and as a result of the developmental role played by IRDA, there has been an increase in type as well as number of insurance intermediaries. Now we come across:

- Individual agents
- Corporate agents which also includes automobile dealers selling motor insurance policies, travel agents who are selling overseas travel policy
- Insurance Brokerage Firms
- Direct sales force of the company
- Bancassurance
- Micro finance companies
- NGOs

Online portals like 'make my trip' selling domestic travel policy or some health

Choice of Insurance Intermediaries Since 2004



portals providing useful data on health insurance products being sold by various companies.

The role and responsibility of these intermediaries is varying. The comparison of individual agent vs. corporate agent vs. insurance brokerage firm is given in the table from where you can realize that for any one who wishes to have right coverage at right price from right insurance company, then it is better to go to an insurance brokerage firm.

This increase in number of intermediaries has resulted in increase of penetration and the same is reflected in increase in premium collected by Life and Non Life insurance companies. It is a common question of clients why we can not choose any one of them. This is a good question and let us see this with some examples.

When you go to buy toothpaste then you go by brand or advertising. If you are satisfied then you go in for repeat purchase because the toothpaste is a product which gets consumed in six weeks or so. You are not at all concerned whether you bought the toothpaste from the manufacturer directly or from a big shop or a small shop.

When a person is unwell and needs a medicine, then he does not go directly to the manufacturer or to the chemist shop and buy the medicine as he does not know which medicine to buy and how much quantity to buy. He has to go to to a doctor or a consultant doctor so that he can assess the disease, past history and side effects the person is having with

Comparison of various insurance intermediaries

Type of Intermediaries / Parameter	Agent	Corporate Agent	Insurance Brokerage Firm
Set up	Individual	Partnership/ Individual	Corporate setup duly licensed by IRDA after thorough analysis
Area Coverage Investment	2-3 localities None	Part of a city Small, Say Shop / office	Generally many cities. According to IRDA Guidelines, up to Rs. 100Lakhs
Representing	1 Co. Only	1 Co. Only	NonLife - 18 Life - 21 Health - 2
Strategy towards client	Selling only	Selling only	Assist the client in buying the right product at right price from right insurance company.
Product Range Competency	Cannot be 100 %	Cannot be 100% say Motor only	100%
Service Offered	Partial catering to individual clients	Partial catering to clients say motor only	Complete from Risk Assessment to Claim Lodging / Settlements
Professional Liability Insurance	Does not have this policy	Does not have this policy	As per IRDA rules have professional liability policy issued by insurance co in its favor. This is very favorable for clients

Product coverage by various Insurance Intermediaries - examples

Agent Corporate Agent	Scooter, Motor, Household, Mediclaim Motor Vehicle – May be corporate agent is DSA of a Bank for Auto loan or is an automobile dealer, Overseas Mediclaim (Travel Agents), Very few corporate agents offer comprehensive service
IBF's	Some offer Non-Life Insurance only. Most offer Life + Non-Life + Health – all products, all companies.
The general opinion is that it is better to deal with IBFs focusing on corporate clients and handling all products as they can handle all aspects of your organizational needs e.g. group insurance, gratuity, superannuation, key man also.	

various medicines so that the medicine prescribed by the doctor takes into account the same. It means that doctor is seeing the risk and consequently prescribing the right medicines.

The difference between the first case and the second case is that there is no technicality involved in buying of the toothpaste and cost of the product is Rs. 30 or so. If the buyer is satisfied with the performance of the product, then the product is consumed and repeat purchase of the same is made. If he is not at all satisfied then he may discard it and buy another one. In the case of medicine the importance of Doctor is well understood by all of us. Wrong medicine can prove fatal and may result in serious complication or even death.

This gives you an idea that in the second case, the doctor or consultant doctor is acting as an intermediary. He is suggesting to the patient that such and such medicine manufactured by such and such company is required in this quantity. He even prescribes the duration between one dose and another.

Let us look into some examples from insurance industry.

Case study1

If someone is owner of a 12 years old scooter and has to buy third party motor insurance then he can choose any intermediary and can buy the product. This is because of the fact that product offered by all insurance companies is same and the pricing is also same.

Case study 2

A family comprises of the following members:

Head of the family	46 yrs
Spouse	42 yrs
Child 1	10 yrs
Child 2	7 yrs
Father	64 yrs
Mother	61 yrs
Unmarried Sister	32 yrs

The head of the family wants to have health insurance coverage for Rs 5 lakhs each for self, father, mother, sister.

Rs 3 lakhs for spouse

Rs 2 lakh for child 1 and child 2.

Expected budget Rs 30,000.

If this family contacts an individual agent or a corporate agent of a company that does not have a product for senior citizens, then he may be told that no health insurance product is available for parents. If that company does not offer family floater product then he may not be given the details or option of family floater. This is the time that going to an insurance brokerage firm is beneficial as the client gets all the options, features, premium rates, information about service level of the insurance company. In fact, it is a one-stop shop where from buying of the policy to claim settlement are available.

IBF may give Senior Citizens policy for parents, family floater for family and separate policies to sister.

Some of the questions asked by the clients with respect to Insurance Brokerage Firm (IBF) are;

- Who pays the IBF?
  - You as a customer will not pay anything. IBF is being paid by the insurance company.
- What about my existing good relations with the insurance firm? What happens to that if I start dealing through IBF?
  - You can continue to enjoy good relationship with your insurance firm. IBF will not move the business to another company unless and until you wish to do that.IBF will provide you with additional support as it is having full fledged set up as shown in the organization chart In fact, IBF brings you in touch with other insurance companies also depending on your business exigencies/needs. For example: Now that health insurance companies have come into operation, then why not consider them for renewal of your group health insurance policy. Some of the IBFs have even set up informative sites for the benefit of their clients.

In future what you can expect from IBF;

- **IBF will start handling** –
  - Issue of policies. For Indian insurance industry or GIC it will be better to pass on the responsibility to issue third party motor insurance policies to IBFs. They can do this at 5% commission and the industry can save 5% on its costs, which will result in marginal improvement of Rs.400 crore. We foresee that issue of these policies will result in increase in premium for Household insurance by another Rs.2000 crore as customers who will come for issue of third party insurance can be convinced to go in for household policy also.
  - Pass small claims initially; and in due course, even high value claims
  - May be start giving credit to clients as they will get credit from insurance companies.
  - Specialized firms will emerge with focus on specific segments

Clients will find it better to use IBF – as it is like using a specialized IRDA licensed firm to handle insurance work like a BPO while getting the benefit of the following.

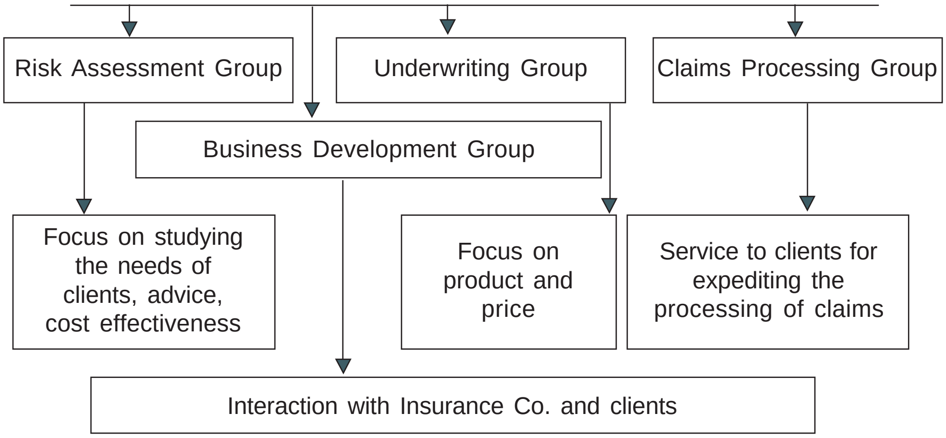
- Specialized work being done from risk asseesment to claim settlement
- Cost effectiveness
- Client will find it better to focus on their core business activity.

Conclusion

As we move into the question of role of intermediaries in insurance in India we find that increase in number of insurance companies is resulting in more and more products being introduced every week. It is not easy for a customer to know the specifications and pricing of all the products and what product fulfills his need effectively. This is the time that he needs the service of a professional organization with well trained people. If your insurance cost is over Rs 25000 per year, then it is worthwhile for you to use an insurance brokerage firm. In developed countries like USA, over 90% of the premium is booked through Insurance Brokerage Firms. In India this figure for non life insurance companies is over 30% presently.

We foresee that insurance companies will start focusing more and more on underwriting/reinsurance/claim settlement activities; and pass on the responsibility for booking of the premium to insurance intermediaries mainly insurance brokerage firms. Banks will have a tendency to set up their own insurance company, whenever they start having a certain premium level. Insurance companies which have been using Bancassurance in a big way may also look forward to working aggressively through IBF's, should the banks from whom they were getting good premium set up their own insurance companies. In short IBFs will grow year by year to serve the clients on all India basis. Very soon this will become the most important insurance intermediary.

