60 years of Insurance Education & Training

Diamond Jubilee [1955 - 2015]

Insurance Institute of India

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i-Think Monthly Magazine – July 2014

Editorial

During the last many months you have been receiving our monthly e-newsletter of Insurance Institute of India, which is largely an update of happenings at the institute. "i-Think" is an e - magazine we have created to replace the newsletter. This has been done from a belief that you need to be more than just a recipient of news. i–Think is intended to be a platform for exchange of thoughts and views. We hope to evolve, through an engaging process of dialogue and interaction through III's vast network of friends and associates who would partner with the institute in carrying out its twin mandate of spreading the message of insurance far and wide and (of) creating and disseminating knowledge to help in developing the scientific practice of insurance.

The magazine would have a number of segments covering areas like insurance, management and personal development, apart from the regular news and happenings of III. More critically, we would like to carry your thoughts and views in these cyber pages. We invite brief articles [not exceeding 750 words] and other contributions to publish in August 2014 issue that may be of interest to our nearly one lakh readers. These may be sent to journal@iii.org.in on or before 20th August, 2014.

Happy reading.

Editorial team
i-Think

Importance of Month – July

July means Julius Caesar's month. July was added to the year in 46 BC when he altered the Roman calendar and named a month after himself.

Gaius Julius Caesar was the Roman emperor who invaded Britain in 55BC. He was instrumental in changing Rome from a Republic to the militaristic Empire. It was Julius who was assassinated on the Ides of March by Brutus and others.

Dates to remember

July 1st – Doctors Day (National)
July 4th – American Independence Day
July 6th – World Zoonoses Day
July 11th – World Population Day
July 26th – Kargil Victory Day

Some Memorable events of History

Year	Date	Event
1856	23 July	BalGangadharTilak was born (1920)
	25th July	Hindu Widows' Remarriage Act, 1856
1947	July	Indian Independence Act 1947 by British Raj.
1995	July	West Bengal Chief Minister JyotiBasu made the first call from Kolkata to inaugurate the cellular services in India
2002	July	Retired scientist and architect of India's missile programme A.P.J. Abdul Kalam was elected president.
2007	July	PratibhaPatil became first woman to be elected president of India.
2009	July	Delhi court decriminalized gay sex
2012	July	Pranab Mukherjee, the former Finance Minister was elected as the 13th president of India.

Compiled by Mrs. Sneha Pednekar
i-Think Member

Insurance

Forensic Science in Insurance Fraud

The Insurance Sector has now become vast and worldwide. Insurance companies are also increasing rapidly & hence the risk of frauds to an insurance company has also increased. Insurance is meant to protect against risks. Insurance fraud is basically an attempt to exploit an insurance contract. The policy holder may claim to receive extra money by exaggerating a claim.

Simply stated, Insurance Fraud is a victimless Crime where we do not find any proof which is easily visible. To locate/prove the crime against fraud in insurance sometimes we need to take the help of Forensic Science Analysis. We have heard a lot about "Forensic Science" – a word which we must have seen in Crime Investigation Serials or in the news. Nowadays it is also utilized to investigate Insurance Fraud. Insurance companies are now increasingly relying on Forensic Science to help detect fraudulent claims. In *fact, the Directorate of Forensic Science (DFS) has even tied up with ICICI Lombard to train insurance officers to probe frauds the scientific way. The DFS in 2011, alone dealt with 28 cases related to insurance companies & the claims put before them. These types of services are being used by only two insurance companies i.e. ICICI Lombard & Reliance. The fraud may be done in insurance areas of Fire, Motor, Health –Mediclaim, Marine etc.*

Forensic Science is a One Step Shop in which a collection of Scientific Procedures can be employed to provide evidence that a crime has been committed. It also provides ways to help prove how the crime has been committed. The samples like documents, fibres, DNA, Finger Prints, body fluid etc. found at evidence place can be collected & stored without contamination so that it can be used for the Crime Investigation part under Forensic Science Analysis.
The categories of Forensic Science are

1) *Forensic Science*
2) *Forensic Medicine*
3) *Forensic Psychology*
4) *Forensic Dentistry*
5) *Forensic Graphology*
6) *Forensic Accounting*

All the above categories can also be utilized in commercial matters such as insurance investigations, allegations of Fraud/ corruption & providing paternity of an individual in an ongoing investigation relating to child welfare.

Fraud Investigation may be done with respect to Insurance related documents by Policy holder/Issuer. Such type of document analysis is also done by some of the Forensic Science Services- we call it Forensic Insurance Documents Analysis for Fraud Investigation. Forensic Resources provides expert forensic analysis services for insurance firms to identify fraudulent activity in the form of counterfeit documents, handwriting discrepancies or forged documentation. This type of service can help save insurance companies hundreds of thousands of rupees [or dollars or pounds] each year by reducing the number of fraudulent claims paid out to deceptive customers. With insurance fraud growing, it has become increasingly necessary within the insurance industry to pay closer attention to the documentation being submitted for each claim, where fraudsters may see an opportunity to claim for large sums of money which they were not entitled to. Operating across the UK, for instance, Forensic Resources provides insurance companies, and mediating solicitors firms, with a professional insurance document analysis service to help identify fraudulent claims & counterfeit documents.
Forensic science and Fire Insurance

In case of Fire Insurance claims, if the policy holder/ insurer makes a claim for Fire Insurance the methods discussed below can be used under Forensic Science Analysis & Collected samples of proof can be utilized for analysis to prove the Insurance fraud by the Insurer/Policyholder.

Forensic Science has now become a scientific study in its own right & now includes some of the world's most important discoveries as part of its remit.

The investigation will include closely surveying the damaged scene to establish the origin of the fire and eventually establishing the cause. However in order to effectively examine and evaluate a fire scene, it is imperative that the investigator has a detailed Knowledge of the chemistry & behavior of fire and its effects.

