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CONTENTS

laws are generally common, the states commonly paying about 50% of the wage loss suffered by the wage-earner. Almost all States use the concept of a "benefit year" to limit the amount of benefit due to an individual, and of a "base period" within which the claimant must have had his qualifying earnings or employment and the wages upon which the amount of his weekly benefit is based. States require a waiting period of one or two weeks before benefits are paid. Eleven States pay in addition to the weekly benefit amounts, supplemental amounts varying according to the number of dependants the claimant has. Disqualifications are imposed on claimants if unemployment is due to a voluntary quit, discharge for misconduct, refusal of suitable work, stoppage of work due to labour dispute, etc. Weekly benefits are based on the fraction of earnings in the highest calendar quarter of the base period, the fraction ranging from 1/26 to 1/20 in different states. The minimum weekly benefits varies from .50 dollars to 15 dollars, and the maximum from 15 dollars to 27 dollars. The maximum potential duration of benefits varies from 12 weeks to 26½ weeks. The state administrative agencies operate through approximately 17,000 local employment offices affiliated with the U. S. Employment service, at which claims are taken.

In 1948, it was found that out of a total number of 37,000,000 individuals having sufficient wage credits, 6,584,600 claimed benefits and that out of the latter 5,153,800 had sufficient credits. The average potential duration of weeks was 21.1, the actual duration being only 10.7 weeks. Women formed 40% of the claimants in 1948, filing 45% of the claims for continued weeks of unemployment. Unemployment was found to be above the national average, in most of the large states as well as in New England and in the Pacific Coast. The rate at which beneficiaries exhaust benefits is high in the years of slack economic activity and low during full employment years. The rate of exhaustion has been the lowest in States which provide a long duration of benefits and highest when the duration is short. Again, the rate showed a tendency to be high for older workers and women. The benefit experience varied from 1.7% of taxable pay roll in 1940 to 0.1% in 1943 and 1944, 1.7% in 1946, 1% in 1948 and over 2% in 1949. Although there has been a steady decline in the rate of benefit contributions dropping to 2% of taxable wage in 1943 and to 1.2% by 1948, the benefit income has exceeded benefit disbursements in every year except 1946 and 1949. The margin was greatest in 1943 and 1944, the benefits being approximately 5% of the income. The rates of benefits vary widely from State to State being 0.2% of the taxable pay roll in one State and 2.5% in another. Similarly, reserves were 5.3% of taxable pay roll in one State and 14% in another. The total reserves aggregated in 1948 to 7,600 million dollars or 9.5% of the taxable pay roll from 1800 million dollars at the end of 1940.

Mr. William H. Wendel who has contributed an exhaustive and instructive article on the subject of unemployment insurance to the "Monthly Labour Journal," one of the journals of the U. S. A. Labour Department, claims that the programme bringing unemployed workers into contact with a United States-wide employment office system has made a major contribution to the United States attack on unemployment and its determination to achieve full employment. As the duration of benefit has gone down even when allowable duration was increased, it is to be inferred that the workers in the U. S. A. prefer work to idleness. Incidentally, the programme provides valuable information regarding absolute numbers in and changing levels of employment in major industries, monthly and by state, and on unemployment characteristics, by state, and locality.

Though so much has been done for labour, the authors of the scheme do not want to rest on their oars. They are keenly conscious that 30% of the employed persons do not come under the coverage afforded by the scheme. Secondly benefits drawn are only 35% of average weekly wages. The disqualifications against drawing benefits are severe and vary from state to state. The marked differences between States in their benefit experience shows that there is a growing need for a more rational relationship between benefits, income and reserves. America can well be expected to slove the above problems at no distant date and extend the benefit of unemployment insurance to all workers on a rational and uniform basis.

Our Country where labour is yet to have its own leaders has only recently enacted the Employees State Insurance Act, affording coverage against risks to about 2½ million workers working in factories. Labour engaged in agriculture and cottage industries is outside its scope. No serious arguments are necessary to prove the importance of insurance programme for workers who are acknowledged to have no living wage and to be living below subsistence level. The question may defy solution, particularly in an infant democracy, with ever so many pressing political and economic problems requiring immediate attention. But, as the poverty and the discontent which unemployment of a large section of the population brings in its wake are a great danger to social security and against the principle of economic democracy which must aim at a fair distribution of the good things of life amongst all sections of the people, the question cannot be long deferred. At the same time it must be remembered that the American Programme has been successful because labour in that land has not tied itself to the apron-strings of political parties or interested self-seekers. American labour has intelligence enough to realise that if they require more, they must produce more and that the demand for freedom from want and for a higher standard of living, implies harder toil and sacrifice at the outset. It is hoped that Indian labour which according to all accounts is going down in its productive capacity will buckle up, and cotribute its quota to increased production, so that it may not feel depressed by the oncoming rainy day, but face it with courage and confidence. The Indian National Congress, in whose hands the destinies of the Country have been placed by the Father of the Nation has only recently declared that their objective is an economic democracy which "will guarantee a minimum standard in respect of the essentials of physical and social well-being, a rise in the standard of living, full employment and equality of opportunity, to aid for self development and the growth of personality. "Labour has no better friend than the Congress, and may depend upon that organisation to fulfil its objective if labour on its part will play the game.

The Nagpur Insurance Institute

MR. HARISH CHANDRA METHA'S TALK

TRACING the historical background, Mr. Harish Chandra Mehta pointed out how, compared to the year 1940, life insurance business effected in India in 1946 increased by as much as 500 per cent; and how on account of the violent communal disturbances which broke out, the already war-torn economy of the country received a set back. Owing to high prices and direct and indirect taxation, the capacity to save, of the middle classes, which previously contributed most to the capital formation of the country, has almost disappeared. Consequently the volume of production of the country does not provide grounds for optimism. He however hoped that by wise co-ordinated and determined policies, the Government would restore the healthy economic life of the country. In the field of insurance, the Government should reduce the present high income tax assessment on insurance companies and allow them greater freedom in investments, to enable them to offer to people cheaper policies. He felt that if all co-operated in the successful execution of the Insurance Amendment Act of 1950, the Insurance market would be restored to normal condition.

Need for change in machinery of agency management:

Mr. Harish Chandra Mehta pointed out that improved and practical plans must be adopted and that in view of the shift of national wealth from the middle class to the lower income groups, new fields for business must be sought in the labour class in industrial and commercial centres and in the agriculturist class in rural areas.

Quoting the well known authority in insurance, Mr. L. S. Vaidyanathan, he emphasised that being a mainly agricultural country, India offered limited scope or need for insurance of all kinds, as in the case of Portugal in Europe.

Difficulties encountered in undeveloped areas:

He mentioned that the present set up of insurance machinery of administration, routine and agency management was suited only for big industrial and commerical centres and not suited for backward and agricultural areas. Citing the instance of Madhya Pradesh, he recounted the operational difficulties involved, with vast undeveloped areas sparsely populated with illiterate and backward people, slow in understanding the need for or the benefits of insurance, with lack of good means of communication, lack of banking facilities, and lack of facilities for medical examination of proponents but with the conservative traditions of the joint family system deeply entrenched in the area. In operating in such an area, the cost of production is necessarily high while the yield of business is low, compared to highly developed industrial and commerical areas. Referring to the economic factors, he pointed out how, owing to the limited scope of the area and the lack of proper training and supervision, the process of weeding out of workers, is faster, and of how the business yield is dependent on the success or failure of crops and varies in different seasons like the sowing or the harvesting seasons.

