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Vidya Sagar Sethu

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Editorial

A unique feature of the liberalized insurance set-up is the complementary roles of Insurance Regulatory and Development Authority and the two statutorily set-up self-regulatory organizations of the insurance industry viz. Life Insurance Council and General Insurance Council. These Councils are a regular forum of interaction between the I R D A and the life and general insurance industry. Instead of unilateral decision-making, there is a consultative and consensual basis for policies and programmes for the regulation and development of insurance business. There is also room for consultation among the different segments of the industry. For example, the recommended minimum common policy wordings are published on the Council website to invite suggestions from customers, brokers, etc.

While maintaining a low profile, the two Councils have made high profile contributions in critical facets of the insurance system. Some examples in life insurance are: Study of mortality and morbidity data in collaboration with the Institute of Actuaries of India, adoption of a 'Code of best practices' for members, statistical data base for the use of members, etc., and in general insurance, formation of Motor Third Party Pool, introduction of common terminology for clarity and uniformity, common policy wordings for fire, motor and engineering classes of business.

To introduce best global practices, the Council maintains regular liaison with like minded associations in the U.K., U.S.A., Canada, Japan and Germany. Another unique feature is the use of tripartite discussions by the Councils with the I R D A and the Insurance Institute of India in regard to mandatory training of agents and as a result, decisions were taken on the syllabus and duration of training.

The thesis of this column is to recommend that this kind of mutual consultative approach may be fruitfully extended to cover the entire educational programme of Insurance Institute of India which exists to satisfy the professional education needs of the industry. The Councils on behalf of the insurance industry, can suggest, inter alia, subjects of study, syllabus, duration of study, etc. To go a step further, the Councils can provide active support in terms of expertise in formulation of syllabus and preparation of study material, based on the syllabus.

To strike a historical note, the then Federation of Insurance Institutes was established by the visionaries of life and general insurance companies and, indeed, records show that senior executives took active interest in the formulation of syllabus, production of study material, etc. After more than fifty years, we have come a full circle and it is befitting that the make over of the examination system may be undertaken through the collective support of the Councils and the I R D A.





Shri T.S. Vijayan

President

Insurance Institute of India

&

Chairman, L.I.C. of India

at the

103rd Mid-term Council Meeting

at Kolkata

on

1st March, 2008

PRESIDENT'S ADDRESS

Dear Council Members and other Dignitaries,

I extend a warm welcome to all of you to the 103rd Council Meeting of the Insurance Institute of India being held in the historical city of Kolkata, hosts to this meeting. Indian Insurance Society, Kolkata is second oldest Institute dedicated to the development of insurance education, particularly in General Insurance education and training in Kolkata and other parts of the country. It was established in the year 1944 and in its 64 years of existence, it has established itself as one of the reputed and respected insurance institute. They received the life membership prize from its parent institute, Insurance Institute of India several times in the past. I take this opportunity to thank the Indian Insurance Society for having volunteered to host this meeting under their auspices and congratulate all its members for their achievements in its long year of service. I am sure all the members attending this meeting are placed comfortably and appeal to all to extend their co-operation to the hosts in successfully holding this meeting.

City of Kolkata, capital of the State of West Bengal, needs no introduction. Called as 'City of Joy', the city still maintains the old culture. City where you will find modern "Metro Railways" as well as old 'Tramways'. It is a unique situation which we find existing only in Kolkata. The city has several places of interest like Hoogly Bridge, Belur Math, Science City. Home to four Nobel laureates – Ronald Ross, Rabindranath Tagore, Mother Teresa and Amartya Sen, Kolkata is the nerve center of intellectual and human values, where many modern movements began in art, cinema and theatre, science and industry. Kolkata is the gateway to Eastern India.

The city is a hub of fervent activity in the realms of music, theatre, arts, and sports. Kolkata has always prided itself on the many luminaries it has sent forth, be it Tagore, Satyajit Ray, or Mrinal Sen. The intense dedication to the arts manifests itself in a plethora of festivals, dance and music performances and other cultural events. The Kolkatans are also famous for their all-consuming passion for sports, especially, football and cricket.

I was informed that the host Institute, as a part of sight seeing programme, have planned to take the members attending this meeting to some of the places of interest around Kolkata. I hope all of you will join in their programme and carry with you pleasant memories of this historical city when they return home.



In this meeting known as Mid-term Council meeting, let us review the trends and the developments of the Insurance Industry in the country and the role that the Insurance Institute of India is expected to play in the years to come.

Looking at macro-economic indicators, for the year 2006, the first rank on GDP basis goes to U.S.A. and India occupies 13th rank on the basis of GDP. However, countries like Brazil, Russia and South Africa, besides, Spain and China, are far ahead of India in terms of ranking on the basis of GDP. Similarly, on the basis of Insurance penetration – premiums as percentage of GDP in the year 2006, the following picture emerges:-

The No.1 country position is occupied by U.K. having premiums @ 16.5% of GDP. The position No.2, 3 & 4 are occupied by South Africa, Taiwan and South Korea, all Asian countries and is followed by at position 5, 6 & 7 – Switzerland, France and Japan. India ranks 31 and China 47. 4.8% are the premiums as percentage of GDP in case of India, and the corresponding figure for China is 2.7%. It is noteworthy that these figures have improved during last couple of years after the industry has opened up.

However, on the basis of insurance density – premiums per capita in 2006, the position of India is very dismal, contributing only \$ 38.4 and occupying 76th rank with a contribution of \$ 53.5 for China occupying 78th position and the first position going to U.K. with \$ 6,466 as per capita premiums, both Life and Non-life.