Typical Structure of an IBF



The author is Chief Executive Officer, RIA Insurance Brokers P Ltd; and Vice President & Director, Insurance Brokers Association of India.

Prognosis Bright

Life Insurance Industry

G. PRABHAKARA ASSERTS THAT THE ADOPTION OF RISK BASED SOLVENCY MODEL IS NOT ONLY EXPECTED TO MAKE THE SOLVENCY MEASUREMENT MORE SCIENTIFIC, BUT, IN THE INDIAN CONTEXT, ALSO TO UNLOCK A HUGE AMOUNT OF CAPITAL; THUS INCREASING THE CAPITAL EFFICIENCY OF THE SECTOR.

After nationalisation of the life insurance sector in 1956, LIC of India, the monopoly state life insurer had created – a robust nation-wide network of offices, an array of home-grown products to suit the needs of the Indian public, and an army of a million agents for the distribution of its products. They had diligently and painstakingly spread the awareness of life insurance across the country and, leveraging on the same, built a huge policyholder base.

What started as a trickle of 4 or 5 companies in the year 2000 has now become a torrent of 21, with many more players waiting in their wings.

The forces of liberalization that swept the country in the 1990s had led to the setting up of the IRDA and the opening up of the sector to the private competition, with a provision for 26% foreign participation.

The huge untapped potential and rising incomes of the middle classes had made life insurance business quite attractive to many players. What started as a trickle of 4 or 5 companies in the year 2000 has now become a torrent of 21, with many more players waiting in their wings.

Eight years of competition has radically transformed the way life insurance business is run, and made it hugely interesting for the market and industry observers to watch.

The life insurance industry has grown from a total premium income of Rs. 34,892.02 Cr in the year 2000-01 to Rs. 2,01,114.3 Cr in 2007-08; showing an average growth of 28.97 % over 7 years. The first year premium during the same period had grown from Rs. 19,857.28 Cr to Rs. 93,007.21 Cr; at an average growth rate of 46.63%. The number of individual policies sold in 2007-08 was 5.08 crores as against 2.18 crores in the year 2000-01. The penetration of the life insurance business, which is a ratio of the premium to the GDP, was 4% in the year 2007 as against 1.77% in 2000. Despite a hefty increase, the penetration lagged behind the global average, which was 7.94%.

While the products sold during the monopoly era were predominantly traditional endowment products with safety and guarantee as the common underlying features, the advent of competition has led to a complete alteration in the preferred product mix. Unit Linked Insurance Products (ULIPs) which were unheard of earlier had almost instantly become the rage and unseated the traditional products from their position of preeminence. The ULIPs carry no guarantee of returns, are extremely flexible, and carry a potential for higher returns. What is surprising, however, is the fact that LIC which always sold traditional products had switched to ULIPs overnight and in fact acted as the driver of this change. It reaped the benefits of the same in the form of triple digit growth rates, as also a huge image makeover.

With the competition intensifying further, players are seeking to differentiate their products, to add an element of uniqueness and price incomparability. For instance, many life insurers seek to add novelty and appeal to their products through add-on features such as riders, and investment fund options. The life insurers are now vigorously pursuing the emerging streams of business such as health, pensions and term assurances since they represent a huge opportunity for the future. Group insurances, fund management type – such as superannuation and gratuity schemes – as well as plain risk cover schemes, have a huge growth potential and are therefore receiving great amount of attention and focus.

The opening up of the sector has also severely impacted the manner in which life insurance is distributed. While life insurance was distributed exclusively by the individual agency channel till the year 2000, we now have a multi-channel distribution set up that also consists of corporate agents including bancassurances, brokers, banking referrals as well as direct marketing. The life insurers promoted by banks are especially seen to procure a significant share of their business through bancassurances. Huge innovations are continuing to take place on the distribution front in the form of tele-sales, e-sales, mallassurances etc. The individual agency channel, however, still contributes over 83% of the total new business premium, while the corporate agents including bancassurances contribute over 12%, brokers 0.6% and direct sales 2.55%.

To give a fillip to the efforts to expand the sector further, the IRDA had come out with Micro Insurance regulations in the year 2005. The regulations provide for appointment of MFIs, SHGs and NGOs including section 25 companies as Micro-Insurance agents. The regulatory relaxations provided to them are expected to strengthen the distribution activity among the low-income groups. Similarly, the regulations also provide for offering more comprehensive and appropriate products to these segments.

The life insurers have also to reckon with competition from outside the sector, for instance, through mutual funds which offer products that are close to the ones offered by the former.

Expansion in the network of offices is another major development which has contributed to the growth of the industry. The number of offices which stood at 2199 in the year 2001 has increased to 8913 as on 31.3.08, largely on the back of the expansion of the private sector, whose number of offices now stands at 6391 as against LIC's 2522. It is interesting to note here that as many as 6335 offices, coming to 71% of the total number of offices, are in locations other than Metro and urban areas.

Life insurance being a highly capital intensive business with a long gestation for break-even, most of the new life insurers are yet to come into profits. The break evens of many of them are further delayed because of the ambitious expansion plans involving huge capital infusions. Life insurers will now be hard put to come out with cost-effective distribution and servicing models, which alone will help them survive the pricing pressures that will surface, now that competition has intensified as a result of increased number of players.

The amount of capital deployed in the Life Insurance industry as on 31.3.08 was Rs. 16, 235 Crores and the Assets under management of the life insurance industry stood at Rs. 8, 47, 000 Crores. The net inflow of investments into the equity market in the year 2007-08 was as high as Rs. 55,000 Crores.

The companies which have a significant policyholder portfolio can leverage on their existing customer data to identify further sale possibilities through data mining techniques. This method will help companies to increase their sales through less effort and expense. Even the promoters' customer data can be utilised for this purpose.

Technology is increasingly being leveraged as a tool for sales as well as servicing of policies. Online premium payments and internet sale of policies are catching up very fast. Outsourcing of premium collections and other non-core servicing functions is also on the increase.

The life insurers have also to reckon with competition from outside the sector, for instance, through mutual funds which offer products that are close to the ones offered by the former. The life insurers, in the long run, have to compare favourably over the competing businesses in the areas of pricing, features, servicing and distribution strength in order to stave off the threat of product substitution. Close resemblance of products of different sectors could bring convergence of the sectors into the ambit of reality since they may find competition wasteful and unviable.

Coming to the agenda for the future of the sector —

The adoption of Risk based solvency model is not only expected to make the solvency measurement more scientific, but, in the Indian context, also to unlock a huge amount of capital, thus increasing the capital efficiency of the sector.

The proposed amendments to the Insurance Act, 1938, are seen to set right a number of outdated and anomalous legal provisions, thereby strengthening the insurance sector further.

The ever increasing number of life insurers will also force a lot of changes in their products, distribution, servicing and expense models. By and by, we may expect to see some of the life insurers focusing on niche businesses, distribution channels and target segments.

The rising incomes and the favourable demography of the country are only going to make the story that much more appealing.

The opening up has already expanded the choices available to the public in a very big way, whether it is the number of insurers or the products available. New streams such as health, pensions and term assurances are now receiving due attention. The servicing and premium payment choices have improved considerably in the last few years. The network of offices too has increased manifold. The sector has thus emerged as a happening place full of opportunities and promise.

In conclusion, one can safely say that life insurance sector in India is still on the growth curve and has lot more potential to cover before it reaches the maturity phase. The rising incomes and the favourable demography of the country are only going to make the story that much more appealing. From a societal stand point, however, the sector still has a long way to go before it can claim to have discharged the responsibility of offering life insurance protection to all those who need it.

This article is based on the INAUGURAL ADDRESS of Mr. G. Prabhakara, Member (Life), IRDA at the SEMINAR ON BALANCE SCORE CARD FOR THE LIFE INSURANCE INDUSTRY IN INDIA (LIFE) ON 22.9.2008 AT NIA, PUNE.

Emerging Risks

Priorities for Insurers

SANJIB CHAUDHURI AVERS THAT ALTHOUGH INDIA HAS A DOMESTIC POOL SOLUTION IN PLACE, THE ISSUE OF TERRORISM NEEDS FURTHER ATTENTION BY THE INSURANCE INDUSTRY, CONSIDERING THE RECENT TERRORIST ATTACKS.

Risks we do not know yet, but which keep us awake

Emerging risks constitute a major challenge for the insurance industry and society. In order to identify them, insurers require curiosity, ambition and profound knowledge. Emerging risks are either new or developing existing risks that have been identified as being a threat but difficult to quantify: First, causal links are often still unproven or unclear. Second, there is a wide range between the best and worst case scenario. Emerging risks are often driven by technological, environmental, economic, social or legal changes; and they can affect the Life and Non-Life business segments also on an accumulative scale.

> It is assumed that India still consumes about 125,000 tons of asbestos every year. In addition to cement, it is also used in brakes, clutch linings and gaskets in motor cars, in electrical distribution systems or in roofing sheets by the construction industry.

Examples for Emerging Risks:

- Asbestos
- Pandemic Risks
- Obesity
- Terrorism
- Nanotechnology
- Climate Change

These emerging risks need to be assessed with regard to possible implications on an individual insurance company's business portfolio.