Mr. Harish Chandra Mehta strongly pleaded, that in view of the fundamental difference in working conditions, the companies should evolve a specialised agency organisation, based not merely on bookish theories but on factual experience. He suggested that instead of an immediate target of a big volume of business, a long term planning should be formulated aiming at the creation of a strong, healthy, well-knit and well-trained organisation, gradually expanding over the entire area; and that the higher cost of operation in these areas should be off set by the lower cost in other well developed areas. Emphasising the importance of having a sort of service station in every district, so as to render service on the spot, and inspire confidence in the people and decrease the rate of lapsation, he suggested that besides utilising even the smaller banks working in the areas, some sort of arrangement should be arrived at with the postal department. He pleaded for a liberalisation of the limitations usually imposed by the companies in the limits allowed to medical examiners and concluded by stressing the fact that the integrity and morale of the insurancemen should filter from the top men by their example, down to the ordinary workers.

Insurance Amended Act of 1950

As Analysed by a Salesman

BY T. K. D. PILLAI

IT is evident that the act is designed to minimise the expenditure of insurance companies and to enforce stringent control over them. Though there may be much to say about its fundamental principles, as one, among salesmen, I am only anxious to bring to light the effects of the act upon the field staff who are primarily responsible for the prosperity of the company.

Insurance soliciting is not an easy and pleasant job like selling Parry's sweets or chemical fertilizers. In many instances this profession is taken up as a last resort when all attempts for a better avocation fails. Of course there may be a few exceptions to this remark. Men in the profession were anxiously looking for something better from the new act, but, to their disappointment they have to face more rigid conditions.

More than anything, the act is elaborate with regard to the appointment of special agents, chief agents, their duties, the number of agents to be appointed by them and the volume of business to be secured by each of such agents. According to this act, a chief agent who might fulfil his guarantee of business becomes disqualified to hold his office if any one of the dozen agents fail to complete his minimum quota vide clause 5 of 6th schedule part 'b'.

Provision is made for the appointment of special agents, which even under the existing liberal terms and conditions, is only a dead letter, and it remains to be seen as to how far this will be a success under stiffened circumstances.

The act does not forbid the appointment of salaried men for field organisation, but it is completely dumb with regard to their prospects and security of service. Those that are employed in insurance field are alone responsible for this omission. There are associations formed by members of all professions whether in public or private service and they make their representations to the Govt and claim their deservings, but, not the men in insurance profession. If timely representations were made to the Govt. about the hard toils and the uncertain service conditions of an insurance field man, surely, he would have found in the new act something safeguarding his interest. Even now it is not too late to represent the grievances of insurance field officers and claim redress.

Reviewing the remunerative side of the profession it is regretful that the practical difficulties, labour, & the living wages of a field worker are not taken into consideration while fixing the remuneration of chief and special agents. As for the act a special agent must complete Rs. 50,000/- business with full annual premiums to entitle him for the over-riding commission of 15% which will mean a remuneration of Rs. 375/- per year. With this he has to cover all his expenses including travelling besides his wages for service, in other words he will be out of pocket even to meet his travelling cost and serve the company as an honorary officer and feed the top ranking people who would in return offer rebukes and remarks.

Now About The Chief Agent:-

A chief agent is not only responsible for organisation but also the administration of his unit. To fulfil his obligation he has to maintain an office and a staff, and carry on as a wholetime worker. His earnings must be sufficient to meet his establishment, travelling and his wages for service. All put together shall never be less than Rs. 4,000/- per year whereas even at a high rate of 40 over-riding commission a chief agent can, after reimbursing the special agent at 15 % may retain for himself 25 % which might yield him for a completed business of Rs. 2,50,000/- about Rs. 2500/- while his expenditure would be Rs. 4000/-. Thus he is out of pocket by Rs. 1500/- every year. So a chief agency can be made remunerative if a large area is tackled by financiers who could invest on initial expenses. Who would undertake such a trade where the results are uncertain?

Summing up the whole thing, big companies that are today carrying on systematic organisation with their salaried field staff are never affected and those employed under them are sure of their bread, but the only thing wanted, is security of service in their case. Younger companies who are timid and do not trust in whole time field staff and expect someone to work up the field at his cost and risk, will have to face a hard time.

Insurance as a profession would become charming and attract young and educated men if the act completely eliminates chief and special agency system and provides employment of salaried field staff with certain service conditions. Or, in as much as the maximum expenses are fixed, the internal arrangements with the field staff must be left to the individual institutions.

Canadian and British Insurance Companies Act and the Foreign Insurance Companies Act

PROPOSED AMENDMENTS

THE principal purpose of the Bill to amend The Canadian and British Insurance Companies Act, recently passed, is, as respects Canadian insurance companies, to modify in some respects and to enlarge in other respects the investment powers of these companies. Changes in investment powers are necessary from time to time to keep pace with changing conditions and to allow insurance companies to enter new fields of investment that come into existence from time to time. As respects British companies, corresponding changes are proposed in the list of assets that may be kept in Canada to cover their Canadian liabilities. The proposed amendments to the Foreign Insurance Companies Act are intended to make changes corresponding to those for British companies.

It is also proposed to make a number of other amendments in both Acts dealing with a variety of matters where revisions are necessary either because of changing conditions or to clarify and rearrange existing requirements.

Some of the principal changes proposed in the investment powers of Canadian insurance companies are as follows:

1. Companies may now invest in bonds issued by certain public authorities with power to provide and regulate public facilities such as electricity, water and gas services, where the bonds are secured by revenue from the service provided. It is proposed to modify this provision to bring in the bonds of a number of other public authorities of this nature providing a variety of services not at present eligible and to permit investment in such bonds in any country where a company is doing business.

2. Companies may now invest in railway equipment trust certificates of Canadian railways. These are bonds secured by certain railway rolling stock owned by a trustee and leased to a railway. It is proposed to allow investment in equipment trust certificates of United States railways also.

3. Companies may now invest in debentures of corporations that have certain dividend records. It is proposed to strengthen this dividend test to provide that dividends must have been paid in each of the five years preceding the date of investment either on all outstanding preferred shares or on the common shares and at such a rate as would qualify the shares as investments. It is proposed, also, to allow an alternative test based on the earnings of the corporation. This test would permit investment in the debentures of a corporation that has earned, in the five year period preceding the date of investment, an amount aggregating at least ten times its annual interest requirements and, in each of four of the five years, an amount at least equal to one and one-half

times its annual interest requirements. In addition, it is proposed that debentures guaranteed by a corporation meeting one of these tests be permissive investments.

4. Under the existing legislation, common shares with a par value qualify as investments if dividends of at least four per cent of the par value have been paid in each of the seven years preceding the date of investment. For common shares of no par value, a dividend of at least four dollars per share for a like period is necessary. Experience has shown that the existence of these two tests has caused considerable difficulty where shares have been changed from par to no par, and where shares have been split; also the four dollar test has been unrealistic in view of the amount of dividend payments made by some very strong corporations. It is now proposed that the same test be applied to all common shares whether they have a par value or not, i. e., the payment, in each of the seven years preceding the date of investment, of a dividend at least equal to four per cent of the amount at which the shares were carried in the capital stock account of the corporation.