Some of the steps which are involved for Investigating Insurance Fraud through Analysis are given below.

**<u>Nature & Chemistry of Fire:</u> Fire occurs due to the exothermic reaction of combustion (burning), producing heat and light. The color appearance of the flame is also observed.*

** <u>Ignition:</u> Ignition will occur when all required conditions to start a fire occur, producing either a smouldering or flaming fire.*

** <u>Smouldering:</u> is a form of flameless combustion which occurs at the surface of the material in cellulosic substances that can form a solid char.*

** <u>Spontaneous Combustion:</u> Spontaneous combustion refers to the sudden ignition of a material without an external ignition source such as a flame or spark.*

** <u>Fire Scene Investigation:</u> To establish the origin of fire or to determine its cause, firstly we need to confirm whether the incident was accidental, natural or deliberate. It is vital to establish the cause to ensure similar events do not occur (in case of natural or accidental) or else allow legal investigation to be conducted (in case of Deliberate Fires).*

Safety: Such fire incident has an increased risk factor with possible hazards including heated materials, structural collapse, damaged electricity debris, asbestos dangerous combustion products & other toxic substances. After declaring the scene is safe all individuals entering the scene should wear protective clothes such as hardhats, fire resistant overalls, steel capped boots, thick gloves in some cases a face mask.

<u>Witnesses:</u>

A most vital role is played by Witnesses in case investigation. The first information must be received from Witnesses who may provide vital clues and information about a fire. Witnesses may be able to provide details of the premises prior to the fire in addition to details of the fire itself, such as suspicious activity or apparent fire spread and smoke color. Onlookers may have taken photographs or video recordings of the incident on their mobile phones or cameras. An enquiry from the owner of building/area may be able to detail the contents and layout of the building as well as any other potentially pertinent facts. Emergency service personnel, such as police and fire fighters, are considerably more reliable as witnesses. Fire fighters in particular may be able to provide useful information on the possible origin of the fire and any unusual conditions. Fire fighters should also be interviewed to identify any disturbances made to the scene during fire-fighting efforts.

<u>Scene Examination:</u>

A fire incident should be treated as a crime scene in that the area should be strictly controlled by a cordon to preserve evidence and allow access to authorized personnel only, with the scene and evidence being fully documented. A plan of the premises should be produced where possible to include the locations of objects, though it must be taken into consideration that disturbance may have been caused during fire-fighting efforts.

The investigation should ideally begin with an external examination of the scene. Such investigation includes identification of entry point, signs of forced entry, indications as to the origin and cause of the fire and any possible safety concerns. All doors and windows should be examined to establish whether or not they were locked during the fire. The interior examinations of building/areas will be done as per the procedures of Forensic Experts.

<u>Establishing the Origin</u>

A vital aspect of the forensic fire investigation is to establish the point of origin of the fire, also known as the seat of fire. There are numerous indicators that can be used to determine the possible origin. The region of a fire and the direction along which the things got burnt can provide possible clues. You can also find out whether any fuels were used. Similarly from different patterns of fire effects, the origin of the fire can be traced. It may be possible to determine the area in which a fire began based on the *operation of smoke and fire alarms. From a scientific way of analysis by the experts, the origin can be found out.*

Estimating the cause:

Determining the cause of the fire is often greatly aided by locating the seat of fire, at which point investigators can identify characteristics or artefacts associated with ignition. The investigator will aim to establish whether the cause of the fire was accidental, natural, deliberate or undetermined. Accidental fires generally involve no malicious human contact, examples including the malfunction of an electrical appliance or an unattended candle. Natural fires include "acts of God", such as lightning strikes. Deliberate fires are those ignited purposely by individuals, often with malicious intent, in an act known as arson. Finally, if the cause of the fire cannot be ascertained due to lack of evidence, it may be classed as undetermined.

Evidence directly linked to the fire may be found at the point of origin, such as fuel sources, incendiary devices, electrical appliances or pools of accelerant. In addition to examining the artefacts present at the scene, the lifestyle of individuals living or working in the building should be taken into consideration. For example, factors such as whether individuals were smokers, used candles or kept large amounts of possible fuel packages such as newspapers and magazines may be relevant.

Arson:

There are numerous indications of deliberate ignition of a fire, also known as arson. Cases of arson are of particular importance to the forensic investigator, and such incidents may arise for a variety of reasons, such as insurance fraud, terrorism, in attempts to harm a person or their property, mental health problems, or to conceal a previous crime. In some cases the arsonist may make attempts to shield the cause of the fire or attempt to make it appear to be natural or accidental. For example, they may start a fire close to an appliance or pile newspapers near a potential ignition source. Arsonists may block windows to shield the fire until it has developed, or conversely prop doors open to provide ventilation. They may also place objects to hinder entrance to the building and fire-fighting efforts. In cases of suspected arson, it may prove beneficial to observe or photograph any onlookers. People connected to the premises should be interviewed and investigated to search for any possible motives for arson.

Excavation & Reconstruction:

In order to accurately establish the origin and cause of a fire, the investigator may be required to excavate and reconstruct the scene. Throughout the fire, collapse of the structure and firefighting actions, the seat of the fire may be shielded by various obstructions and debris, all of which must be carefully removed. Layers of debris are systematically removed and examined until the possible origin is uncovered. Excavation also allows for artefacts linked with the fire or any other potential evidence to be located.

During the fire itself and fire-fighting and life-saving efforts, the arrangement of artefacts and furniture are likely to be disturbed and displaced. Determining the origin, cause and route of the fire may require reconstruction, for which knowledge of the premises prior to the fire is necessary, such as the contents of the building and the position of furniture. This information can be obtained by interviewing the owner of the property and viewing any photographs or videos of the scene before the fire. Once the scene has been reconstructed, furniture burn patterns can act as directional indicators, and the series of events can be pieced together. Also the investigation done, whether the fire originates from Electrical Fire or Upholstery Fire, their Origin & Cause will be detected by some scientific methods.

