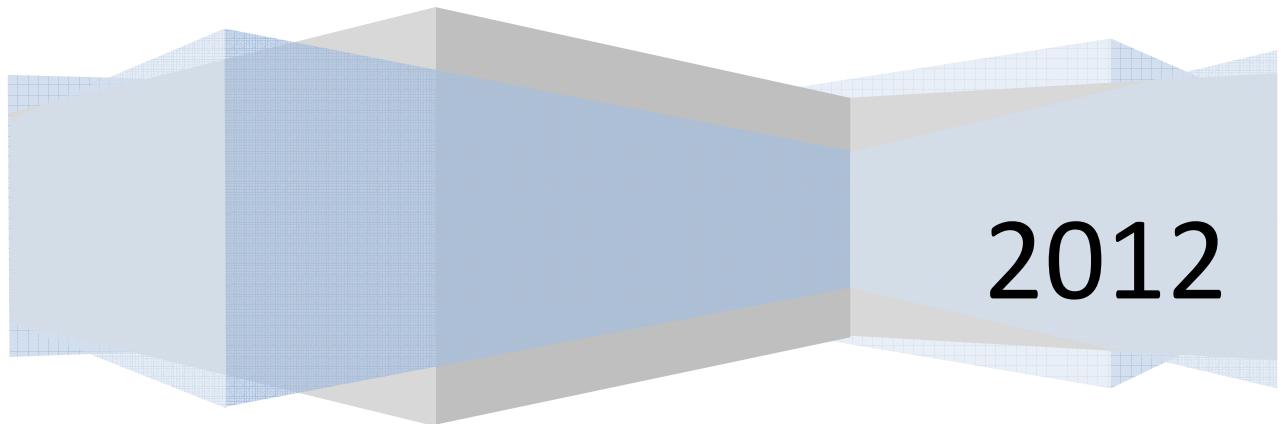


# CHIEF GUEST ADDRESS

57<sup>TH</sup> ANNUAL CONFERENCE AT MUMBAI



DR. RAJAN WELUKAR



## **Introduction to the Chief Guest**

### **Dr. Rajan Welukar, Vice Chancellor, University of Mumbai**

Dr. Rajan Welukar has more than 27 years experience with the Indian Higher Education System as a teacher, development leader, quality innovator, technology adopter, administrator and international policy advisor.

A passion to make a difference to the lives of students and learners through involvement as a policy and opinion leader, as well as actually implementing development initiatives, has made him a known higher educational professional.

Various positions held include: Directorships, Secretarial positions in the Government, Asia wide Head Officer roles, Vice-Chancellorships and Memberships of numerous Committees, Associations and Bodies all across the globe.

Institutions worked with include: Government of Maharashtra, Governor of Maharashtra, Commonwealth Secretariat, Yashwantrao Chavan Maharashtra Open University (YCMOU), University of Mumbai, Sreemati Nathibai Damodar Thackersey (SNDT) Women's University, National Assessment and Accreditation Council (NAAC) and various educational institutions. Countries visited in various roles include – USA, UK, Canada, Germany, Netherlands, China, Malaysia, Indonesia, Thailand and New Zealand.

As the future unfolds Dr. Welukar's unwavering vision is to use technology and communication infrastructure to bring education and learning to the world as one! Solving the classical conundrum of access, equity, quality and accountability while maximizing learner reach in the emerging world of anywhere, anyplace, anytime existence, is a challenge he thrives on.

***Theme : Ensure to Insure... and Insure to Ensure...***

Respected Shri S.Sarker, Managing Director, Life Insurance Corporation of India, Shri M. Raghavendra, Dy. Chairman (Board of Education) of Insurance Institute of India, Shri Sharad Shrivastva, Secretary-General of Institute of India, Shri P.K. Rath, Director of College of Insurance, Shri R.M. Solanki, President of Mumbai Insurance Institute, Shri V.R. Thakur, Hon Secretary of Mumbai Insurance Institute, Honorary Secretary & Council Members of Associated Institutes from all over India and esteemed members of the audience,

It is indeed a matter of great joy and also an honour for me to present my thoughts to this august gathering on the occasion of the 57<sup>th</sup> Annual Conference of the Insurance Institute of India. While I am most thankful for this invitation, let me also at the outset confess that I am no expert in this field. I am fully aware of the fact that your knowledge and experience in the field is far more rich and extensive. And yet, considering today's need for a true blending of the world of learning and the world of work, I shall try to present before you some thoughts from my perspective i.e. the world of learning. In fact, Learning, Working and Living must be viewed as inextricably bound together for achieving peace, health and happiness.