5. It is proposed to permit insurance companies to invest in real estate for the production of income provided that the real estate is leased to a coporation that has a reliable financial record and that the terms of the lease are such as to return at least 85 % of the investment together with a reasonable rate of interest over the term of the lease but not exceeding thirty years. The financial record of the corporation would be measured by a dividend test similar to that used to determine whether or not its debentures would qualify as investments. It is proposed that investments in income producing real estate of this or any other nature be limited to 5 % of the company's assets.

It is proposed that for a limited area of government securities, life insurance companies be permitted to take such securities into account in the annual statements at values not exceeding amortized values; heretofore market values have been the maximum.

These amendments are paralleled by similar amendments affecting British and foreign companies where applicable. This will ensure that the assets that British and foreign companies may vest in trust to cover their Canadian liabilities are, so far as is practicable, the same as the assets that are eligible investments for Canadian companies.

In addition to the amendments affecting investments, a number of other changes are proposed such as a new provision to permit amalgamation of non-life companies, a broadening of the types of insurance that may be written by fraternal societies, changes in the requirements for filing annual statements, and additions to the list of mortality tables that may be used in valuing policy liabilities.

Section 27-A of the Insurance Act 1938.

By Shri G. D. BALDUA, M.A., M. Com.,
(*The General Assurance Society Ltd, Ajmer.*)

SECTION 27A of the Insurance Amendment Act, 1950, as passed by the Central Legislature, dealing with further provisions regarding investments has been brought into force with effect from 1st June 1950. This Section was also included in the Insurance Amendment Ordinance, 1950 which came into force on 19th January 1950 and really speaking this Section came into force with effect from 19th January 1950.

Prior to the promulgation of the Insurance Amendment Ordinance, 1950, the restrictions for the investments of the funds of the Insurance Companies relating to Life business were governed by Section 27 and Section 10. These provisions in broader sense were that the Indian Insurance Companies were to invest not less than 30 % of their liability to policyholders in India (less the amount of loans granted on such policies and the deposit made by the Company under Section 7 of the Insurance Act) in Government Securities and not less than fifty-five per cent. of such liabilities including the quantum of 30 % referred above, in Government or approved securities. The Indian Insurance Companies were thus free to invest their balance of 45 % of such liability as they like. Further the funds relating to Life business could not be applied directly for any other class of business.

But now after the promulgation of the Ordinance all the funds of an insurer in India, if it carries no other class of insurance business and all the funds in India pertaining to its Life Insurance business, if the insurer carries on other classes of business, also, described as 'Controlled Fund' in Section 27A of the Act, are to be invested and kept invested as provided in Section 27A of the Act. Therefore, a critical study of the Section is very essential for the Accountants and persons dealing with the investments of an Insurance Company doing life business.

A Approved Investment:

In sub-section (1) of the Section 27A of the Act it has been provided that no insurer shall invest or keep invested any part of his "Controlled Fund" otherwise than in any of the approved investments given therein. A series of such investments have been described in clauses (a) to (s) of sub-section (1) of Section 27A. For the purpose of our study we may divide these investments in 10 sub-classes:-

1. Approved Securities (clause a).
2. Securities of or guaranteed by the Government of U.K. (clause b.)
3. Debentures (clauses c, d, f, g, h and r).
4. Preference shares (clauses i and j).
5. Shares (clauses k, l and r).
6. First mortgages (clauses e and m).
7. Immovable property (clause n).
8. Loans on policies and life interests (clauses o and p).

9. Fixed deposits (clause q).

10. Others, so declared by Central Government (clause s).

Sub-Class Nos. 1 and 2 need no comment because there are no two opinions about the interpretation and safety and security of these investments.

3. *Debentures*: The investments in debentures have been classified in this Section and such debentures have been described in as many as six clauses of sub-section (1) of Section 27A. For that purpose we may further divide the debentures in three sub-heads:—

(1) Municipal and other Government sponsored debentures.

(2) Debentures of Companies.

(3) Debentures of Co-operative Societies.

(1) ***Municipal and other Government sponsored debentures***: Investments can be made in the debentures or other securities for money of any municipality in a State provided the same are issued with the permission of the State Government. Similarly investments can be made in debentures or other securities for money issued by any authority constituted under any housing or building scheme approved by the Central or a State Government, or by any authority or body constituted by any Central Act or Act of a State Legislature. In both the clauses there is no limit for the amount of debentures as in case of debentures of companies other than banking or investment companies.

(2) *Debentures of Companies*: Restrictions on the investments in the debentures have been placed with the following four criterions:—

(1) The kind of charge on property.

(2) Value of such property.

(3) Interest earning.

(4) Investment in debentures of private ltd. Co. is not allowed.

Three clauses (f) (g) and (h) have been devoted to describe the nature of debentures of companies in which investments of controlled funds can be made. Clause (f) simply requires that (a) the debentures should be secured by a first charge on any immovable property, plant or equipment and also (2) the interest has been paid in full for the five years immediately preceding or for at least five out of six or seven years immediately p r e c e d i n g. Clause (g) does not put in the condition of interest payment but only requires that the debentures should be secured by a first charge on any immovable property, plant or equipment and the book value or market value, whichever is less, of such property, plant or equipment is more than three times the value of such debentures. Clause (h) includes such debentures, also which are secured by a floating charge on the assets of the company but such company must have paid dividends on its ordinary shares for five years immediately preceding or at least five out of six or 7 years immediately preceding. But in all the three cases if such debentures are of a company other than a banking or investment company no insurer can invest more than 2½ % of its liability to policyholders as arrived at under the provisions of Section 27 (1) or 10 % of the subscribed share capital and debentures of such company, whichever, is less, in the debentures of that company although they satisfy the conditions laid in Clauses (f), (g) and (h) of Section 27A(1). (3) *Debentures of Co operative Societies*: Investment of Controlled fund can be made in the debentures of the Co-operative Societies' registered under the Indian Co-operative Societies' Act, 1912.

4. *Preference Shares*: Investment in preference shares of any company other than private company can be made subject to restrictions imposed by sub-sections (3) and (4) Section 27A described below provided it satisfies one of the two conditions given below:—

(1) Dividends have been paid by the company on ordinary shares for five years immediately preceding or for at least five out of six or seven years immediately preceding.

(2) Dividends have been paid on them as above and have priority in payment over all the ordinary shares of the company in winding up.

5. *Shares*: (1) Investment of Controlled funds can be made in shares of companies other than private limited Companies subject to restrictions imposed by sub-sections (3) and (4) of Section 27A, explained in sub-head (2) provided it satisfies one of the two conditions given below:—

(a) (i) Shares have been guaranteed by other company.

(ii) Total amount of shares of all the companies under guarantee is not in excess of 50 % of the paid up amount of preference and ordinary shares of the guaranteeing company and

(iii) Such guaranteeing company has paid dividends on its ordinary shares for the five years immediately preceding or for at least five out of six or seven years immediately preceding.

(b) Dividends on which not less than 4 % (including bonus) have been paid for seven years immediately preceding or for at least seven out of eight or nine years immediately preceding.

(2) *Restrictions as to the maximum amount of Controlled funds that can be invested in shares*: An insurer shall not out of the Controlled fund invest or keep invested in the shares of any company more than—

(a) 2½ % of the liability to policyholders arrived at under provisions of section 27 (1), (the uncalled liability, if any, on shares shall be added to the amount invested for computing this percentage), or

(b) 2 % of the subscribed share capital and debentures of a banking compnny or investment company and 10 % of other companies, whichever is less.