Evidence Collection & Analysis:

In the collection of evidence during the investigation of a fire scene, the same rigorous preservation and anti-contamination methods used in crime scene investigation should be employed. In cases of suspected *arson, samples are collected from the incident scene for the analysis of accelerants. The use of accelerants is not always apparent; therefore investigators may need to use detection dogs or hydrocarbon sniffers to detect these volatile substances.*

The other analysis will also be done with the samples collected from evidence.

After completing all the above process in case of Fire Insurance if any dispute/crime has been found in analysis against the insurer the Insurance Company has authority to reject their claim or they can file a case against the Insurer.

Mrs. Poonam Raut
i-Think Member

Book Review

You Can Win – Shiv Khera

With the trade mark line – "Winners don't do different things, they do things differently", author Shiv Khera guides readers to achieve success in life and create an action plan for a successful and meaningful life.

Reader can use the book as a construction manual which offers blueprints to build a successful life. In this book the author explains how to set your goals, make plans to reach the goals and a timetable to make the plans successful.

The author starts with explaining the 'Importance of Attitude' to success in personal life and in organizations with various examples. He also discusses about the factors determining one's attitude, along with the benefits of having a positive attitude in life. The author has also given the causes of negative attitude and how to overcome it.

The next part is on 'how to build a positive attitude'. Positive attitude is built by various actions like looking at things in a positive way, cultivating the habit of doing it now, staying away from negative influences, starting the day with positive things and many more.

The third part is about Success, which is a matter of choice and not of chance. From this chapter the reader will come to know about success and the real or imagined obstacles to success and also how to overcome these obstacles. The reader comes to know about the qualities of successful person. Everyone needs to realize certain hidden qualities in oneself and use them to bring success in one's life.

The next important part of the book has the author explaining to us about 'What is holding us back' from achieving our goals. Various factors affecting or holding back our success are explained here. With courage we can forget our fears and overcome obstacles and proceed our way to success.

The next stage on the road to success is motivating yourself and others everyday. Motivation is a force that can change one's life. It is a driving force in our life. This chapter explains the difference between inspiration and motivation and also the internal and external motivation. A satisfied person is not necessarily a motivated person. To remove demotivating factors the author has given a few steps which can certainly improve teamwork, relationships and finally, quality and productivity.

The next stage in building a positive attitude is Self Esteem. Self-esteem is a major factor which determines success or failure. It is a judgment of oneself as well as an attitude toward the self. Building self confidence is important to build self esteem. The chapter also offers the steps towards building positive self esteem.

The next stage is Importance of interpersonal skills in building a pleasing personality. Successful people *build pleasing personalities which helps in getting cooperation and building good relationships with others. Pleasing personality is a combination of attitude, behavior and expressions. Here we come to know a most important fact that life is an echo and a boomerang. We get back what we give.*

Further this book gives us 25 steps to building a positive personality. Some of them are accepting responsibility, avoiding criticism and argument, good listening, accepting mistakes, avoiding gossip, practicing honesty, integrity and sincerity. The author explained all 25 steps in detail with examples.

The next part deals with subconscious mind and habits which is very useful to build a positive personality. Our habits and good character help us to act in a positive way to succeed. The next important step is Goal Setting. This always reminds us about our goal. Goals must be SMART and balanced. Goals should be challenging and realistic enough to avoid discouragement. Goals should be consistent with our values.

The final stage is Value and Vision which is about doing the right things for the right reason. Ethics and commitment are an integral part of a good value system. With a good value system and a clear vision about the goal, we can become winners in life.

This book gives us good techniques, to become successful in life, in each chapter with relevant small stories and quotations. The action plan is also available after each chapter to guide us in goal setting and planning to achieve the goal. This book helps us to be successful by turning our weakness into strengths.

This book is a good recipe for success. It is upto you how you use this to become a winner and successful in personal life and at the organizational level.

Mrs. Sneha Pednekar
i-Think Member

Article - III

Time Management

Managing your work properly in a given time frame is what Time Management is about. . Work can be classified into four types:-

1. *Important but not urgent*
2. *Urgent but not Important*
3. *Important and urgent*
4. *Not urgent and not important*

Very often we do the things which are urgent but not at all important & many a times we do things which are not urgent & not important. So, we do not get time to do things which are important for us.

Consider the things which we do daily, like cooking, washing clothes, ironing - in which category do they fall? Urgent or important? We can categorise them under urgent but not important. Have you ever thought how much time we spent in this daily work that we don't even get time to do things like planning our investments, playing with our children, developing our skills, and exercising which are very important things of our life.

I will give you an example. There are 2 employees A & B, who are working in the same organization. Employee 'A' comes to the office in time, does his routine work & leaves the office on time. He never tries to learn anything new. His goal is just to finish off his table work & go home. At home also he just keeps on watching TV. Many a times he is very frustrated.

On the other hand employee 'B' tries to do something new everyday. He loves to learn new things, reads a lot, does his work in a new way. He is always innovating something. He tries to do his routine work very *fast & gives maximum time for self development.*

Over the years, employee 'B' is promoted to General Manager of the Co. & employee 'A' is still a clerk in the organization.

What would you call this… it is effective time management of employee 'B'. 'B' utilized his major time in self development which helped him to grow in his life. Employee 'A' wasted his years doing routine work one has to do it till his retirement. Keeping on doing the routine work which is not important to us is not going to help us to grow.

We should be able to understand which work is urgent & important & accordingly plan our day or time. Just keeping on doing the work which is not urgent nor important is not going to suffice. Based on the priority & importance we should plan the schedule which will definitely help us to get time for our development.