Asbestos is not a new risk. Nevertheless, the consequences on a worldwide scale still cannot be quantified with any certainty. Given the past experience, the international insurance industry has learnt the lesson. Waiting too long and ignoring the warning signals limits our options and subsequently leaves too many risks in the portfolio.

In India, amongst other regulations, asbestos is regulated under the Factories Act (1948), in which asbestosis is listed as a notifiable disease in the Schedule 3 of the Act. However, it is assumed that India still consumes about 125,000 tons of asbestos every year. In addition to cement, it is also used in brakes, clutch linings and gaskets in motor cars, in electrical distribution systems or in roofing sheets by the construction industry. NGO's estimated 100,000 workers of the organized sector are exposed to asbestos fibers at the workplace every day in India.

However, Indian consumers and employers are becoming more aware of the various legal liabilities. Indian insurers can learn from the experience of the international insurance industry on asbestos liabilities to avoid mistakes in the future.

Pandemics are proven by history to be inevitable. As the number of birds infected with H5N1 (avian flu) soared in early 2006 the public and the insurance industry were alarmed. It represents a significant threat to human health and the industry must be prepared. The WHO has reported 385 human cases of H5N1 until mid June 2008 of which 243 ended fatal. India itself has not reported any cases in humans, but its neighbours Pakistan, China, Bangladesh and Myanmar all witnessed

Intensive dialogue between insurers, operators and consumers of nanotechnology products and processes is necessary to reduce the risk for all involved as much as possible.

human infections and deaths from H5N1.

As only three flu pandemics occurred in the 20th century a simple extrapolation of statistics could be highly misleading. When developing model scenarios in life insurance, it is advisable to take change of living conditions and risk behaviour as well as improvements in medical care into consideration.

However, as seen during the SARS period, it is not just the life and health insurance products which are affected by a pandemic outbreak. In property business, the main concern regarding pandemics exposure stems from "all risks" covers and in particular from (all risks) business interruption coverage extensions like civil authority, closure clauses or denial of access. For liability business, legal aspects such as proving causality between the insured's wrongdoing and the infection make it difficult to establish liability on the part of the insured. Exposures might also result from product liability (e.g. in case of adverse reactions to vaccine), medical malpractice covers (e.g. if medication is not sufficiently available) or directors' and officers' (e.g. if management fails to protect the company's assets against the effects of a pandemic). The way SARS spread from China into Hong Kong in 2002/03 and across the region showed us very graphically that epidemics represent a real risk to human life and a challenge to the insurance industry.

Forecasts on the economic effects of a pandemic differ widely and should be treated with caution. The reaction of the capital markets and the impact on insurer's assets are difficult to predict. The economic effects of a pandemic would be driven to a large extent by the psychological impact.

Climate change has the potential to develop into the greatest environmental challenge of the 21st century. While scientists are stressing the gravity of the situation, the insurance industry has already recognized it. The industry needs to reflect changes in the frequency and severity of natural catastrophes and other loss-influencing factors in internal models in risk management tools and processes. Catastrophe scenarios previously considered highly unlikely now have to be included in the risk-assessment process. However, the sheer magnitude of climate change could in future impact a large number of industries to such an extent that insurability may become limited. Innovative solutions will be required to be developed by experts from various disciplines pooled together. This might require adaptation measures such as public-private partnerships and, of course, adequate public action on climate change issues.

On the other hand, climate change provides new opportunities for the insurance industry to explore new markets and products such as micro-insurance or covers for renewable energy. Truly professional risk partners consistently develop new products in this field and monitor technical developments to generate long-term profitable growth.

Nanotechnology is a developing field of products and manufacturing where the substances involved are extremely small. Very little is known about the effect of these products upon human health and the environment. Based upon experience with other small particles (such as asbestos) the damage to humans can be significant. Similarly, there is fear that nanotech products and by-products will find their way into the environment. Altogether there is the possibility of claims for personal injury, material damage and financial loss; as well as liability risks in product, environmental and public liability.

In this new field, there is need to work closely together with scientists and safety engineers to analyze and evaluate the main problems and issues of nanotechnology; and to develop a system for product safety and crisis management. Intensive dialogue between insurers, operators and consumers of nanotechnology products and processes is necessary to reduce the risk for all involved as much as possible.

Obesity: The alarming increase in the prevalence of severe overweight or obesity will be a major future challenge for the insurance industry. Severe overweight is a leading cause of Type-2 diabetes, heart attack, stroke and colon cancer as well as a large number of other health problems. For example, the risk of developing diabetes is about sixty times higher for seriously overweight women than for their normal-weight counterparts. In the US, being overweight, has now surpassed smoking as the leading cause of heart disease, and the trend is rising.

Obesity is not only a problem for Western industrialized nations, but also for fast-growing economies like China and India. About 5 per cent of the Indian population are already suffering from obesity. The WHO has projected that the number of diabetic population in India will triple to 100 million by 2020. An equal number of heart disease patients is expected by then.

A change in life style, especially in big cities, along with intake of high calorie food is among the causes with morbid obesity. Chronic obesity has become one of the most serious threats to public health. For the insurance industry, obesity is one of the hot topics of the future. Insurance researchers should constantly examine the causes and trends, identify the risk obesity poses to healthcare markets, and propose solutions.

Terrorism: is a highly complex man-made phenomenon with repercussions for society and the economy. It has developed into a threat that knows no geographic or political boundaries. Moreover, militant and terrorist organizations have demonstrated the will to increase the magnitude of their attacks. The evolving risk profile of terrorism risk makes demands on all stakeholders. Thus, the insurance industry is actively pursuing suitable solutions to cope with the consequences. As important representatives of the risk community, Chief Risk Officers of major (re)insurance companies have decided to address the challenge of terrorism within the CRO Forum's Emerging Risks Initiative[1].

The CRO ERI position paper points out which characteristics of terrorism make it a unique challenge for the insurance industry and why managing the risk of 21st century global terrorism will require a concerted effort based on a strong partnership between the insurance industry and national governments.

Past experience shows that emerging risks can have significant impact on insurers and should be included in a sound risk management process.

India has a domestic pool solution in place since 1 April 2002 for defined lines of non-life business. But considering the recent terrorist attacks, the issue of terrorism needs further attention by the insurance industry to have ready-made solutions available to cater for changing scenarios.

Steps to deal with emerging risks

Past experience shows that emerging risks can have significant impact on insurers and should be included in a sound risk management process. However, as emerging risks are difficult to identify and quantify, specific strategies must be implemented to cope with them properly.

Due to the high uncertainty and accumulation potential of emerging risks, it is important to identify possible risks or changes of the underlying risk drivers at an early stage. There has to be a functional and systematic process for the identification, evaluation and prioritization of new and developing risks in place.

The components of the process

- Collection of information on emerging risks on the broadest possible scale.
- Central aggregation of information, quality assurance, and preparation of a prioritisation proposal by a central risk management unit.
- Prioritisation of top emerging risks within the framework of the strategic planning process by the management board.

[1] The Emerging Risks Initiative (ERI) was launched in 2005 to raise awareness of major emerging risks relevant to society and the (re)insurance industry. In 2007 the initiative was chaired by Munich Re. It consists of eight members representing Allianz, AXA, Munich Re, Swiss Re, Zurich Financial Services as well as Chubb, Insurance Australia Group and Royal & Sun Alliance (current ERI chair).

Step 1: Identification of emerging risks

The identification process is the most important step as only identified risk can be analysed, monitored and managed. There is need for combining regular broad "grass-root based" collection of information with a continuous, curious screening of the relevant sources (in newspapers, scientific publications, panel discussions and the internet). All information gained has to be sighted and discussed regularly by experts from various units (underwriting, claims, risk management, legal). For risk identification there should be continuous exchange among the insurance industry stakeholders leading to jointly working on ideas and solutions on emerging risks generating sustainable profitability for our businesses.

Step 2: Analysis of emerging risks

In order to analyse the relevance of a specific identified emerging risk, additional research is needed. Organizations should analyse which of their product lines, regions and types of assets could be exposed. Another aspect is the current stage of the risk (for example: no scientific studies; few scientific studies with divergent opinions; cause and effect chain likely to be proven) and how it may develop over time. It is also important to cluster or even aggregate emerging risks by taking interdependencies or common underlying trends into account. These results are used to prioritise a subset of identified risks for a more detailed assessment/evaluation.

Step 3: Assessment/Evaluation of emerging risks

For most emerging risks you cannot use quantitative risk analysis based on historical data to assess the potential exposure as specific data is mostly unavailable. Different scenarios taking existing risk mitigation strategies into account have to be developed.