(3) The above restriction in the investments of shares (and also debentures as given under the heading of debentures) shall not apply when investments are made, with the previous consent of the Central Government, with a view to form a subsidiary company to carry on insurance business.

(4) Investments in shares of co-operative societies registered under the Indian Co-operative Societies' Act, 1912 are allowed.

(5) Notwithstanding the restrictions under Clause (2) above when new shares are issued to existing shareholders by a company and the existing shares comply with the condition in Clause (1) above and condition (i) of Preference Shares and of which the insurer is already a shareholder, the insurer may subscribe to such new shares provided such shares do not exceed the proportion to existing holding as the existing holding bears to the total paid up capital of the company.

6. *First Mortgages*: Investments in first mortgages on immovable property are allowed provided they satisfy one of the following conditions:—

(1) It is situated in India and is under any housing or building scheme of the insurer approved by the Central or State Government.

(2) It is situated in the States or in any other country where the insurer is carrying on insurance business and—

(a) property is not leasehold with an outstanding term of less than 30 years and the value of the property exceeds by 1/3rd or, if it consists of building, exceeds by 1/2, the mortgage money.

7. & 8. *Immovable property, loans on policies and Life Interest*: Investment can be made in immovable property, situated in the States or in any other country where the insurer is carrying on insurance business and such property is free of all encumbrance, Investment in loans of purchase of life interests is allowed. Loans on policies within their surrender value are allowed.

9. *Fixed Deposits*: Investment in Fixed Deposits with Scheduled banks and co-operative societies registered under the Indian Co-oprative Societies' Act, 1912 (the primary object of which is to finance other co-operative societies similarly registered) is allowed.

10. *Others:* Under clause (s) of Section 21A(1) the Central Government may declare other assests to be approved investments under this Section.

Although this sub-section has been drafted so comprehensive yet it is not complete. There are certain assets of the life insurer which are **sine qua non,** for his business and these have not been included in this sub-section. Furniture, office equipments, outstanding premiums, outstanding and accrued interest and dividends, balances in hand and with banks (other than fixed deposit) balances with branches, loans and advances to agents, dues from other insurers, stock of paper, stationery and printed matter and stamps and other similar assets are necessarily required to be treated as approved investments with or without limitation. It is gratifying to note that some of the above assets have been treated as approved investment under the new draft amendment Insurance rule 10B.

B. *Further Restrictions on the investments of Controlled fund*: Besides the restrictions laid down by sub-sections (1), (3), (4) and (5) of Section 27A, following are the further restrictions imposed by other sub-sections of this Section: —

(1) Insurers are not to keep more than 3% of the Controlled fund in deposit (Fixed or Current or partly so) with any one banking company or co-operative society doing banking business. Such deposit shall exclude the premiums collected within 30 days. A co-operative life insurance society may be permitted by the Controller of Insurance to keep more than 3% of its Controlled funds with any immovable property (sub-section 2 of Section 27A).

(2) All the assests forming Controlled fund, except Government and Approved Securities held under Section 27 shall (except not exceeding 10% of the Controlled fund which may be allowed to be offered as securities for loan taken for purposes of investments) be held free of any encumbrance, charge, hypothecation or lien. (Sub-section 10 of Section 27A).

C. *Exceptions and Reliefs:* In the face of such multifarious restrictions, it is gratifying to note that some exceptions and reliefs, stated below have been allowed in this Section vide sub-sections (2), (7), (8), (13) and (17) of Section 27A:—

(1) *Relief for investments of unapproved category*: An insurer is allowed, subject to provisions of sub-sections (3) to (13) of Section 27A, to invest up to 15% of the liability of the policyholders arrived at according to the provisions of Section 27(1) in assets other than approved investments provided the investment is made with the consent of all the directors present at meeting and eligible to vote, special notice of which has been given to all the directors then in the States, and all such investments including investments in which any director is interested, are reported without delay to the Controller with full details of the investments and the extent of the director's interest in any such investments.

(2) *Exemption from the provisions of sub-sections (3), (4) and (7) of Section 27A*: If on application submitted through the Controller, the Central Government is satisfied that special grounds exist warranting such exemption, the Central Government may for such period, to such extent and in relation to such conditions as may be specified by it exempt an insurer from all or any of the provisions of sub-sections (3), (4) and (7).

(3) *Investments which later turns to be unapproved:* If any of the investments made in conformity with the provisions of sub-section (1) after 1st June 1950 later on ceases to be approved investment, insurer may not realize such investment but it will not affect the power given to Central Government under sub-section (12) described below).

(4) *Provident Fund and Security Deposit moneys:* The provisions of Section 27A will not affect the manner in which the Provident Fund and Employees' Security Deposit money or other moneys of like nature are required to be held by or under any other Act.

D. *Special Powers to Central Government:*

(1) *Power of Central Government to get the investments realised*: The Central Government has been given power under sub-section (ii) to direct after giving the insurer an opportunity of being heard, any insurer to realise any investments if the Government considers any investment to be unsuitable or undesirable. The insurer shall have to comply with such direction within the specified time.

(2) Every insurer whose any of the investments contravenes any provision of Section 27A shall by 28th August 1950 submit to the Controller a report specifying all such investments and if the Central Government is satisfied that it will not be in the interest of insurer to realise any such investments, it may direct that provisions of Section 27A except those of sub-section (ii) shall not apply to such investments for such specified period.

E. *Tests to be applied to know whether a particular investment complies with Section 27A*: As investments are required to be made by insurers from time to time and as all investments of funds of life insurer are to comply with the provisions of Section 27A, we lay down some simplified tests which should be applied before investing funds in a particular kind of investment. These tests will be different for each kind of investment. If the investments do not satisfy any test, the same can be made only under sub-section (2) of Section 27A and in the manner provided therein.

1. Investments in *Approved Securities, Securities of and guaranteed by U.K. Govt. Life Interests and shares and debentures of Co-operative Societies* can be made without any restrictions.

2. Investments in *loans on life interests and life policies* can be made within their surrender values.

3. Investment in *debentures*:

(a) *Municipal Debentures* if issued with the permission of the State Government.

(b) *Issued by any authority* (housing or building) approved by Central or State Government or any authority constituted by an Act.

(c) **Issued by a Public Limited Company:—**

(i) Either secured by first charge on any immovable property, plant or equipment of a company and

(1) paid interest in full for five years immediately preceding or five out of six or seven years immediately preceding or

(2) either the book value or market value, whichever is less of such property is more than three times of such debentures.

(ii) Or secured by a floating charge (first debentures) on all its assets of any company and paid dividends as in clause C (i) (1).

Further such investments in debentures are not more than 2½ % of liability under Section 27 or 10 % of subscribed share capital and debentures of the company whichever is less.

(d) **First Mortgage:**

(a) On immovable property situated in India under any housing or building scheme of insurer approved by Government.

(b) On immovable property situated in India or in any country in which insurer is doing business provided—

(1) of not less than 30 years outstanding lease, and

(2) the value of the property exceeds 1/3 (in case of buildings ½) than the mortgage.

5. **Immovable Property:**

(a) In India or any other country where insurer is carrying on business.

(b) Free of all encumbrances.

6. **Fixed Deposit:**

(1) With scheduled Bank or Co-operative Society.