The Life Insurance Corporation of India is the only company from India figuring in the list of top 30 Life insurers in the world.

Back home in India, the life premiums have been showing a robust growth of 41% compound annual growth. Since the year, 2001 the General Insurance business, however, is not showing matching growth although it also has been clocking positive results.

It is now well established that economic development can be speeded up through the development of Insurance market and the transformation that the Industry has seen during the last couple of years is very challenging. One of the outcomes of the growth is the shortage of talent and I am talking about human

resource which is the foundation of service industry like Insurance. Almost every economic field is facing the talent crunch and this creates difficulty in implementing developing projects.

Coupled with this, is the shift in attitude of GENERATION Y who do not stick to one employer and keep on shifting jobs not only within the industry but across the industries. The growth also necessitates employability of large numbers who need to be trained in the knowledge of insurance. This brings me to the role that Insurance Institute of India will have to play in the years to come to address the educational requirements of the Insurance Industry.

One of the concepts under active consideration of the Institute is setting up of online National Insurance University. The proposal for establishment of online National Insurance University by the Insurance Institute of India is under active consideration and blue print is being prepared for development of e-learning modules to be handled by the proposed University. One of the approaches seriously being contemplated is to introduce online examination for the first level of examination namely, Licentiate examination and gradually shift to online exams at Associateship and Fellowship levels. When the plans are finalized, they will of course be brought before you for sharing but at this point of time, I think it is important for me to seek your approval to this as a concept so that in times to come the Insurance Institute of India will continue to play the role of a pioneer in the field of insurance education.

The second important project for which a beginning was made in November 2007 was introduction of General Insurance Actuarial Science as a subject of study as a part of curriculum of Insurance Institute of India. As you are aware, General Insurance Actuarial Science education is absent in India and therefore, the Insurance Institute of India has taken initiative to launch this education so vital to the fortunes of General Insurance Industry. We are going to add on some new subjects in this area and in a meeting to be held in March, 2008 it is expected that the Institute will be able to obtain support of Casualty Actuarial Society for





launching General Insurance Actuarial Science course pertaining to determination of premiums for various branches of General Insurance business.

Fortunately, the Building Project of Insurance Institute of India is likely to be completed during the current year and efforts are being put in to offer classroom coaching in the field of General Insurance Actuarial Science which will be the first of its kind in Asia.

Lastly, the Insurance Industry deserves to have robust mechanism of doing research relevant to the needs of Insurance Industry to charter still higher growth and to ensure customer satisfaction. In spite of having excellent network of world class Universities and academic bodies, Insurance research remains to be a neglected area. Even in Europe, the research activity in the field of insurance, pioneered by Geneva Association is merely 3 decades old. Here and there in India, professional research organizations are engaged by various insurers to do specific research relating to individual corporates. I think the time has come for the Insurance Industry along with Regulatory support to launch a research body to be fully engaged in conducting research, the findings of which could be utilized beneficially by all stake-holders in the Insurance Industry, including the Regulator. Your Secretary-General is actively pursuing these objectives, and I am confident that these projects which are of tremendous significance to the fortunes of Insurance Industry and the Insurance Institute of India will see fruition before the end of the year 2008.

One of the immediate projects being implemented in the month of March is the implementation of educational programmes for training and certification of Postal Life Insurance Agents. I believe, the mention of this activity was reported to you some years back and I am glad to inform you that given the goodwill between the Directorate of Postal Life Insurance and the Insurance Institute of India, the project is finally being launched in the month of March, 2008.

Briefly, the Insurance Institute of India in collaboration with the Directorate of Postal Life Insurance has developed a training and qualification for Insurance agents of the Postal Life Insurance. The training shall be imparted for 3 days, on the modules decided by the

Insurance Institute of India. The delivery of training dispersed throughout India shall be done by members of our Associated Institutes at locations where the training programmes are required to be conducted as desired by Postal authorities. It has also been decided that retired Associates and Fellows could be drafted as trainers and an honorarium of Rs.1,000/- per day has been fixed. The examinations shall be conducted by the Insurance Institute of India. You will have detailed instructions on the subject by way of circular letter and I would like to request the Secretaries and Council members of Associated Institutes to provide faculty support to Postal Life Insurance authorities wherever they need such support.

It is well known that in spite of challenges both in terms of material and manpower, the Institute has been forging ahead only because the support that Institute receives from the Associated Institutes and the contribution of Insurance professionals throughout its history of more than 53 years. I hope the Institute will establish new standards of education relevant to the needs of consumers, insurers, regulators and the manpower employed directly and indirectly in the Insurance Industry by discharging its duty as a University of Insurance knowledge although it is known as Insurance Institute of India.

Before I conclude my address, let me express my sincere thanks to the members of the Administration Committee and Board of Education of the Insurance Institute of India for their co-operation and guidance in performing my job as the President of the Insurance Institute of India. My thanks to the Editor and other members of the Editorial Board of the Journal of the Institute. There are several others like examination paper-setters, evaluators, study course-writers, translators who are contributing for the progress of the Institute. Though it is difficult to name them individually, I thank all of them for their love and affection for the insurance education and to the Institute. IRDA has reposed a great faith on us and it is my duty to thank them and I am sure to have their support all the time. I thank the contribution of the associated institutes for assisting the Insurance Institute of India to run its affairs smoothly.

Thank you.