Give top most priority to the work which is important and urgent. Then give priority to the work which important but not urgent. Later do the work which is urgent but not important. Try to avoid doing things which are not urgent and not important.

This will definitely help you to achieve your life goals & live a fulfilled life.

Mrs. Kavita Pawar
i-Think Member

Sigma Report

Highlights of world Insurance in 2013

Global Economy and Financial markets in 2013
Global economic growth was 2.5% in 2013. Economic growth in advanced markets was unchanged at 1.3%, with the US allowing to 1.9% and Western Europe returning to low growth of 0.3%. Advanced-country equity markets outperformed in 2013. Monetary policy in the advanced economies remained expansionary through 2013. Government bond yields started to rise in May in anticipation of Fed tapering. Advanced market growth is expected to accelerate in 2014.

Life and non life insurance: slower growth in 2013
Global life insurance premiums were USD 2608 billion in 2013 as growth slowed to 0.7%. Life premiums stagnated in the advanced markets. In Western Europe premium growth resumed in 2013 (+4%). In emerging markets, life premium growth rose to 6.4% in 2013. The life industry's profitability improved marginally in 2013.

Global non life premiums were USD 2033 billion in 2013 as growth slowed to 2.3%. In advanced markets, premiums increased by 1.1% in 2013. In emerging markets non life premium growth remained strong at 8.3% in 2013. Overall profitability of the non life industry improved moderately in 2013.

Interest rate legacy for the insurance sector
Interest rates have been trending downwards over last 30 years and are close to historic lows, putting stress on the insurance industry.

Advanced markets: insurance premium growth lags the economy
Total premiums in advanced markets grew by just 0.3% in 2013 to USD 3853 billion. Average life insurance premium growth fell short of economic growth, but mist life markets grew. Non life premiums expanded 1.1% on average and insurance penetration rose in 17 out of 30 markets. In 2013, the average per capita spend on insurance in advanced markets was USD 3621.

Emerging markets: solid growth in non life, below pre-crisis trends in life

Total insurance premiums written in emerging markets increased by 7.4% to USD 788 billion in 2013, and premium growth outpaced GDP growth. The global share of premiums from emerging markets grew by one percentage point to 17%. The average growth rate of life premiums was 6.4% in 2013 and non life premium growth was 8.3% in 2013. Average per capita spending on insurance in emerging markets rose to USD 129 in 2013.

Table I - Premium volume by region and organization in 2013

Total Business	Premium Volume (in million of USD)		Change (in %) Inflation-adjusted		Share of world Market (in %)	Premiums' in % of GDP	Premiums' per capita in USD
	2013	2012	2013	2012	2013	2013	2013
America	1568399	1566617	-0.8	3.1	33.79	6.42	1627.4
Europe	1631699	1540684	2.2	-1.2	35.16	6.82	1833.5
Asia	1278780	1333298	2.4	6.3	27.55	5.37	303.3
Africa	72425	71472	10.2	10.1	1.56	3.50	66.3
Oceania	89638	86879	7.1	-0.3	1.93	5.19	2428.9
World	4640941	4598951	1.4	2.5	100.00	6.28	651.7

Life Business	Premium Volume (in million of USD)		Change (in %) Inflation-adjusted		Share of world Market (in %)	Premiums' in % of GDP	Premiums' per capita in USD
	2013	2012	2013	2012	2013	2013	2013
America	665556	693833	-4.9	3.8	25.52	2.73	690.6
Europe	946727	881005	3.8	-2.2	36.30	4.00	1075.7
Asia	898413	961056	1.0	5.7	34.45	3.76	212.6
Africa	49939	48919	12.8	12.5	1.91	2.42	45.8
Oceania	47455	45461	9.0	-5.0	1.82	2.75	1285.9
World	2608091	2630274	0.7	2.3	100.00	3.53	366.2

Non-life Business	Premium Volume (in million of USD)		Change (in %) Inflation-adjusted		Share of world Market (in %)	Premiums' in % of GDP	Premiums' per capita in USD
	2013	2012	2013	2012	2013	2013	2013
America	902844	872784	2.4	2.4	44.41	3.70	936.8
Europe	684972	659679	0.0	0.2	33.70	2.82	757.8
Asia	380366	372242	6.0	8.0	18.71	1.61	90.7
Africa	22485	22553	2.1	4.4	1.11	1.09	20.6
Oceania	42182	41418	5.1	5.4	2.08	2.44	1143.0
World	2032850	1968677	2.3	2.7	100.00	2.75	285.5