(2) Does not exceed with one bank or society, including all deposits, but excluding premiums collected within one month 3 % of Controlled funds.

7. **Shares:**

A. Preference: (i) Of companies which have paid dividends on its ordinary shares for five years immediately preceding or for at least five out of six or seven years immediately preceding.

(ii) Of companies which have paid dividend on such shares as above and which have priority in payment over all the ordinary shares in winding up.

B. *Others:* (i) Guaranteed by another company and such

(a) guaranteeing company having paid dividends on ordinary shares as above

(b) total amount of shares of all companies so guaranteed does not exceed 50 % of paid up amount of preference and ordinary shares of guaranteeing company.

(ii) Paid dividends of not less than 4 % including bonus for seven years immediately preceding or seven years out of eight or nine years immediately preceding.

Other tests of above shares:

Shares of one company not to exceed—

(1) 2½ % of liability under Section 27 or

(2) 2 % in case of banking and investment companies and 10 % in case of other companies of the subscribed share capital debentures whichever is less.

Unpaid calls to be taken into account while computing the above 5½ %.

New shares issued to existing shareholders can be taken beyond the above limit as provided in sub-section 7.

Insurance of Wage-earners

THE Second Labour Conference of the American States, which are members of the International Labour Organisation held at Havana, Cuba, in December, 1939 adopted a resolution on the aims and functions of social insurance expressing their conviction that "compulsory social insurance is the most rational and efficient means of providing the workers with the security of health and livelihood to which they are entitled."

A conference convened by the Indian Council of World Affairs to discuss economic, social and cultural problems common to all Asian countries, and attended by delegates from over 25 of these countries' was held in New Delhi in March—April 1947; and the introduction of social security schemes and the expansion of medical education and of the training of nurses and mid-wives are among the recommendations made in the report on social services adopted by that conference. The Asian Relations Conference also recommended the formulation of fair labour standards laid down in I. L. O. conventions as a basic minimum.

After the World War II and, particularly after Independence, India has been studying and paying close attention to the problems of social security with a view to raising the general standard of living of the people. India, along with other Asian countries, is predominantly agricultural, having as much as 72 per cent. of her working population engaged in agriculture, only 15 per cent in industry and about 13 per cent in services. "The difference in the degree of economic development between Asian and Western countries is clearly reflected in the great difference in average real income. It has been estimated that during the period 1925-34 real income per head of the working population in most parts of the region - China, India, Siam, Ceylon, Indo-China, Indonesia and Malaya averaged less than 200 "international units" a year, as compared with 1,000 units or more in the United States, the United Kingdom, Australia, Canada and New Zealand and 600——1,000 in Western European countries" (An "International Unit" is defined as "the amount of goods and services which one dollar would purchase in the United States over the average of the period 1925-34"—Colin Clerk; "The conditions of Economic progress", London, 1940). It has therefore, been observed in the Report of the Preparatory Asiatic Regional Conference of the International Labour Organisation held at New Delhi, 1947, that "the dominant economic characteristic of the Asiatic countries in the Far Eastern Region is their extreme poverty". The predominance of agriculture in the total output and employment, therefore, reflects the pattern of consumption on which the national income is spent. Food absorbs the main share, and any income that remains is spent on other minimum necessaries of life.

Because of the meagreness of income earned by the working population in

India, there is often little left over for essential services, particularly, education and medical care. But, although India retains the predominant feature of agricultural economy, there has yet been substantial industrial expansion with resultant increase in her industrial population during the war.

On the background of increasing social consciousness in common with the other States of the world, India has considered the proposal of social security. But, having regard to her undeveloped resources and limited available capacity to bear the burden of a full-fledged social security programme, she has in a rather restricted fashion gone for security for her wage-earners. "The Employees' State Insurance Act,' passed in April 1948, provides "a bold yet modest scheme" of social security. It is designed to cover over two million workers in over 9,000 factories all over India. The scheme envisaged is one of compulsory State insurance providing for certain benefits in the event of sickness, maternity and employment injury to workmen employed in or in connection with work in factories other than seasonal factories. The administration of the scheme has been entrusted in the hands of a statutory Corporation called, Employees' State Insurance Corporation. The functions of the Corporation shall be performed by a Central Board, constituted of representatives of Central and Provincial Governments, and of employers, workers and the medical profession. The insurance fund will be mainly derived from contribution from employers and workmen. The contributions payable in respect of each work man will be based upon his average wages. Medical care and treatment to insured workmen will be provided by Provincial Governments, at such hospitals, dispensaries and other institutions as may be prescribed for the purpose. The cost of the medical benefit will be shared between the Provincial Government and the Corporation in such proportion as may be agreed upon between them. The Board will make rules on matters relating to the working of the scheme. Workmen's State Insurance Court will be set up to decide disputes and adjudicate on claims.

Two years have elapsed already since the passing of the Act, but it has not yet been put into actual operation. As it was hardly possible to implement the scheme in all the States simultaneously, it was proposed that the scheme should be introduced in Delhi as a pilot scheme. A stage was set for the inauguration of the pilot scheme in Delhi and Kanpur. But objection was raised that it was not an opportune time for the introduction of the scheme. The Kanpur employers emphasised that the introduction of the scheme there without its application in other places might seriously affect the competitive capacity of industry in Kanpur. But Mr. C. L. Katial, Director General of the Corporation, has expressed a contrary view. In his opinion (vide "Statesman"—Independence Supplement, August 15, 1950) "the net extra cost to the employer will seem to be about ¾ of 1% of the value of the output and does not seem so heavy as to be an unbearable burden on industry, since the employers, who are now required to pay benefits under the Maternity Acts and the workmen's Compensation Act, which will be taken over by the Corporation in respect of the insured employees, shall not be required to contribute separately for these benefits. The cost of medical care in respect of the employees shall also be borne by the Corporation immediately on implementation of the scheme. It is genuinely believed that the scheme when put in full force "will build up a healthier and stabler labour force"; will lead to increased production and "that the small extra cost will be repaid amply in the form of more goods and a healthier and happier people".

But, even though the pious attempts of the Government in this direction of providing compulsory security among the workers are being delayed and postponed, India yet leads the Asian countries in the matter of "Workmen's Compensation." The Indian Act of 1923 is perhaps the first example of this type of legislation in these territories and has been the model for the legislation of Ceylon and Malaya.

This Act protects workers earning upto Rs. 300/- per month against employment injuries. The class of workers to be covered has been described, and they are entitled to compensation in case of personal injury caused by accidents arising out of and in course of employment. The accidents include certain diseases which are known as industrial diseases. The most important feature and gravest defect from the employers' view point of this Act is the fact that it places the entire liability for compensation on the employers. This appears to be most unjust to the employer and is perhaps an important cause of its many short-comings. According to Sir William Beveridge, this risk should be shared by all the three parties; viz. employers, workers and the State. The schedule of diseases, again, which are regarded as accidents within the meaning of the Act, is extremely limited and falls much short of the schedule approved by the I. L. O's conventions. If protection against accidents is to be provided, let it be complete protection.