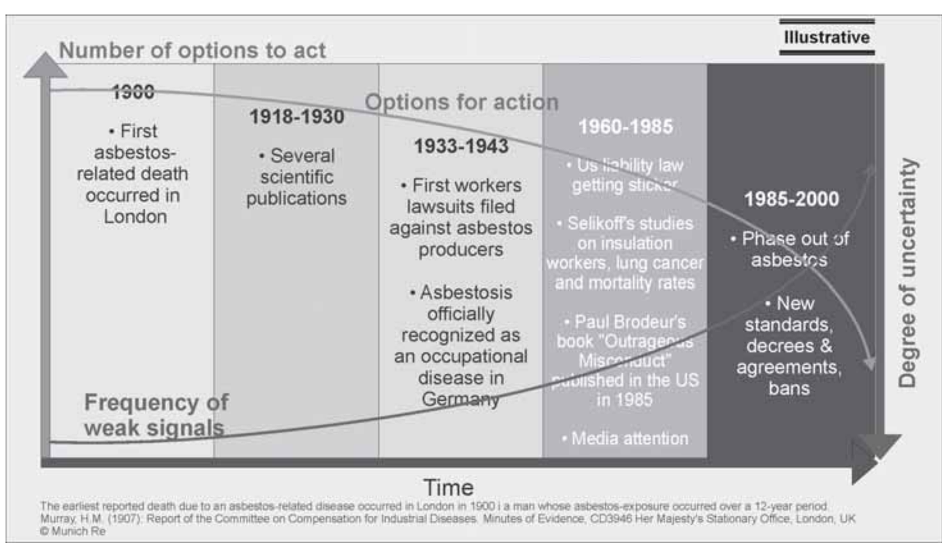
Step 4: Management of emerging risks

Risk management within insurance companies is no longer in a role of the finger-wagging minder. It is developing to an active, entrepreneurial-minded business enabler. To manage emerging risks one has to select ambitious measures appropriate for the phase of development of an emerging risk. With respect to underwriting one can develop adequate wordings, guidelines, limits, budgets and accumulation control. By active diversification of risks and portfolio optimization the accumulation potential of an emerging risk can be reduced. Innovative instruments, like hedging or Cat Bonds help to mitigate an emerging risk. Finally, identify and develop new business solutions as a response to an emerging risk. This opens up new ways of transforming risks into profit-oriented business opportunities, or in other words: turning risk into value.

To manage emerging risks one has to select ambitious measures appropriate for the phase of development of an emerging risk.

Step 5: Monitoring

Because emerging risks are by definition still in a development phase regular monitoring is indispensable. Changes in the legal environment could for example increase the relevance of an emerging risk. Step 2 and the following process steps will have to be re-visited.



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प्रकाशक का संदेश

कुछ वित्तिय सेवाओं की सफलता के लिए मध्यवर्ति महत्वपूर्ण भूमिका अदा करते हैं। साधारणतः विश्व बाजारो में और विशेष रूप से विकासशील बाजारो में बीमा सदैव ही वितरक की कुशलता पर निर्भर रहा हैं। भारत में ऐतिहासिक रूप से वह एजेंट था जो न केवल व्यापार इकठ्ठा करने के लिए उत्तर दायी था वरना जो भी सूचना उसके पास होती थी वह प्रदान करता था इस प्रक्रिया ने देश के दूर दराज के इलाकों में भी बीमा के विकास में बडा योगदान दिया।

उदारिकरण के परिदृष्य के बाद हमने वितरण के नए चैनल जैसे बैक इंशुरेंस, ब्रोकर निगमित एजेंट इत्यादि को देखा है जो बढ़ते हुए अपनी शक्ति को भारतीय परिदृष्य में मजबूत कर रहे हैं। विशेष रूप से निगमित ग्राहक के लिए मध्यवर्तियों की भूमिका केवल ग्राहक की बीमा आवश्यकताओं को जानने से कही अधिक बढ़ गई हैं। यह आवश्यकता है कि वह जिन विभिन्न जोखिमों से सामना करते है उनका मूल्यांकन किया जाए तथा सम्पूर्ण जोखिम प्रबन्ध पैकेज पर कार्य किया जाए। यह जानकार हर्ष होता है कि भारतीय बीमा उद्योग में यह कारक दिखाई देते है। ब्रोकर की भूमिका भी इस संबन्ध में बहुत महत्व रखती है साथ ही निगमित एजेंट शक्ति से अपने विकास को मजबूज कर रहे हैं। उस पहूँच को जानते हुए जो उनके विस्तृत ग्राहकों को चाहिये। व्यवसाय के व्यक्तीगत क्षेत्र मे, फिर भी एक प्रत्यक्ष समझोते की आवश्यकता पहले से ही भावी रूप से है। वैसे साधारण जनता की बीमा सम्बन्धित जागरूकता स्तर बढ़ रहा हैं भारतीय बीमा उद्योग अभी भी उस दर्जे पर नही पहूँचा है जहाँ साधारण जनता अपनी बीमा आवश्यकताओं को पुरा कर सके और अपने पोर्टफोलियों की योजना स्वयं बना सके। इस सम्बन्ध में इसकी प्रशंसा करनी होगी वितरक का विस्तृत पैशेवर होना चाहिये न की किसी बीमा सेल्स व्यक्ति। ऐसी स्वस्थ स्थिति उस सूचना के निर्णय की तरफ ले जायेगी जो बदले में उच्च बीमा प्राप्ति को जारी रखने मे सक्षम होगी विशेष रूप से जीवन बीमा के मामले में।

जर्नल के इस अंक के केन्द्र बिंदू में "बीमा मध्यवर्तियों कि भूमिका" है। उदारिकरण के बाद के परिपेक्षा मे एक महत्वपूर्ण कारक बीमा समझौतों में राइडर्स को प्रस्तुत करना है जो प्रत्येक ग्राहक की आवश्यकता के अनुसार बीमा पालसी खरीदने को समाविष्ट करता है। जर्नल के अगले अंक का केन्द्र बिंदु "बीमा पालसियों मे राइडर" होगा।

जे. हरि नारायण
अध्यक्ष

दृष्टि कोण

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क्योंकी वित्तिय समुदाय इतना आन्तरिक रूप से जुडा हुआ है विश्व भर में पालसीधारक के हितों का संरक्षण करने के लिए वित्तिय पर्यवेक्षण को निकटता से सहकार करना होगा।

श्री माइकेल फ्लेमी

आई ए आई एस, अध्यक्ष कार्यकारी समिति

वित्तिय संकट के समय सभी के मस्तिष्क में एक प्रश्न आता है कि किस पर इल्जाम लगाया जाए? क्या गलत हुआ? इसे ठीक करने के लिए क्या किया जाए? और यह ठीक भी है।

श्री सैंडी प्रैगर

एन ए आई सी, अध्यक्ष तथा कानसास बीमा कमीशनर

बाजार के गिरने के कारणों को समझना नाजूक है, बाजार सहभागियों को इस तरफ केन्द्रित होना चाहिये की बाजार में निर्भरता के लिए तथा संगठनों को आगे बढाने के लिए क्या कार्यवाही की जाए।

श्री जान सी दुगन

अध्यक्ष संयुक्त फोरम, बैकिंग पर्वक्षण पर ब्रेसेल समिति

आर्थिक एकांगिपन के दिन समाप्त हो गए है - यदि वह कभी होते थे - और हम सब इससे प्रभावित होते है छोटे या बड़े रूप में जो बाहर तक विस्तृत है कई बार ऐसे भी जिसको सोचा नहीं जा सकता।

श्री डेविड रश

महा प्रबंधक, पोलिसी विकास, प्रुडेंशल प्राधिकरण

यह बहुत महत्वपूर्ण है सबके लिए विशेष रूप से ए आई जी बीमा कंपनियों के पालसीधारकों के लिए, यह समक्षे की बीमा कंपनिया, जिनका विनियमन न्यूयार्क तथा अन्य राज्यों से होता है वे सोल्वेंट है तथा उनके पास पालसीधारकों के दावे देने के लिए धनराशि है।

श्री एरिक डिनलो

न्यूयार्क राज्य बीमा पर्यवेक्षण

कई वरिष्ठों ने कठिन कार्य कर जीवन की बचत को इकट्ठा किया है। क्योंकी वृद्ध लोग निवेशक के रूप से सबसे अधिक संख्या से बढ रहे है वह कई वित्तिय सेवा संस्थानों के मार्केटिंग तथा सेल्स गतिविधियों के केन्द्र बिन्दु है।

श्री सिएन डिल्वेग

विसकोनसिन बीमा कमीशनर तथा अध्यक्ष एन ए आई सी वरिष्ठ मामले टास्क फोर्स

"

बीमा विनियामक और विकास प्राधिकरण अधिनियमः 1999

- पिछले अंक से जारी

अध्याय VI

विविध

18. केन्द्रीय सरकार को मार्गदर्शन जारी करने के अधिकारः

(1) प्राधिकरण इस अधिनियम के अन्तर्गत अपने अधिकारों के उपयोग एवं कार्यों के निष्पादन में तकनीकी एवं प्रशासनिक मामलों को छोड़कर, समस-समय पर केन्द्रीय सरकार द्वारा दिये नितिगत निर्देशों का पालन करेंगी।

लेकिन जहाँ तक संभव हो इस प्रकार के निर्देशों को देने से पहले प्राधिकरण के विचार भी जान लेने चाहिये।