Table II - Total Premium volume in local currency in 2013

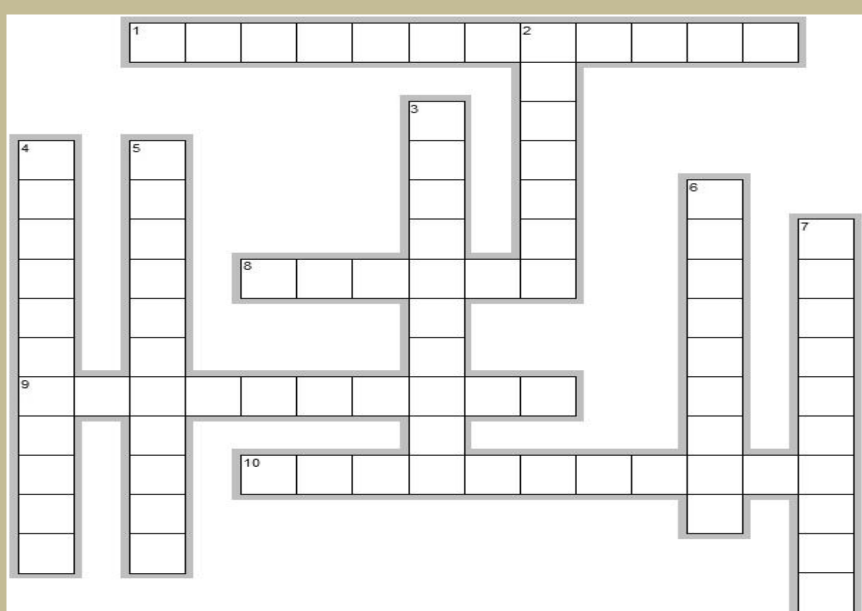
Country	Currency	Premium Volume (in millions of local currency)			Change (in %) nominal		Change (in %) inflation - adjusted	
		2013	2013	2011	2013	2012	2013	2012
United States	USD	1259255+	1272724	1221471	-1.1	4.2	-2.5	2.1
Canada	CAD	129121*	124557	120928	3.7	3.0	2.7	1.5
Brazil	BRL	191880*	160635	131747	19.5	21.9	12.5	15.7
Chile	CLP	5801305	5422381	4677344	7.0	15.9	3.9	14.2
United Kingdom	GBP	210739*	203128	195161	3.7	4.1	1.2	1.2
France	EUR	191832*	184936	196645	3.7	-6.0	2.8	-7.8
Germany	EUR	186115*	180910	176420	2.9	2.5	1.3	0.5
Japan	JPR	53279460	52050810	50296850	2.4	3.5	1.5	3.8
South Korea	KRW	158728700	170579100	137394000	-6.9	24.2	-8.0	21.9
India	INR	3972412*	3584059	3468921	10.8	3.3	1.2	-5.5
South Africa	ZAR	521950	445967	380057	17.0	17.3	10.7	11.1
Australia	AUD	81120	73434	72869	10.5	0.8	7.8	-1.0

Source:
Sigma - Swiss Re No3/2014 _World Insurance in 2013: steering towards recovery

Compiled by Mrs. Sneha Pednekar
i-Think Member

Puzzle

Crosswords



Across

1. *The reduction of the regulatory control over insurance rates and forms*
8. *written insurance contract between an insurance company and policyholder stating details of coverage*
9. *The statistical process by which insurers determine risks and pricing for the basic classes of insurance*
10. *Act of passing ownership of insured property to the insurer in the event of total loss*

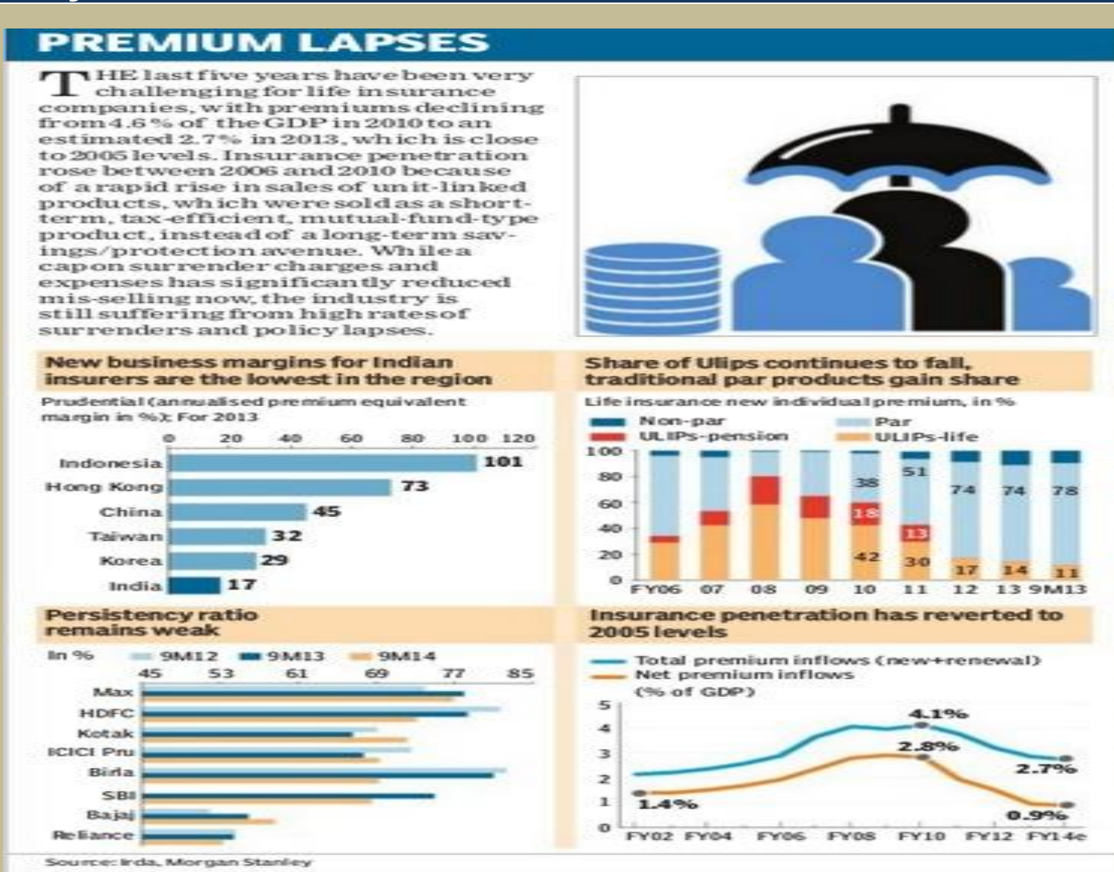
Down

2. *A specialist in the mathematics of insurance who calculates rates, reserves, dividends and other statistics*
3. *fee that is paid to an agent/ insurance salesperson as a percentage of the policy premium*
4. *Person or institution that agrees to take up a proportion of the risk of something*
5. *Term used to refer to the length of time insurance remains continuously in force.*
6. *A term used to refer to a company that obtain reinsurance coverage*
7. *An act by which the policy holders authorizes another person to receive the policy moneys*

Answer will be displayed in next issue.