The maternity benefits are available in certain Provinces under their respective Maternity Acts. The 'Maternity Acts' have been passed by several provinces beginning with the Bombay Maternity Act of 1929 and ending with the Assam Maternity Act of 1944. The object of these Acts is to provide legal protection to women workers immediately before and after child-birth. Bombay passing the Act in 1929; C. P. and Berar in 1930; Ajmer-Merwara in 1932; Madras in 1934; Delhi in 1937; U. P. in 1938; Bengal in 1939; Punjab in 1943 and Assam in 1944. It is necessary that the mother gets complete rest and proper nourishment before and after child-birth and is relieved of the worries of earning an income But it will be seen that it is not in all the Provinces that the women workers are given benefits at times of pregnancy. But, these Acts do not provide for medical treatment, which is the greatest necessity for the Indian women workers, only cash benefits of varying amounts being allowed. The entire responsibility of granting these benefits is on the employer and is thus open to serious criticism.

Apart from the above types of social insurance benefits, there has not yet been any labour legislation in this country for the benefit of workers in other spheres of risks for which protection is needed by them. For instance, sickness, old age pension and unemployment insurance are yet beyond the reach of Indian workers. A scheme for medical care has, however, been introduced in the Employees' State Insurance Act, and in some establishments provision for provident funds or pension is made But, the question of unemployment insurance, having the risk more fluctuating and unpredictable and more difficult to fit in under Indian conditions, as there has been as yet no active consideration on the subject. When the conditions of employment will stabilise with the expansion of industrialisation in the country, then only can any scheme of unemployment insurance be successfully worked out.

Reviews

The Empire of India Life Assurance Co., Ltd.

THE Empire of India Life Assurance Company, Limited, Bombay, an Institution that has earned a name for efficient administration and service, has maintained its good progress during 1949. The Directors' Report and Annual Accounts submitted at the 53rd Annual General Meeting recorded a new business of Rs. 5,48,36,125. Besides, one pension bond, granting total annual pension of Rs. 360, and 2 Immediate Annuities, for a consideration of Rs. 50,876 were issued. The total number of policies in force as at 31st December, 1949, is 1,35,752 assuring a sum of Rs. 30,14,00,941.

The Income for the year amounted to Rs. 1,56,32,164 of which Rs. 1,20,99,689 was derived from premiums. The excess of the Income over the Outgo for the year was Rs. 54,51,389. The Expenses of Management including commission amounted to Rs. 39,71,886 which works out to 32.8 per cent of the Premium Income. At the close of the year, the Funds, including Reserve Funds, amounted to Rs. 8,84,88,838.

The Company has invested most of its funds only in Government and Approved Securities and the Market Values over the Book Values amounted to nearly Rs. 120 lakhs on 31-12-1949. The rate of interest earned during the year, after deducting Income Tax at source, and adding refund obtained, was 3.74 %.

A Dividend of Rs. 10 per share, free of Income-Tax, for the year 1949, was declared.

The Directors of the Company and Mr. Roshanlal, General Manager, deserves to be congratulated for the good progress, the Institution has made during 1949.

The National Indian Life Insurance Co., Ltd.

AMONG prominent Indian Insurance Companies, the National Indian Life Insurance Company, Limited, established in 1906, is one. It has a paid-up capital of Rs. 1,00,000 and its total Assets exceed Rs. 2.3 crores.

During 1949, the company received 13,584 proposals for Rs. 3,10,65,848. 11,673 policies were issued for a total sum of Rs. 2,56,82,325. The total premium income amounted to Rs. 54,72,292.

The company's Assets and Liabilities were valued as at 31st December, 1949, by Mr. A. T. Pai, M.SC., A.I.A., Actuary, employing Oriental Mortality Experience (1925-35) ultimate table with 3 years added to the age, interest at 3% per annum, and Expenses at 20 % of the office premiums in case of with-profit policies and 18% in case of without-profit policies. The valuation disclosed a surplus of Rs. 63,095 after making adjustments on account of (1) Interim bonus paid during the intervaluation period, (ii) income-tax deducted at source during the intervaluation period and (iii) estimated income-tax on the surplus. The total profit made during the intervaluation period amounted to Rs. 4,75,124. The surplus has been carried forward unappropriated. The Actuary has recommended payment of interim bonus to with-profit assurances at Rs. 10 - per Rs. 1000 sum assured.

We wish the company every success.

The National Insurance Company, Ltd.

AN outstanding Indian Life Office, the National Insurance Company, Limited, has now extended its activities to cover Fire, Marine, and Miscellaneous business. Despite a continued depression all round, the Company has maintained its onward march and during 1949 it completed a new Life Business of over Rs. 7.7 crores. Compared with the record of the previous year, the increase was over Rs. 80 lakhs. The total Life Business in force at the end of 1949 rose to Rs. 37.8 crores from Rs. 34.4 crores, thus recording an increase of about 3.4 crores.

The Premium income also has shown an increase. It was Rs. 1,66,40,000 as against Rs. 1,59,24,360. The total funds of the Company now amount to Rs. 8,56,82,953.

The Company has opened during the year several new branch offices. Due to this and various other factors, the Expense Ratio of the Company has slightly gone up. While the over-all expense ratio has risen by 3.04 %, the Renewal Expense Ratio has increased by 1.5 %.

In the matter of interest yield, due to constant diligence exercised by the Directors and the Management, the Company has been able to secure on their investments slightly higher yield as compared with the previous year, i. e. 3.15 % as against 3 %.

A dividend of 6 per cent free of Income tax on the paid-up share capital has been declared for 1949.

Under the leadership of Lala Lakshmipat Singhania, President of the Board of Directors of the Company, and Mr. S. D. Srinivasan, M. A., F.I. A., (Lond) Manager & Actuary, the Institution has developed greatly in the recent years and we wish it every success.

News

South India Insurance Association, Madras.

Excerpts from the Presidential Speech at the Annual General meeting held on 30th September, 1950.

During the year under review, great changes have taken place. The Insurance Act has, after all, been amended. A period of suspence has ended. The time for expressing views on the desirability or otherwise of certain Sections of the Legislation is past and we have to settle down and work the Act which confronts many of us with certain problems which demand immediate solution.

Expenses have been limited for General Business from the 1st of this year and for the Life Business from 1st January, 1951. Many Insurers are at the present moment, spending very much in excess of the limits imposed. They have to drastically cut down several items of necessary expenditure which is no easy task. The period of transition is so short that we may call the present stage as INSURANCE REVOLUTION. Insurance men must keep their heads cool, so that the problems that face them can be tackled intelligently and there will be complete rationalisation of all our methods.

Our expenses are high because we are having a good deal of wasteful competition which can be reduced if all the member companies co-operate with each other in maintaining an understanding with regard to the cost of procuration of Business. Our Association can help a good deal in this matter by bringing it clearly to the notice of all its members the supreme need for avoiding unhealthy competition in the matter of procuration of business. Unless this is done, the Insurance industry in India cannot progress.

This restriction of expenses has come at a time when there is a constant demand on the part of the employees for better salaries and living conditions. These demands cannot be ignored. The recent award for the employees of the Banks gives us an indication of the level of the salaries, which has to be kept in view by Insurance Companies also. Unless a mechanised system is introduced, it will be well-nigh impossible to meet the increase in salaries. An intense effort should also be made to increase the volume of business by every company. Otherwise, the advantages of mechanisation will not be very great.

These are some of the problems that confront most of us and have necessarily to be solved by us, if we have to service in the INSURANCE WORLD. Personally, I feel that all these difficulties are really opportunities for us to improve the standard of Indian Insurance and make it competitive in the international market. I appeal to the members of our Association to co-operate with each other and to have a perfect understanding in all matters of common interest to us. Let us sacrifice our individual consideration for the well-being of all of us.