My basic submission to all of you is, **“Ensure to Insure and Insure to Ensure”**. To put it simply, my message would mean: Make sure to provide a cover or protection against risk and calamity and Cover or Protect to make sure that you have a peaceful, healthy and happy living. This to my mind, is the basic tenet on which the entire field of Insurance rests.

Let me first address the first half of my message: **“Ensure to Insure”**.

Let us look a little more closely at a typical Indian household. The father, typically burdened with the responsibility of being the main breadwinner for the

family must not only earn enough for meeting the day to day living expenses, but must also provide for the probable 'rainy day'. He must make sure (Ensure) that he provides cover (that is, Insure) against vulnerable threats to the physical well-being of his family. Insurance, therefore, according to me should be made mandatory... In a true market economy, the government allows and protects ownership of property and voluntary exchange. I do believe that the government plays an important role as the protector of property rights and individual liberty. Insurance companies, according to me, play the key role in facilitating this process of protection. Health insurance and pension systems are fundamental to protecting individuals against the hazards of life, and India, as the second most populous nation in the world, offers huge potential for that type of cover. Private insurance systems complement the social security systems and add value by matching risk with price.

The Constitution of India is yet to recognise Social Security as a fundamental right. It does require that the State should strive to promote the welfare of the people. A formal social security system presupposes the interventionist role of the State on redistribution grounds. Social security measures are generally income, maintenance measures intended to provide a minimum living to the people when they are deprived of the same due to invalidity, unemployment or old age. The two basic elements of social security are provision of a 'minimum' living to those who are deprived of the same and 'selective redistribution of income' to a target group to reduce inequalities.

While most economic theories assume that resources are known to be limited in quantity, there are no known bounds on the quantity of outputs that are desired. The often quoted problem of *scarcity of resources* essentially means that choices must be made about what goods are produced, how they are to be produced and who will consume them. This situation acts both as the fundamental driving force for economic activity and also indirectly explains why health and health-care can and should be considered like other goods. Scarcity is the fundamental economic problem of having

seemingly unlimited human needs and wants, in a world of limited resources. It states that society has insufficient productive resources to fulfill all human wants and needs.

As we know, Insurance involves pooling of funds from many insured entities or, what are often known as exposures, to pay for losses that some may incur. This gets resolved if we make insurance mandatory where the pool of fund is huge and a fraction of it would result in claims. This would not only lead to low premiums but also provide for social security.

**Insure to Ensure** is the second part of my message to which I would now like to draw attention.

Looking again at the typical Indian household, what really is seen as the role of the mother? Is she not associated with creating an emotionally warm, protected, healthy and happy family environment? While earning a living may not be her most important responsibility, looking after the health and well-being of her children is most certainly viewed as her primary responsibility. How can she discharge this responsibility with greater ease? The obvious answer is that when she feels that the family is covered and protected against likely risks, she can focus on ensuring a kind of family environment that is conducive to the overall development and well-being of her children. Hence, **Insure to Ensure** such a physically and psychologically healthy family setting.

Let me hastily add at this juncture, however, that these roles of the mother and father are social stereotypes still prevalent in most Indian households. I am fully aware of the changing roles of parents in today's times and also occasional, reversed roles too. On this platform as I address you today, I am merely reflecting on the traditional role expectations in most Indian households and not expressing my own views on the matter.

In a sense, in one form or another, we all own insurance. Whether it's auto, medical, or life; insurance serves as an excellent risk-management and wealth-preservation tool. While most of us own insurance, many of us might not be aware when the concept of insurance began.