Mr. Rajesh Sawant
i-Think Member

Surveys & Trends



PREMIUM LAPSES

THE last five years have been very challenging for life insurance companies, with premiums declining from 4.6% of the GDP in 2010 to an estimated 2.7% in 2013, which is close to 2005 levels. Insurance penetration rose between 2006 and 2010 because of a rapid rise in sales of unit-linked products, which were sold as a short-term, tax-efficient, mutual-fund-type product, instead of a long-term savings/protection avenue. While a cap on surrender charges and expenses has significantly reduced mis-selling now, the industry is still suffering from high rates of surrenders and policy lapses.

Source: Irda, Morgan Stanley

Source :The Financial Express Newspaper dtd.22.07.2014

Readers Corner

Reaping the Rural Revolution

After the Green Revolution and the White Revolution, India is now witnessing the Rural Revolution. The advent of modern technology, the mobile waves passing through this country and the Internet have transformed Rural India. Road connectivity has brought the urban and rural populace together. With rural incomes raising due to Government initiatives as well as with public and the private industrialization pouring in more disposable money into the hands of the rural population, the question is, have we tapped these sources fully for life insurance? The answer may not be a resounding 'yes' if one were to consider the decreasing share of Rural Business in last few years. Are we losing our rural grip slowly? Are we tapping the rural potential to the full extent?

The Insurance Scenario

Let us consider some facts.

India is among the top 10 life insurance markets in the world today, having risen from the position of 20 in the year 2000.

New business premium from the life insurance industry has grown from Rs 8299 crores in 1999-2000 to more than one lac crores of rupees in 2012-13.

The total insurance premium including renewal, has risen from Rs 26250 crores in 1999-2000 to Rs.375000 crores in 2011-12.

LIC's share in this figure is Rs 29159 crore of new business premium and Rs 76246 croresof total premium during 2012-13.

While this isthe growth story, let us look at some of the other parameters too:

- *87% of India's population earns less than 2 USD per day.*
- *41.8% of our rural population lives on a monthly per capita expenditure of Rs 447.*
- *As per the latest statistics around 25% of our population is below the poverty line [BPL].*
- *Out of our workforce of 400 million, 87% have no pension benefit.*
- *80% of our rural population has no life insurance cover.*

The Rural Definition

IRDA has defined the rural area as any place with a population of less than 5000 people, the density of population being less than 400 per square kilometer and more than 25% of the Male population engaged in agricultural pursuits. Again the agricultural pursuit has been defined as cultivators, agricultural labor, workers in Forestry, in Livestock, Fishing, and Hunting and in Plantation and Orchards.

IRDA has stipulated the following percentage of Rural Business to be done by every Private Insurance company as part of its obligations:

- *7% in the first financial year*
- *9% in the second year*
- *12% in the third year*
- *14% in the fourth year*
- *16% in the 5th and 6th years*
- *18% in the 7th year*
- *19% in the 8th and 9th years and*
- *20% in the 10th year of operations out of the total number of policies done by the life insurance company.*
- *For LIC, the percentage is 25% of the total number of lives done every year.*

__Opportunities in the Rural Segment__

Let us look at the opportunities for rural business:

1. *There are 742 million rural people spread over 6 lac villages.*
2. *There are 60 million rural households.*
3. *Assuming that only 50% of these households take life insurance at a nominal rate of Rs.500 per year, the potential is 125 million rupees.*
4. *The annual rural markets estimates are 65000 crores of rupees from the FMCG Sector and Rs 5000 crores from the Durables Sector.*
5. *There is a potential of Rs 45000 crores from agri-inputs including tractors and Rs 8000 crores from the 2/4 wheeler segments- Sources: NCAER and IMDR.*
6. *The savings rate is as high as 30%.*
7. *The literacy level is increased to around 60%.*
8. *The rural folk are mainly dependent on Post Offices for their savings.*

__Government Initiatives__

What are the Government's contributions to the rural wealth in India?

- *More than 1000 crores of rupees are released under Irrigation Benefit Programs every year.*
- *More than a lac of rural houses has been constructed.*
- *More than 1100 crores of rupees granted for Rural Electrification.*
- *12% of Indian households got electrified in the last decade.*
- *The percentage of households without electricity dropped from 45% to 33%.*
- *Telephones are being provided for the villages.*
- *National Rural Health Mission was launched in April 2005.*
- *National Rural Employment Guarantee Scheme- NREGS- was implemented- now called as the Mahatma Gandhi Rural Employment Scheme- MGNREGS- providing employment for 100 days in a year to the rural populace. So far, 2.3 billion person-days of work have been created, providing nearly Rs 1000 per eligible person.*
- *Farm credit is being given regularly.*
- *There are more than 8 lacs Self-Help Groups- SHGs- each group comprising of 20 people- and they are credit-linked.*
- *The Micro-financial Institutions are giving loans to these SHGs.*
- *Kisan Credit Cards were introduced in 1998 and more than 8 lac cards have been issued.*
- *400000 km of good quality all-weather rural roads have been built in the last 12 years, connecting 88000 new habitations.*
- *Mobile phones and roads have helped create larger economic clusters, which allow people to specialize, improving productivity. For example, a farmer living in a village with 2500 people but without roads and phones can't specialize in poultry farming, as there is insufficient demand. But when 50-100 villages are connected by roads and phones, a large number of people can get easy access to chicken from several new poultry farmers. The same arguments work with vegetable production. We can call it as putting 1 and 1 together makes 11.*

__Life Insurance Potential__

Rural Markets are still virgin territory and life insurance is expected to touch 20 million USD in 2014.

Life insurance companies can earn more than 1000 crores every year by offering innovative schemes to the rural poor at an affordable cost and through alternate channels of distribution. (Source- ASSOCHAM Paper- Rural India and its new Investors)

This Paper further says that insurance companies can lure the rural investors for renovation and modernization of their houses and for fulfilling their huge need for marriages and personal loans at affordable rates of interest.