I do not want to take any more of your time. Before I conclude, I convey my thanks to the members of the Executive Committee for the great co-operation they have given me during this year. I have to particularly thank you all for the great privilege you have given me to work as President for the last two years.

The South India Insurance Association

The following Office-bearers for the year 1950-1951 were elected:

President:
Sri T. S. Swaminathan (Prithvi).

Vice President:
,, E. Natesan (Ruby General).

Hon. Secretary:
,, A. S. Mani (Vanguard).

Member of the Committee:
,, D. Subrahmanyam (Andhra).
,, T. Gopalakrishna (Bharat).
,, K. S. Ramamurthy (Sterling).
,, N. V. Nayudu (United India).
,, N. Swaminathan (Oriental).
,, N. Rama Rau (United India Fire).

Hon. Auditor:
,, A. Sarangapani (Indian Trade).

Hindustan Co-operative Insurance Society Ltd.,

Sri K. S. Ramiah, Branch Manager, Hindusthan Co-operative Insurance Society Ltd., Bangalore Branch, celebrated the marriage of his niece Sow. Lalitha with Sri H.S. Doraswamy, B. Sc., Editor of the local vernacular daily "Pouravani" and President of the Mysore State Journalists' Association, on Monday the 18th Sept. 1950.

The reception which was held in the evening was attended by several leading citizens of Bangalore, including Hon. Sri. H. C. Dasappa, Minister for Finance, Hon. Sri. K. T. Bhashyam, Minister for Law and Labour, Hon. Sri. H. Siddayya, Minister for Revenue, Hon. Sri. T. Mariappa, Home Minister, Hon, Sri. R. Chennigaramiah, Minister for Local Self-Govt., Justice N. Balakrishniah, Justice R. Venkataramiah, Justice B. Vasudeva Murthy, Retd. Justice A. R. Nageswara Iyer, the Advocate General A. R. Somantha Iyer, other high officials of the Government of Mysore, prominent businessmen, members of the Chamber of Commerce, the executive officers of the various insurance companies and other well-wishers.

The bride and bride-groom were the recipients of numerous congratulatory messages and presents on the occasion. Messages of good wishes were received from all over India and from the Chief Minister Hon. Sri. K. C. Reddy who was away at Nasik.

Sri K. S. Ramiah and Sri H. S. Sitaram, Councillor, Corporation of Bangalore, and brother of the bride-groom, received the guests.

"Insurance World" Insurance Law Supplement

The "Insurance World" has published its September, 1950, issue as an Insurance Law Number. It Contains, besides articles on the amended Insurance Act, an analysis of the Act, in a useful form.

The Madura Insurance Association 2nd Annual Conference

The 2nd Annual Conference of the Madura Insurance Association was held on Sunday the 15th October, 1950 at 4 P.M. at the Bharat Mansions with Mr. E. Annamalai, Managing Director of the Mother India Life Assurance Co. Ltd., Madhurai, the President, in the chair. There was a fairly representative gathering of insurance men, doctors, bankers and members of the public. Messages wishing the Conference success were received from Raja Sir M. A. Muthiah Chettiar, M/s. M. Ct. M. Chidambaram Chettiar, J. R. Marshall and many others. The President in his Welcome Address, referred to the present critical situation in the world in general and in particular, to the difficulties experienced in the world of insurance. The Insurance Act, he said, though good in parts, depends much on the spirit with which it is administered and the sincere co-operation offered both by the public and the insurers, for its success. Dr. B. Natarajan, Economic Adviser to the Government of Madras, then inaugurated the Conference. In his address Dr. Natarajan said that by a proper exploitation of the present economic resources of the country the insurance companies in India could not only be doing themselves a great good but could also help capital formation, the crying need of the hour. If by concerted, intensive and extensive drive the premium income of insurance companies could be doubled in three years, that would bring in a saving for the country of ninety-seven crores of rupees in three years which sum would come in handy for investments on the much-needed development projects.

The Doctor laid particular stress on the need for carrying insurance to the doors of the rural population as the salaried classes to whom the insurers have been catering hitherto are not now in the happy position of saving enough, to invest more and more on insurance. The working classes, no doubt, in a position to find, more money in their hands and insurance is the best method of enabling them not only to save but also to insure against all future contingencies.

Dr. Natarajan added that insurance in the agricultural sector had to be developed on several lines as there was great need for cattle and crop insurance. If the insurance companies feel that the field is new or the results are uncertain, they may well pool their resources aud combine together for this special purpose. In conclusion, the learned Doctor complimented the Madura Insurance Association on the excellent work it has been doing and wished it many years of useful existence.

The main speaker for the day was Mr. T. S. Swaminathan, M. A., F.C.I.I., F.I.A., General Manager, Prithvi Insurance Madras. In his illuminating address on the "Control and Regulation of General Insurance business in the context of changes introduced by the 1950 Amendment of the Insurance Act" he stressed the need for tariff regulations on a sound and constructive basis. He referred to the present classifications of rates and policy condition, the underwriting practices now in vogue and the appointment and remuneration of agents, and suggested various improvements in all these directions. Incidentally he referred to the evil of the evasion of the regulations regarding restriction of payment of commission "by practically every insurer without tangible evidence being available for the Tariff Association." It is this fact, Mr. Swaminathan maintained, that has resulted in the attempt made by the Insurance Act to tackle this problem independently of the existing Tariff Organisation. Mr. Swaminathan pointed to the existence of some non-tariff insurers, who find it possible to carry on business and some of them successfully too, by quoting lower rates than members of the Tariff Association.

He laid stress on the fact "that spreading the risk over a wide area is the fundamental basis of the safety of business but an insurer who carries big risk himself without caring for reinsurance is not carrying on insurance business but merely gambling." Sooner the non-tariff companies are brought within the fold of Tariff Association, the better and more sound would be the service that is being rendered to the insurance public." Regarding the agency regulations, Mr. Swaminathan is of opinion that the new amendments only try to preserve the status quo of existing big companies, though they would be a serious handicap for new and existing smaller companies in their attempts at further expansion. Mr. Swaminathan concluded his address by saying that "A restriction on the numerical strength of the agency force or branch organisation appears, however, such a crude attempt to prevent normal free development that other avenues of enforcing strictly the limitations with regard to the remuneration for influencing or procuring business to an insurer should be investigated more thoroughly before agency regulations are thought of.

Mr. N. V. Nayudu, General Manager of the United India, Madras then made a few passing remarks on sums of the controversial statements made in the course of Dr. B. Natarajan's inaugural address. He emphasised that Indian Companies are second to none in the extent, scope and variety of the insurance services they offer to the insuring public.

Administrator for Union Life and General

A Gazette of India Extraordinary notification dated 20th August, 1950, says that after considering the report of the Controller of Insurance, the Government of India has considered 'it necessary to appoint under Section 52 of the Indian Insurance Act, 1938, an Administrator to Manage the affairs of the Union Life and General Insurance Company, Bombay, under the direction and control of the Controller. Mr. G. N. Pradhon has been appointed to the post. The appointment of an administrator, thus, to manage an insurance company is the first of its kind in India since the new Act came into force.