(2) मामला चाहे निति संबन्ध है अथवा नहीं केन्द्रीय सरकार का निर्णय अन्तिम होगा।

19. केन्द्रीय सरकार का प्राधिकरण के अधिक्रमण का अधिकार

(1) किसी भी समय यदि केन्द्रीय सरकार का यह अनुमान है किः

(क) परिस्थितियों के प्राधिकरण के नियन्त्रण के बाहर होने के कारण यह अधिनियम द्वारा अथवा उसके प्रावधानों के अन्तर्गत सौंपे कार्यों अथवा कर्तव्यों का पालन करने में असमर्थ है, अथवा

(ख) इस अधिनियम के अन्तर्गत प्राधिकरण सतत रूप से किसी निदेश को जोकी केन्द्रीय सरकार ने अधिनियम के अन्तर्गत प्रदान की है को लागु करने में चूक करती है अथवा अपने कार्य का निष्पादन करने में अथवा कर्तव्यों के कार्य संपादन के लिए जो कि इस अधिनियमों के प्रावधानों से मिला है तथा ऐसी वित्तिय स्थिति तथा ऐसी कठिनाईयों के परिणामस्वरूप अभाव में प्राप्त की गई वित्तिय स्थिति अथवा प्राधिकरण के प्रशासन पीडित होता है अथवाः

(ग) ऐसी परिस्थितियाँ पूर्ववर्ती होती है जो इस आवश्यक बनाती है कि सार्वजनिक हित में ऐसा किया जाए, केन्द्रीय सरकार अधिसूचना तथा कारण जिन्हें अधिसूचना में स्पष्ट किया गया हो तथा एक व्यक्ति की नियुक्ति बीमा नियन्त्रक की धारा 2 (बी) बीमा अधिनियम 1938 का 4 कर सकती है।

मामला चाहे निति संबन्ध है अथवा नहीं केन्द्रीय सरकार का निर्णय अन्तिम होगा।

परन्तु ऐसी किसी अधिसूचना को जारी करने से पहले केन्द्रीय सरकार एक युक्ति संगत अवसर प्राधिकरण को प्रतिवेदन देने के लिए देगी, यदि कोई हो, प्राधिकरण के द्वारा।

(2) प्राधिकरण द्वारा सह-धारा (1) के अन्तर्गत अधिसूचना जारी करने पर अधिक्रमण करने से पहले

(ए) अध्यक्ष तथा अन्य सदस्य, अधिक्रमण की दिनांक से अपने कार्यालय को खाली करेंगे।

(बी) सभी शक्तियाँ, कार्य, तथा कर्तव्य, जो हो अथवा अधिनियम के प्रावधान के अनुसार प्रयोग की जायेगी अथवा प्राधिकार द्वारा या उसके नाम पर, जब तक की प्राधिकरण का पुनर्गठन सह-धारा (3) के अनुसार नहीं होता का प्रयोग बीमा नियन्त्रक द्वारा वहन किया जायेगा।

(सी) प्राधिकरण द्वारा सभी संपत्तियाँ स्वामित्व तथा नियन्त्रण में, जब तक की प्राधिकरण का पुनर्गठन सह-धारा (3) के

अनुसार नहीं होता। केन्द्रीय सरकार के पास रहेगी।

(3) प्राधिकरण अधिक्रमण की अवधि को अथवा उससे पहले जिसे अधिसूचना में जिसे सह-धारा (3) में विर्निदिष्ट किया गया है, केन्द्रीय सरकार प्राधिकरण के नये अध्यक्ष तथा अन्य सदस्यों की नियुक्ति द्वारा प्राधिकार का पुनर्गठन करेगी और ऐसे मामले में जिस व्यक्ति ने धारा (ए) के अन्तर्गत सह-धारा (2) द्वारा कार्यालय रिक्त किया हो वह पुर्ननियुक्ति के लिए योग्य नहीं होगा।

(4) सह-धारा (1) के अन्तर्गत प्राप्त अधिसूचना की एक प्रति केन्द्रीय सरकार तथा किसी कार्यवाही की पुर्ण रिपोर्ट जल्द संसद के पटल पर रखेगी।

20 केन्द्रीय सरकार को विवरणी इत्यादि देना

(1) प्राधिकरण केन्द्रीय सरकार को ऐसे समय में तथा इस प्रकार से जैसा की बताया गया है अथवा केन्द्रीय सरकार निर्देशित करती है ऐसे आँकड़े और विवरण प्रस्तुत करने के लिए तथा अन्य विवरण जिसका सम्बन्ध किसी प्रस्तावित से है अथवा पूर्ववर्ती कार्यक्रम जिसका सम्बन्ध बीमा उद्योग के प्रोत्साहन तथा विकास से है जिसकी आवश्यकता समय समय पर केन्द्रीय सरकार को होगी।

(2) सह-धारा (1) से बिना पूर्वाग्रह प्राधिकरण वित्तिय वर्ष समाप्त होने के 1 माह के भीतर, केन्द्रीय सरकार को एक रिपोर्ट सत्य तथा पूर्ण लेखा अपनी गतिविधियों का जिसमें बीमा व्यवसाय का विकास तथा प्रोत्साहन पिछले वर्ष के लिए शामिल है का विवरण दिया जाए।

केन्द्रीय सरकार एक अधिसूचना द्वारा नियम बना सकती है जिससे इस अधिनियम के प्रावधानों को लागु किया जा सके।

(3) सह-धारा (2) के अन्तर्गत प्राप्त की गई रिपोर्ट की प्रतिलिपि जैसा ही वह प्राप्त होगी संसद के प्रत्येक सदन के पटल पर प्रस्तुत की जायेगी।

21 अध्यक्ष, सदस्य, अधिकारी तथा प्राधिकरण के अन्य अधिकारी सार्वजनिक सेवकः- अध्यक्ष, सदस्य, अधिकारी तथा प्राधिकरण के अन्य कर्मचारी सम माने जायेंगे जब वह अधिनियम के प्रयोजन के लिए कार्य करेंगे, जोकि भारतीय दंड संहिता (1860 का 45) धारा 21 के अन्तर्गत माना जायेगा।

22. परम् सद्भाव में की गई कारवाई को संरक्षण - कोई मुकदमा, कार्यवाही, अथवा वैधानिक कार्यवाही किसी केन्द्रीय सरकार अथवा केन्द्रीय सरकार के कर्मचारी अथवा कोई सदस्य, प्राधिकरण के अधिकारी, अथवा कर्मचारी पर नहीं होगी यदि परम् सद्भाव में की गई कारवाई अथवा ऐसा करने की नियत इस अधिनियम के अनुसार अथवा इसके अन्तर्गत बनाये गये नियमों तथा विनियमों के अनुसार होः-

परंतु इस अधिनियम में कुछ भी छूट नहीं देता किसी व्यक्ति को किसी मुकदमे अथवा अन्य क्रियाविधि जो अधिनियम के अतिरिक्त उसके विरूद्ध किया जाए।

23. शक्तियों का प्रत्यायोजित

(1) प्राधिकरण लिखित रूप में साधारण अथवा विशेष आदेश द्वारा अध्यक्ष को प्रत्यायोजित कर सकती है अथवा अन्य कोई सदस्य अथवा प्राधिकरण का कार्यालय उन शर्तों के साथ, यदि कोई हो, जो कि आदेश में विनिर्दिष्ट की जाए ऐसी शक्तियाँ तथा कार्य जो इस अधिनियम के हैं जोकि आवश्यक समझे जाए।

(2) प्राधिकरण लिखित रूप में साधारण अथवा विशेष आदेश द्वारा सदस्यों की समिति का गठन करेगी और उनको प्राधिकरण के शक्तियाँ तथा कार्य प्रत्यायोजित करेगी जैसा की प्राधिकरण के विनियमों में विर्निदिष्ट किया गया है।

24. नियम बनाने की शक्तियाँ

(1) केन्द्रीय सरकार एक अधिसूचना द्वारा नियम बना सकती है जिससे इस अधिनियम के प्रावधानों को लागु किया जा सके।

(2) विशिष्ट रूप से, तथा साधारण रूप से शक्तियों को छोडते हुए बिना पूर्वग्रह उत्पन्न किये ऐसे नियम सभी के लिए तथा अधोलिखित मामलों मे लागु होंगे मुख्यतः

(ए) सह-धारा (1) धारा 7 के अन्तर्गत वेतन तथा भत्ते देय होगे, तथा अन्य सेवा शर्तें,

सदस्यों के लिए, अंश कालिक सदस्यों को छोडकर।

(बी)सह-धारा (2) धारा 7 के अन्तर्गत अंश कालिक सदस्यों को दिये जाने वाले भत्ते

(सी)भाग 14 धारा 7 सह-धारा (2) वाक्यांश (क्यू) के अन्तर्गत प्राधिकरण द्वारा प्रयोग की गई शक्तियाँ।

(डी) धारा 17 की उपधारा (1) के अन्तर्गत प्राधिकरण द्वारा वार्षिक लेखा के लिए बनाए रखने वाले फार्म।