As per the Celent International Consultancy Report published in June 2008, rural premium is likely to increase to Rs 7800 crores by 2015. This report lays stress on innovative products and different distribution channels for this.

The Issues

But there are many complex issues of understanding the rural customer:

- *There is poor infra-structure in the rural areas.*
- *The procurement cost is higher as agents have to move from place to place to canvass business.*
- *Rural people are highly suspicious and winning their confidence is a great challenge.*
- *The villagers have a 'herd mentality'- blindly following whatever the Village Elder says- whether right or wrong. So we have to win the trust of the village influential persons like the Post-Master or the School Head Master or the Panchayat President- these people are called the Centers of Influence.*
- *The awareness level is low- in some places still there are superstitions against life insurance.*
- *Long distances may have to be covered to contact people as they live in different clusters.*
- *People can be leisurely contacted only during night time, as they are busy in the farm operations during day time.*
- *The problem of people visiting arrack shops after their day's work also poses a few issues.*
- *Money lender 'sharks' keep the villagers under their thumb by giving timely loans but at very exorbitant rates of interest.*
- *Illiteracy level is still very high in some places, although things are improving slowly.*
- *Cost of operations is quite high for the life insurance companies.*
- *There is a problem of identity at the time of death claims in view of the same surname for two or more persons.*

The Micro-insurance Solution

IRDA has brought a new product called Micro-insurance in 2005 in order to help the life insurance industry to fulfill their obligations of rural and social sectors. This also meets the dream of the Father of the Nationalization of Insurance in India-Late Mr. CD Deshmukh, the then Union Finance Minister in 1956, of carrying the gospel of life insurance to every eligible person in each nook and corner of this country.

Micro-insurance provides for small policies ranging from Rs 5000 to Rs 50000 sum assured with affordable premiums.

This has emerged as a possible solution to cater to the rural population in view of cheap premium, simplicity of products and attractive features.

No doubt, there are a few challenges too:

1. *Low profitability for the company as the premium is very meager.*
2. *The cost is very high as we may have to issue even weekly receipts, as there is a provision to give weekly premiums.*
3. *There is a possibility of anti-selection against the insurer since we cover a large number of people through Group Insurance Schemes, as sick people will be the first to join the scheme.*
4. *The product has to be innovative, covering both the Life and General Insurance needs like Hut Insurance, Cattle Insurance and the Health Insurance. Mere life cover will not do. IRDA has permitted a composite product for this purpose.*
5. *IRDA has also allowed selling of Micro-insurance through NGOs and SHGs to win the confidence of rural people in addition through life insurance agents.*
6. *There may be a few IT problems due to low connectivity.*
7. *There are possibilities of certain 'mis-appropriation' of the premiums collected from the villagers*

in timely-remittance to the life insurance offices by the intermediaries- both intentionally and unintentionally.

8. *Due to the Natural Vagaries like the heavy rains, drought, floods etc, there are more chances of lapsation of policies.*
9. *Knowledge of local language and customs is a must for the agents to win the confidence of the rural people.*
10. *Posting of staff at the life insurance offices poses another problem in the rural areas.*
11. *Chit Funds continue their influence in the village areas and people still fall an easy prey to them, leading to huge financial losses.*

Problems can be overcome

Still we can get over these difficulties as the adage says "All problems can't be solved but no problem can be solved unless it is faced".

We can surmount these issues by careful planning and efficient administration.

We have the great example of Mr. Mohamed Yunus of Bangladesh who won the Magsaysay Award for his Grameen Model of Micro-finance.

This Grameen Bank lends over 100 million USD as loans every month and all these from their own Deposits. There was no effect of the World Economic Melt-down in 2008.The repayment percentage is 99% despite the crippling poverty ratio of 41% as per the UNICEF Data. This Bank was established in 1983 and has more than 8 million borrowers and a turn over of 1.2 billion USD.

Grameen Bank is highly successful in covering more than 17 million lives through Micro-insurance.

If Bangladesh can succeed in Micro-insurance, why not we?

Micro-insurance World-wide

At Sri Lanka, Micro-insurance products cover funeral expenses too.

In Kenya, Micro-insurance is managed by the Cooperatives. National Hospital Insurance Fund and Kenya Women Finance Trust are the two main Government Bodies engaged in Micro-insurance.

In Indonesia Micro-insurance is sold through Banks.

In India we can make use of Cooperative Banks, NGOs, the Micro-finance Institutions and the SHGs for selling Micro-insurance.

Micro-insurance Academy, Delhi is a Charitable Trust engaged in the field of Micro-insurance training, research and advisory services.

Micro-insurance is seen as a suitable aid to reach the poor and the socially dis-advantaged as per the EY Report of 2008.

As per the Mc Kinsey Report, there will be a 15% growth in premium including the Micro-insurance premium in the next 4 years and India will contribute 10% to the total Global premium Growth. The total premium may cross Rs 550000 crores in India by 2015.

Covering the Bottom of the Pyramid

The Management Guru Mr. CK Prahalad talks of 'Economic Inclusion' through the Rural Banks in his book- At the Bottom of the Pyramid- and mentions how improving the lives of millions of people at the bottom of the pyramid is not only a noble endeavor but it can also be lucrative. In India, increasingly one will find a wide rural distribution which is going to require extremely sophisticated logistics, information technology and IT capabilities. Strategy and Implementation are two sides of the same coin in taking this *further, to quote Mr. Prahalad.*

Rural Life Insurance Marketing is a great tool in India to augment income as well as to empower people. Now it is the time to switchover from Classes to Masses.

Sincere Implementation is the key to success.