“In India, insurance has a deep-rooted history. Insurance in various forms has been mentioned in the writings of Manu (Manusmriti), Yagnavalkya (Dharmashastra) and Kautilya (Arthashastra).”

“The fundamental basis of the historical reference to insurance in these ancient Indian texts is the same i.e. pooling of resources that could be re-distributed in times of calamities such as fire, floods, epidemics and famine. The early references to Insurance in these texts have reference also to marine trade loans and carriers' contracts.”

“If we view history of insurance from the global perspective, early methods of transferring or distributing risk were practised by Chinese and Babylonian traders as long ago as the 3rd and 2nd millennia BC, respectively.”

“The Achaemenian monarchs of Ancient Persia were the first to insure their people, and made it official by registering the insuring process in governmental notary offices.”

“A thousand years later, the inhabitants of Rhodes [an island in Greece, located in the eastern Aegean Sea] invented the concept of the **General Average**. Merchants whose goods were being shipped together would pay a proportionally divided premium which would be used to reimburse any merchant whose goods were deliberately jettisoned in order to lighten the ship and save it from total loss.”

If we see the current scenario of the Indian Insurance Sector; “India’s favorable demographics has helped strengthen market penetration. The life insurance

coverage in India is very low, and even those insured are underinsured. There is immense potential for growth as the working population (25–60 years) is expected to increase from 675.8 million to 795.5 million in the next 20 years (2006–2026). The projected per capita GDP is expected to increase from INR 18,280 in FY01 to INR 100,680 in FY26, indicative of rising disposable incomes. The demand for insurance products is thus expected to increase in the light of the increase in purchasing power.”

Based on these observations, what could be the steps ahead?

**To Create a New Business Model:** A maze of challenges must be overcome to penetrate rural markets, including the creation of successful business models in rural insurance. Learnings can be drawn from the much appreciated Rashtriya Swasthya Bima Yojana which is slowly expanding its reach. It has demonstrated an active, cooperative participation between Central Govt, State Govts, private and public insurers, Technology and NGOs/ SHG etc.

**The Three-tier Model is a Better Option:** Given India’s broad division into three segments viz. those living below the poverty line, the middle class and the upper class, it would be better if India followed a three-tier model, since a one-size-fits-all model cannot work well in health insurance. Some learnings could be drawn from ingenious models such as Narayana Hrudalaya. As a forward-looking step, it could also be considered as a way whereby the Government could provide cashless treatment for critical illnesses for all citizens in select hospitals. Such a program could be administered on the lines of ‘health financing cess’.

**It is Important to Reduce Premiums and Collection Costs:** For penetration among the BPL category and rural sections, insurance premiums should be kept low and manageable. Over time, efficiencies can be achieved and costs lowered. The insurance sector could develop similar innovative electronic payment and

reimbursement systems that work in rural areas, taking advantage of the infrastructure that the banking and telecom sectors have put in place.

**Our approach should change from “Patient Cure” to “Preventive Care”:**“Patient cure” policies should be revised to “preventive care” policies. Preventive healthcare could ultimately reduce the cost of insurance operations, including a reduction in claims. Ignoring preventive care only means that the chances of contracting illness requiring hospitalization are thereafter higher.

*To summarise, I would like to say that; “The insurance industry at present is poised at a very critical stage, from where either it can flourish or can witness muted growth. The last decade has been a phase of growth and development. Now is the time for growth, along with stabilization. IRDA(Insurance Regulatory and Development Authority), on its part, is facilitating the expansion of the sector by formulating enabling regulations. However, along with keeping the interests of the customers at the forefront, there is a need to facilitate a favorable environment for distribution intermediaries, which can result in the exponential growth of the sector. The growth potential and opportunities for the Indian insurance industry are vast. In the wake of the improving global financial situation, the industry can and must become a major contributor to the country’s economic growth in the years to come.*

On today’s occasion, I extend my sincere congratulations to the Insurance Institute of India for carrying out this wonderful job of creating future leaders in the Sunrise Sector of Insurance and I once again thank you for this opportunity of sharing my views on this 57<sup>th</sup> Annual Conference. Thank you very much indeed.

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