(ई) धारा 20 की उपधारा (1) के अन्तर्गत फार्म तथा किस समय में जिसके अन्तर्गत विवरणिया तथा केन्द्रीय सरकार को भेजे जाने हैं।

(एफ) धारा 25 की उपधारा (5) के अन्तर्गत मामले जिसमें बीमा सलाहकार समिति प्राधिकरण को सलाह प्रदान करती है।

(जी) अन्य कोई मामला जिसके लिए आवश्यकता है अथवा हो सकती है वर्णित हो, अथवा उसके सम्बन्ध में प्रावधान नियमों के अन्तर्गत बनाये गये।

25. बीमा सलाहकार समिति की स्थापन

(1) प्राधिकरण, अधिसूचना के द्वारा एक समिति का गठन करेगी जिसे बीमा सलाहकार समिति के नाम से जाना जायेगा, जो उसके अनुसार ही प्रभावी होगा।

(2) बीमा सलाहकार समिति 25 सदस्यों से अधिक नहीं होगी जिसमें पदेन सदस्य शामिल नहीं है। जो व्यापार, उद्योग, परिवहन, कृषि, उपभेक्ता मामले, सर्वेयर, ऐजेंट, मध्यवर्ति, संगठन जो सुरक्षा तथा हानि नियन्त्रण में लगे है, अनुसंधान संस्थाएँ तथा बीमा उद्योग के कर्मचारी संगठन का प्रतिनिधित्व करते हो।

(3) बीमा सलाहकार समिति के लिए प्राधिकरण के अध्यक्ष तथा सदस्य क्रमशः पदेन अध्यक्ष तथा पदेन सदस्य होगे।

(4) बीमा सलाहकार समिति का उद्देश्य धारा 26 के अन्तर्गत विनियमन बनाने में प्राधिकरण को परामर्श देना है।

(5) सह-धरा (4) के प्रावधानों के बिना पूर्वाग्रह के बीमा सलाहकार समिति, प्राधिकरण को परामर्श दे सकती है ऐसी सभी मामलों में जो नीयत किये जाए।

26. विनियमन प्रनाने कि शक्तियाँ

(1) प्राधिकरण बीमा सलाहकार समिति से परामर्श लेते हुए, अधिनियम के समनुरूप तथा उसके नियमों के अन्तर्गत जो कि इस अधिनियम के प्रायोजन के लिए जरूरी हो की अधिसूचना जारी कर सकती है तथा विनियमन बना सकती है

इस अधिनियम के अन्तर्गत बनाया गया कोई भी नियम अथवा विनियमन जैसे ही उसे बनाया जाता है संसद के दोनों सदनों के पटल पर प्रस्तुत किया जायेगा।

(2) विशेष रूप से, तथा बिना पूर्वाग्रह तथा साधारणतः पूर्ववर्ती शक्तियों के, ऐसे विनियमन निम्न लिखित सभी के लिए अथवा किसी के लिए उपलब्ध करवायेंगे मुख्यतः-

(ए) प्राधिकरण की बैठक के समय तथा स्थान तथा उसमें अपनाये जाने वाली प्रक्रिया जिसमें शामिल है कोरम, व्यवसाय को धारा 10 की सह-धारा (1) के अन्तर्गत संव्यवहार करने के लिए।

(बी) धारा 10 की सह-धारा (4) के अन्तर्गत बैठकों का संव्यवहार करने के लिए।

(सी) धारा 12 की सह-धारा (2) के अन्तर्गत प्राधिकरण के अधिकारियों तथा अन्य कर्मचारीयों तथा अधिकारीयों की सेवा की तथा अन्य शर्ते।

(डी) धारा 23 की सह धारा (2) के अन्तर्गत समिति के सदस्यों को निहित की गई शक्तियाँ।

(ई) कोई अन्य मामला जिसकी आवश्यकता हो, अन्यथा, विनियमन में विर्निदिष्ट हो अथवा इस सम्बन्ध में बनाये जाने वाले विनियमों के प्रावधन प्राप्त हैं।

27. नियम तथा विनियम जिन्हें संसद के समक्ष रखा जाना है :- इस अधिनियम के अन्तर्गत बनाया गया कोई भी नियम अथवा विनियमन जैसे ही उसे बनाया जाता है संसद के दोनों सादनों के पटल पर प्रस्तुत किया जायेगा, जबकि

संसद के सत्र जारी हो, 30 दिनों के अवधि के लिए जोकि समाविष्ट होगा एक अधिवेशन अथवा अनुक्रमिक अधिवेशन में तथा यदि अधिवेशन समाप्ति के बाद तुरन्त अधिवेशन समाप्त होने पर सदन इस पर सहमत होता है कि नियम विनियमन न बनाये जाये तो उसके बाद इन नियमों विनियमों का परिवर्तित रूप से या बिना प्रभाव के होगा जैसा भी मामला हो, इसलिए कोई भी ऐसा परिवर्तन अथवा बिना पुर्वग्रह के बाधित होगा जो कुछ भी पहले किया गया हो नियमों तथ विनियमों के अन्तर्गत।

28. उन अधिनियमों को लागु किया जाना जो कालातीत नहीं हुए है:- इन अधिनियमों के प्रावधान उन अन्य अधिनियमों के अतिरिक्त तथा असंगत नहीं होगे जो उस समय लागू होंगे।

29. कठिनाईयों को दूर करने की शक्तियाँ

(1) यदि इस अधिनियम के प्रावधनों को प्रभावशाली बनाने में कोई कठिनाई आती है, केन्द्रीय सरकार आदेश द्वारा एक राजपत्र प्रकाशित कर सकती है, वह प्रावधन बना सकती है जो इस अधिनियम के असंगत नही होगे जो उन कठिनाईयों को दूर करने के लिए आवश्यक समझे जाये।

यदि इस अधिनियम के प्रावधानों को प्रभावशाली बनाने में कोई कठिनाई आती है, केन्द्रीय सरकार आदेश द्वारा एक राजपत्र प्रकाशित कर सकती है।

(2) इस अनुच्छेद के अन्तर्गत बनाये गये सभी आदेश को बनाने के बाद संसद के दोनों सादनों के पटल पर रखना होगा।

30 अधिनियम 1938 के 4 में संशोधन - जीवन बीमा अधिनियम 1938 में संशोधन पहली अनुसूची में विनिर्दिष्ट के अनुसार होगा।

31 अधिनियम 1956 के 31 में संशोधन - भारतीय जीवन बीमा निगम अधिनियम 1956 में संशोधन दूसरी अनुसूची में विर्निदिष्ट के अनुसार होगा।

32 अधिनियम 1972 के 57 में संशोधन - साधारण बीमा व्यवसाय (राष्ट्रीयकरण) अधिनियम 1972 में संशोधन तीसरी अनुसूची में विर्निदिष्ट के अनुसार होगा।

प्राकृतिक संकट तथा आप का घर विशेषत: भूकंप के संदर्भ में

यह लेख भूकम्प आयोग (अर्थक्वेक कमीशन) के संबन्ध में तैया किया गया है, जो कि एक ऐसी सरकारी एजेंसी है जो घरेलू जायदादों के लिए प्राकृतिक खतरों के बीमे की प्रदाता तथा प्राकृतिक संकट फण्ड (नैचुरल डिजास्टर फण्ड) का प्रबंधक है। - सुनीता भाटि

हमारी भूमि में भारी वर्षा, नदी, घाटियाँ और मैदान, खडी पहाडी चट्टानें तथा पर्वत, प्रचण्ड हवाएं तथ एक भयंकर समुद्रों से घिरा एक लम्बा समुद्रतट भी शामिल है। इनके कारण भूस्खलन, बाढ, तूफान तथा कटाव जैसे अन्य खतरे भी आते रहते हैं।

अधिकतर लोग यह जानना चाहते हैं कि किसी विशेष प्रकार के घर को किसी खास इलाके में खरीदने से क्या प्राकृतिक संकटों के खतरों को कम किया जा सकता है।

हॉलाकि इसका कोई साधारण उत्तर नहीं है, सबसे पहले यह जानना जरूरी है कि प्राकृतिक संकट न्यूजीलैण्ड के लिए नए नहीं है। न्यूजीलैंडवासी अपने आप और अपनी इमारतों को इसप्रकार के संकटों के लिए बहुत ही लम्बे समय से तैयार करते आ रहे हैं।

आप जब खरीदने के लिए मकान देखना शुरू करते हैं तो सलाह अवश्य लें। सिटी तथा डिस्ट्रिक्ट काउंसिले इसमें सहायता कर सकती है। जैसे कि लैण्ड इन्फोर्मेशन मैमोरेन्डम (लिमा रिपोर्ट) देकर। इनसे आपको जायदाद के बारे में उपयोगी जानकारी मिल सकती है जैसाकि, यह जियोथर्मल जोन में है या नहीं या फिर किसी समय बाद द्वारा इसको कोई हामि पहुँच चुकी है या नहीं। संभव है आपको जो जानकारी चाहिए वह सारी इन रिपोर्टों में न दी गई हो।