R.Venugopal
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Retired Professor of the NIA, Pune.
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Happenings at Institute

59th Annual Conference

The 59th Annual Conference & 115th Council Meeting of the Insurance Institute of India is scheduled to be held at Hotel Regaalis, Mysore on 23rd & 24th August, 2014 under the auspices of Mysore Insurance Institute.

The inauguration ceremony will be on 23rd August, 2014 at 9.30 am with the hands of Prof. K.S. Rangappa, Vice-Chancellor, University of Mysore who will deliver the inaugural address. The prizes will be distributed to winners of various Essay Writing Competitions, Toppers of session 1 & 2 of 2013 professional examinations and Best Associated Institute Award. The prize winners of the Essay Writing Competition will also make presentations at the conference.

A panel discussion on "Health Care and Health Insurance – Complementing or Conflicting" is also organized as a part of the conference at 11.30 a.m. The panel members are drawn from the experts in the insurance industry and academia.

The 115th Council Meeting will be held on 24th August 2014.

A total number of 300 participants from the corporate sectors are expected to attend the Conference.

Seminar/Events/Workshop

Launch of IC -33 Textbook

The newly written IC-33 was released at Hyderabad on 11th July, 2014 by IRDA Chairman, Shri T. S. Vijayan in the presence of several dignitaries of IRDA and officials from the life insurance industry.

Insurance Institute of India was represented on the occasion by Shri P. Venugopal, Secretary-General, Mr. B. S. Rathaur, Secretary and the twin authors of the book, Mr. Pranab Misra, Assistant Professor and Dr. Shashidharan Kutty, Consultant.

Speech by Shri T. S. Vijayan, Chairman, IRDA	*Launch of IC-33*
	

IC- 33 Workshop

Insurance Institute of India conducted two special training programs for trainers from life insurance companies for the new IC-33.

The Programs were held at III at Mumbai on 18th and 23rd July, 2014 respectively with a total number of 71 participants from all across the country representing all 24 life insurance companies.

The training on both occasions was facilitated by Prof. Pranab Misra, Faculty (life), College of Insurance who was also a co-author of the book.

Speech by Shri P. Venugopal, Secretary-General, Insurance Institute of India	*Speech by Shri A. Mukherjee, Director, College of Insurance*
	

Speech by Shri Pranab Misra, Assistant Professor, College of Insurance

Participants of the workshop

Participants of the workshop

Mr. Pranab Misra, Assistant Professor conducting the workshop

Participants of the workshop

Participants of the workshop

Training Program

Royal Insurance Corporation of Bhutan Ltd.

"College of Insurance of Insurance Institute of India (III) recently conducted 2 training programs in Bhutan for the Royal Insurance Corporation of Bhutan Ltd. (RICBL).

The Reinsurance program was held from 14th to 19th July 2014 at Thimpu, Bhutan. The program was designed as a capacity enhancement exercise for a core group of 13 officers of the Reinsurance Department of RICBL. It was inaugurated by Mr A. Mukherjee, Director, College of Insurance (COI) in the august presence of Mr Namgyal Lhendup, CEO, RICBL and Mr Sonam Dorji, Executive Director, RICBL. Mr A. S. Chaubal, a Reinsurance expert and Consultant and Mr D.B. Gawde, Senior Manager of GIC Re were the faculty members.

Another program on General Insurance was conducted from 21st to 25th July 2014 to train the junior officers of RICBL in the various verticals of the general insurance industry. Dr. George E. Thomas, Associate Professor, College of Insurance, Mr. Amit Saha, Manager (Rtd.) of National Insurance Co. Ltd. and Mrs Madhuri Sharma, Adjunct Faculty Member, COI were the faculty members for this program. Both programs were customized for RICBL to address the specific needs of the Bhutan market and RICBL's business focus areas.

The programs had a combined valedictory session presided over by Mr P. Venugopal, Secretary General, III on 25th July 2014 and attended by Mr Namgyal Lhendup, CEO, RICBL, Mr Sonam Dorji, Executive Director, RICBL and Mr Sangay Wangdi, Acting General Manager."

National Insurance Co. Ltd.

Six weeks induction program called "Firming the Fundamentals" was conducted by College of Insurance for the Direct Recruit Officers of National Insurance Co. Ltd. The Program was conducted from 02nd June, 2014 to 12th July, 2014. Total 332 Officers comprising of a batch of "Generalist" and "Specialist" were trained concurrently. Faculty pool comprising of a practicing managers and other management professionals and industry veterans shared their experiences with the participants during the course of the program.

Program was inaugurated by Mr.K.P.Brahma – General Manager (Human Resource) – National Insurance Co. Ltd. and for valedictory session Mr.A.V.Girijakumar – Officiating Chairman cum Managing Director with Mr.K.P.Brahma – General Manager (HR), Mr.John Pulinthanam – General Manager- Western region and other senior officials of the company from western Zone was present.

Inaugural Session by Shri K. P. Brahma, General Manager (Human Resource), National Insurance Co. Ltd.	***Valedictory Session by Shri A. V. Girjakumar – Officiating Chairman cum Managing Director, National Insurance Co. Ltd.***
	

New India Assurance Co. Ltd.

Twelve weeks Induction program called "Firming the fundamentals" for 306 Direct Recruit officers of New India Assurance Co. Ltd. was conducted by College of Insurance from 09th June, 2014. Mr.G.Srinivasan – Chairman cum Managing Director inaugurated the session on 9th June, 2014. This twelve weeks program includes four weeks on-the job training. Faculty pool comprising of a practicing managers and other management professionals and industry veterans shared their experiences with the participants during the course of the program.

Lighting of Lamp by Shri G. Srinivasan, Chairman cum Managing Director, New India Assurance Co. Ltd.	Inaugural session by Shri G. Srinivasan, Chairman cum Managing Director, New India Assurance Co. Ltd.
	

Participants	Training Participants