आपका वकील आपको इस बारे में सलाह दे सकता है कि आप जो जायदाद खरीदना चाहते हैं यही खरीदें इसके लिए आपको क्या करना चाहिए? वह आपको इंजीनियर की रिपोर्ट के लिए सलाह दे सकते हैं। इन मुद्दों को बिक्री की शर्त बनाया जा सकता है।

1942 के वैलिंगटन और वायरापा के भूकम्प से सैकडों इमारतों का विनाश या बडे पैमाने पर नुकसान हुआ था तथा अनेकों इमारतें सालों तक बिना मरम्मत के पडी रही थी, ज्यादतर इसका कारण था कि लोगों के पास पर्याप्त बीमा नहीं था। इसलिए सरकार ने एफोर्ड किया जा सकने वाला बीमा प्रदान करने के लिए उस समय भूकम्प और युद्ध क्षाति आयोग (अर्थक्वेक एण्ड वार डैमेज कमीशन) के नाम से प्रचलित संस्था की स्थापना की। बाद में, अन्य प्राकृतिक संकट सम्मिलित किए गए और युद्ध क्षाति कवर को हटा दिया गया।

> **जब मकान-मालिक अपनी जायदाद और सामान के लिए साधारण बीमा करवाते हैं तो वे EQC के बीमें के कवर को प्राप्त करने के लिए थोडीसी राशी अनिवार्य लेवी के रूप में अदा करते हैं।**

EQC आजकल भूकम्प, भू-स्खलन, ज्वालामुखीय विस्फोट, सूनामी तथा हाइड्रोथर्मल गतिविधि को कवर करता है।

इस योजना का उद्देश्य है संकट के बाद न्यूजीलैंड वासियों का जितना हो सके उतना जल्दी अपने घरों या नए घरों में जाने में मदद करना।

जब मकान-मालिक अपनी जायदाद और सामान के लिए साधरण बीमा करवाते हैं तो वे EQC के बीमें के कवर को प्राप्त करने के लिए थोडीसी राशि अनिवार्य लेवी के रूप में अदा करते हैं। ये लेवियाँ प्राकृतिक संकट फण्ड के रूप मे एकत्र हो गई हैं जो कि अब पचास खरब (पाँच विलियन) की राशि से ऊपर पहुँच चुका है। इसके अतिरिक्त EQC के पास बहु-खरब डॉलर (मल्टी-मिलियन डॉलर) का पुनर्बीमे का वकर तथा किसी भी प्रकार की कमी को पूरा करने की सरकारी गारंटी भी है। EQC घर के लिए 100,000 डालर + जीएसटी तथा सामान के लिए 200,000 डालर + जीएसटी तक की राशि का बीमा प्रदान करता है। कुछ कवर जिस जमीन पर मकान बाना हुआ है उसके लिए भी प्राप्त है। वर्तमान मकानों की कीमतों को देखतें हुए हो सकता है यह राशि अधिक नहीं दिखाई दे, अधिकतर रूप से मकान को होने वाला नुकसान आंशिक ही होता है तथा मरम्मत की कीमत इन सीमाओं के भीतर ही होती हैं।

ज्यादातर पुराने मकान बहुत अच्छे मापदण्डों के अनुसार बनाए गए थे तथा उनमें से कई मकानों को और भी ऊँचे मापदण्डों के अनुसार अपग्रेड किया गया है।

अनेक प्राइवेट बीमाकर्ता EQC की सीमा सें अधिक हामि का कवर प्रदान हैं। इसे टॉप-अप कवर के नाम से जाना जाता है तथा यह जरूरी हे कि आप इस बात की जाँच कर लें कि यह आपके प्राइवेट बीमाकर्ता द्वारा ऑटोमैटिक रूप से दिया जाता है या आपको इसका प्रबंध करना पडता है।

सौभग्य से, न्यूजीलैण्ड में EQC के स्थापित होने के बाद से अपेक्षाकृत शान्त भूकम्प समय रहा है। फिर भी, 1997-2000 के समय के दौरान भूकम्प से हुई हामि के 18,000 दावे थे, कमीशन के लिए जिसकी लागत 33.7 मिलियन डालर थी।

भू-स्खलन प्रायः होते ही रहते हैं तथा EQC के पास उसी समय के दौरान 13,000 दावे किए गए थे, जिसकी लागत उनके लिए 132.3 मिलियन डालर थी।

गृह-निवासियों के लिए केवल यह ही जरूरी नहीं है कि वे केवल इस बात की ही चिन्ता करें कि उनके पास प्राकृतिक संकटो के विरूद्ध उचित बीमा कवर है या नहीं। उनके लिए अपने इलाके में प्रस्तुत खतरों के बारे में जानना तथा संकट के लिए तैयार रहना जरूरी है।

तैयारी के लिए निम्न लिखित शामिल है।

- आपतकाल उत्तरजीवन पेटी (सरवायकल किट) तथा प्रस्थान के समय साथ ले जाने की पेटी (गेटअवे किट)
- घर की नीवों तथा ढांचों की जाँच करना।
- पानी के सिलिंडरों, ऊँचे फर्नीचरों को पीछे से बांध कर रखें।
- चिमनियों तथा निर्भुक्त रूप से खड़े अग्निस्थलों (फायर प्लेसिज) को सुरक्षित करें।
- इस बात की जाँच करें कि ढलान स्थल तथा रुकाव करने वाली दीवारें (स्लोप्स एण्ड रिटेनिंग वॉल्स) टिकाऊँ हैं।

(जरूरत पड़ने पर विशेषज्ञ की सलाह और सहायता लें)

न्यूजीलैण्ड का कई सालों का प्राकृतिक संकटों का अनुभव उच्च भवन निर्माण मापदण्डों के रूप में अभिव्यक्त किया गया है। न्यूजीलैण्ड की इमारतें दुनिया की सबसे सुरक्षित इमारतों में से हैं।

1975 से लकडी के फ्रेम वाले मकान NZS3604 मापदण्ड के अन्तर्गत बनाए गए थे तथा भूकम्प के दौरान ये काफी टिकाऊ हो सकते हैं। 1985 के बाद से कान्कीट मेसनरी से बने मकान भी उसी मापदण्ड के बराबर बनाए गए थे NZS4229.

आर्किटेक्ट द्वारा डिजाइन किए गए मकान जो NZS3604 की सीमा से बाहर जाते हैं। उनके पास स्ट्रक्चरल इंजीनियर का प्रोडक्ट स्टेटमेंट होता हैं जो मकान के इंजीनियर द्वारा किए गए हिस्से पर लागू होता है, जिसका अर्थ है कि इसका डिजाइन उपयुक्त निर्माण मापदण्डों के अनुसार किया गया हैं।

ज्यादातर पुराने मकान बहुत अच्छे मापदण्डों के अनुसार बनाए गए थे तथा उनमें से कई मकानों को और भी ऊँचे मापदंडों के अनुसार अपग्रेड किया गया है। कुछ में रिमिडियल काम की जरूरत हो सकती है। अगर आपको इस बारे में कोई संदेह हो तो बिल्डींग निरीक्षण सेवाओं से सलाह लें। यह जरूरी है कि निर्माण की नीव तथा इन नीवों से भवन जिस प्रकार से जुडा हुआ है वे मजबूत तथा सुरक्षित हैं। पुराने मकानों में इसकी जाँच करा लेना फायदेमन्द होगा।

बिल्डिंग रिसर्च एसोशिएशन ऑफ न्यूजीलैण्ड लिमिटेड (BRANZ) के पास स्वीकृत सलाहकारों का समूह है जिन्हें इस उद्देश्य के लिए प्रतिबंधित किया जा सकता है। इनकी सूची BRANZ Ltd. की (www.branz.co.nz) वेबसाईट पर उपलब्ध है। आप की फोन पुस्तिका के पीले पृष्ठों में भी भवन निरीक्षण (बिल्डिंग इन्सपैक्शन) सेवाओं की सूची दी गई है।

आपको यह भरोसा होना चाहिए कि बहुत ही गंभीर भूकम्प में भी किसी भी घर के ताश कें पत्तों की तरह ढह जाने की संभावना बहुत ही कम होती है, हालाकि कुछ हानि होने की संभावना हो सकती है।

यदि आप टॉवर बलॉक या अन्य ऐसी किसी जगह एपार्टमेंट खरीदने जा रहें हैं, तो आप उसी प्रक्रिया का पालन करें जो आप स्वतन्त्र रूप से खडे घरों के लिए करते हैं। यह केवल सावधान रहने और स्वतन्त्र सलाह लेने का सवाल है।

आप यदि समुद्र के नजदीक खरीदने जा रहे हैं, तो यह सुनिश्चित कर लें कि कटाव तथा सूनामी समस्या का कारण नहीं हैं। आप यदि ढलाव के नीचे या ढलाव पर या पहाड़ के किनारे खरीदने जा रहे हैं तो यह सुनिश्चित कर लें कि भू-स्खलन के कारण कोई समस्या नहीं होगी। आप यदि मिचले इलाके या सरिता या नदी के पास खरीदने जा रह रहे हैं तो यह सुनिश्चित कर लें कि बाढ़ के कारण कोई समस्या नहीं होगी। ज्वालामुखीय विस्फोट बहुत ही कम होते हैं परन्तु आप इनके बारे में भी पूछताछ कर सकते हैं। हाईड्रोथर्मल गतिविधि नार्थ आयलैंड के रोटोरूआ और टॉपों जैसे कुछ ज्वालामुखी इलाकों में आम वात है परन्तु आमतौर पर यह गंभीर नहीं होती।

अरबी, चाइनीज, अंग्रेजी, हिन्दी, कोरियन, समोअन तथा टोगन भाषा में अधिक जानकारी के लिए www.eqc.govt.nz वेबसाइट पर जाएं।

अंग्रेजी में अधिक जानकारी के लिए सिविल डिफेन्स (www.civildefence.govt.nz) वेबसाइट पर जाएं।

प्रस्तुति - प्रशा. अधिकारी (हिन्दी) युनाइटेड इंडिया इं.कं.लि. क्षेत्रीय कार्यालय, हैदराबाद।

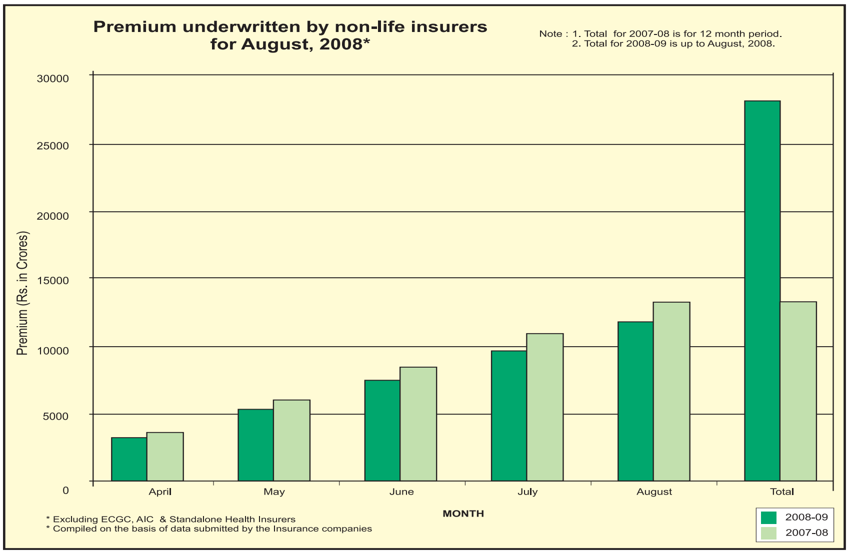
Report Card: General

GROSS PREMIUM UNDERWRITTEN FOR AND UP TO THE MONTH OF AUGUST 2008

(Rs.in Crores)

INSURER	AUGUST		APRIL - AUGUST		GROWTH OVER THE CORRESPONDING PERIOD OF PREVIOUS YEAR
	2008-09	2007-08	2008-09	2007-08	
Royal Sundaram	64.08	48.16	321.95	268.19	20.05
Tata-AIG	69.65	61.01	438.11	359.16	21.98
Reliance General	140.24	154.73	840.22	807.95	3.99
IFFCO-Tokio	89.98	61.51	618.19	458.51	34.83
ICICI-lombard	292.22	301.75	1653.66	1463.75	12.97
Bajaj Allianz	231.08	186.76	1203.38	946.50	27.14
HDFC ERGO General	32.90	26.78	115.28	97.69	18.01
Cholamandalam	49.51	40.74	305.11	226.43	34.75
Future Generali*	14.44	0.00	57.70	0.00	
Universal Sompo #	0.05	0.00	1.06	0.00	
Shriram General @	1.29	0.00	1.53	0.00	
New India	364.58	344.89	2342.82	2196.39	6.67
National $	301.56	295.38	1818.42	1666.71	9.10
United India	339.51	292.55	1776.60	1581.04	12.37
Oriental	314.56	282.90	1751.21	1706.67	2.61
PRIVATE TOTAL	985.45	881.43	5556.20	4628.17	20.05
PUBLIC TOTAL	1320.21	1215.72	7689.05	7150.81	7.53
GRAND TOTAL	2305.66	2097.15	13245.25	11778.98	12.45
SPECIALISED INSTITUTIONS					
Credit Insurance					
ECGC**	59.01	54.52	283.26	258.15	9.73
Health Insurance					
Star Health & Allied Insurance	6.65	2.91	231.25	43.21	435.16
Apollo DKV*	1.62	0.00	9.98	0.00	
Health Total	8.27	2.91	241.23	43.21	458.26
Agriculture Insurance					
AIC	99.76	69.72	213.92	211.36	1.21

Note: Compiled on the basis of data submitted by the Insurance companies
** Commenced operations in November, 2007.*
 # Commenced operations in February, 2008.
@ Commenced operations in July, 2008.
$ Clarification awaited on segment-wise break up for April - June 2008.



The Birla Institute of Management Technology (BIMTECH), Greater Noida organized an Insurance Summit (BIMTECH Insurance Summit-2008) in New Delhi on 26th and 27th September 2008. The summit theme was "Fast Forwarding the Other Half of Financial Inclusion : Accessible Insurance Services for All".

Photograph shows Dr. R. Kannan, Member (Actuary), IRDA delivering the keynote address. Others seen in the picture are (L to R): Ms. Shailaja Iyenger, BIMTECH; Mr. S.B. Mathur, Secretary General, Life Insurance Council; Mr. H. Chaturvedi, Director, BIMTECH; Dr. J.P. Steinmann, GTZ; and Prof. K.K. Krishnan, BIMTECH.

National Insurance Academy, Pune organized C.D. Deshmukh Seminar on Balance Score Card for the Life Insurance Industry in India (Life) on 22nd and 23rd Sept. 2008.

Photogaph shows Mr. G. Prabhakara, Member (Life), IRDA lighting the lamp to mark the inauguration of the seminar. He is flanked by Mr. S.B. Mathur, Secretary General, Life Insurance Council on his right; and Prof. R. Venugopal, NIA on his left.

13 - 15 Oct 2008 Venue: Pune	**Workshop on Microinsurance** By *National Insurance Academy, Pune*
14 - 17 Oct 2008 Venue: Budapest	**IAIS Annual Conference** By *International Association of Insurance Supervisors*
20 - 25 Oct 2008 Venue: Pune	**Programme on Management of Marine Insurance (Hull & Cargo)** By *National Insurance Academy, Pune*
29 Oct - 1 Nov 2008 Venue: Bali International Convention Centre	**15th Indonesia Rendezvous** By *Asosiasi Asuransi Umum Indonesia*
4 - 6 Nov 2008 Venue: Kuwait	**The Fifth Annual Gulf Insurance Forum 2008** By *Gulf Insurance & Reinsurance Companies*
6 - 7 Nov 2008 Venue: Beijing	**5th Asian Conference on Pensions and Retirement Planning** By *Asia Insurance Review, Singapore*
13 - 15 Nov 2008 Venue: Pune	**Programme on Aviation Insurance** By *National Insurance Academy, Pune*
17 - 18 Nov 2008 Venue: Pune	**Seminar on Information Security Risk Management** By *National Insurance Academy, Pune*
24 - 27 Nov 2008 Venue: Hong Kong	**East Asian Insurance Congress** By *EAIC, Japan*
30 Nov - 1 Dec 2008 Venue: United Arab Emirates	**2nd Middle East Healthcare Insurance Conference** By *Asia Insurance Review, Singapore*

RNI No: APBIL/2002/9589

view point

Since the financial community is so inter-inked, financial supervisors must continue to co-operate closely in order to protect policyholders around the world.

Mr Michel Flamée
IAIS Chairman of the Executive Committee

In times of crisis, the first questions on everyone's mind are often: Who's to blame? What went wrong? What should be done to fix it? And rightly so.

Ms Sandy Praeger
NAIC President and Kansas Insurance Commissioner

While it is critical to understand the causes of market turmoil, market participants must also focus on actions to take to increase the resilience of markets and institutions going forward.

Mr John C Dugan
Chair of the Joint Forum, Basel Committee on Banking Supervision

Gone are the days of economic isolation – if they ever existed – and we are all affected to a greater or lesser extent by events overseas, sometimes in ways that seem unexpected.

Mr David Rush
General Manager, Policy Development, Australian Prudential Regulation Authority

It's important for everyone, and especially policyholders in AIG insurance companies, to understand that the insurance companies, which are regulated by New York and other states, are solvent and have the funds to pay any policyholder claims.

Mr Eric Dinallo
New York State Insurance Superintendent

Many seniors have worked hard to accumulate a lifetime of savings. Since older adults are the fastest growing segment of investors, they have become the focus of many financial services firms' marketing and sales activities.

Mr Sean Dilweg
Wisconsin Insurance Commissioner
and Chair of the NAIC Senior Issues Task Force