"Indian Insurance Institute

Sri U. C. Barua (Lakshmi Insurance), a Vice-President of the Indian Insurance Institute, Calcutta, was AT HOME to the members of the Council of the Institute, on Thursday, the 12th October, 1950, in the Hall of the Bengal National Chamber of Commerce (P-11, Mission Row Extension, Calcutta). Among those present were Sri S. C. Roy (Aryasthan), Sri P. K. Sen (Calcutta), Sri H. C. Naug (Palladium) Sri S. K. Acharyya Choudhury (Bangalakshmi), Sri N. C. Ghosh (Empire), etc. etc."

Mr. S. B. Cardmaster, Resigned.

Mr. S. B. Cardmaster, has resigned his post of the General Managership of the All India General Insurance Company, Limited Bombay.

Mysore Insurance Guild

Members of the Mysore Insurance Guild, Bangalore were " AT HOME " to Mr. P. R. Gupta, M. A., F. C. I. I. (Lond), Life Manager, Ruby General Insurance on 26th September 1950 at the Committee Hall of the Mysore Chamber of Commerce. Mr. Gupta was on his annual inspection tour of their local Branch and this opportunity was availed of by the members of the Guild to hear Mr. Gupta when he addressed the gathering on the Present Day Problems of Insurance with particular reference to the working of the Insurance Amendment Act (1950). He traced briefly how the present Act was shaped and dwelt mainly on the duties and obligations imposed by the Act on Chief Agents, Special Agents and the Branch Managers.

The Vasant Insurance Company, Ltd.

THE Vasant Insurance Company, Ltd., was established in 1941. It has the unique advantage of an eminent Board of Directors consisting of Dewan Bahadur Hiralal L. Kaji, M.A., B.SC., I.E.S., (Retd) J.P., Chairman, Mr. Sankalchand G. Shah, Esq., B.A., LL.B., Mr. M. B. Bilimoria, B. Com., M. A. Fazalbhoy, J.P., Prof. Sankalchand M. Shah, M.A., Mr. Kanishka H. Kaji, LL.B., Advocate, Rao Saheb V.C. Jadav, B.A., Shree Vikramsinhji, Thakor Saheb of Gamph and Mr. Ashok H. Kaji M.SC., Managing Director. With a paid-up capital of Rs. 5 lakhs, the Company transacts only life Assurance Business.

Though young in age, the Company has been able to win the confidence of the public from its very inception and compete successfully with powerful and long established Institutions in securing a decent amount of new business every year.

In 1949 it received 3,043 proposals for assurance amounting to Rs. 85,46,250. Out of these, 2,726 proposals resulted in policies for over Rs. 75 lakhs. The total business in force at the end of the year was Rs. 2,11,13,500.

Premium Income: The net premium income after deduction of reinsurance premium amounted to Rs. 8,08,694. Interest and dividends aggregated to Rs. 46,657. After meeting all expenses paying claims to the extent of Rs. 1,22,000 and writing off preliminary and organisation expenses amounting to Rs. 40,000, the Company has been able to increase the life Assurance Fund by about Rs. 3 lakhs.

During the year the Company's investments increased from Rs. 16,05,181 to Rs. 18,42,243.

It is a matter for gratification that the Company is fortunate to have as its Managing Director Mr. Ashok H. Kaji, M.SC., who has not only served it with great zeal and enthusiasm but has also had the generosity to forego his claim amounting to Rs. 20,353 being the amount of the entire commission payable to him under his agreement. This gesture on the part of a gentleman who is at the helm of affairs, is laudable and deserves commendation, as any Institution that has the fortune of having at its management men who would not mind sacrificing handsomely for the sake of building it up, is bound to grow rapidly and serve the public faithfully.

The Company's Branch Office at Madras is placed in charge of Mr. N. Pattabiraman, an experienced gentleman in the field of insurance. His efforts to organise a net work of agencies in the Presidency have met with success and we are sure the name of the Vasant Insurance Company, will very soon be as popular as those of long-established ones. We wish it every success.

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MADRAS

NOVEMBER 1950

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No 7

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CONTENTS

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PROPAGANDA FOR INSURANCE

THE insurance movement is gaining ground in the country albeit slowly. Its service value is coming to be recognised and its importance in the removal of economic want and in conferring economic freedom and security on the individual as well as the nation, is no longer a subject of doubt or controversy. No better testimony is required regarding the social value of insurance than the utterances of our national poet Tagore who came out of his poetic seclusion and gave expression to the following ideas, in the economic interest of his countrymen.

"The most precious wealth that man has attained is the consciousness of his fundamental unity which is more and more impelling the human world to work together for the service of every individual born in it. The consciousness which is gradually gaining ground in our economic life, because it represents the highest truth of man, is the only means that can lead to the true wealth of the people, the wealth born of the fruitful meeting of individual will."

"This is the reason why I hailed with enthusiasm the first early attempt by our countrymen to introduce Co-operative Insurance in Bengal representing mutual economic help through a combination of individual resources."

If insurance is essential for social security during normal times due to the risks and hazards inherent in social life, it is more so during abnormal times such as times of economic depression, war or other national calamities, such as flood, drought etc. Insurance creates economic strength and maintains it. It serves as an effective agency for withstanding economic strains and shocks, for creating and maintaining economic strength. It provides both directly and indirectly the sinews of war necessary for economic development. In fact it may be hailed as "National Protector". The moral benefits of life insurance in particular are of no less value than the material. It makes the insured cultivate the habit of thrift and the spirit of sacrifice for the welfare of the family. It helps people to keep up morale, and dispels fear of the common hazards of life. It answers best to Ruskin's beautiful definition of a friend 'as one who comes first when the whole world goes out'. It is necessary therefore that this movement which is so full of potentialities for the moral and material betterment of society should take root in the country and make rapid development. It is well known in insurance circles that India occupies a very low place in per capita life insurance which is Rs. 13, as compared with Rs. 2362 in Canada and Rs. 3375 in the U.S.A. In his interesting and instructive book "on Life Insurance Advertising and Selling", Mr. S. P. Chatterjee quotes Mr. Gibson as saying that more than 60% of the world's total life insurance has been made on the lives of America. Our country is far behind western countries in all fields of insurance, life, general, and social. Practically no attempt has so far been made in our country to take the message of insurance to the villagers who form the large bulk of our population. Even in towns, all sections of the population have not been served. The lower middle class, the artisan class, and a decent proportion even of the upper middle class do not enjoy the protection of life insurance. In the field of general insurance, our country's absolute record is poorer than in life insurance though latterly, the progress in the field is greater than in the past years. The general business of the country is mainly in the hands of foreigners. In the field of social insurance, we have to make considerable headway. The only attempts in this direction which have just touched the fringe of the problem are the Workmen's compensation Act' and 'The Employee's State Insurance Act'. There is therefore much work waiting to be done and it behoves insurers to take up the work both in their own interest and that of the nation. Insurers know only too well that even in enlightened and advanced countries with a higher per capita income insurance is not an article dealt over the counter but has to be taken to the consumer and sold. Hence there is great and urgent need for propaganda in the country to remove its insurance shyness and make it insurance-minded.

Any new movement has to face resistance of various kinds before it grows and develops. Political and social reformers know it to their cost that unless they work with faith and confidence in their goal, they cannot overcome the prevailing banter, cynicism, and opposition which it is the lot of every new movement to face. These obstacles have to be got over by patient and persistent propaganda explaining the benefit of the movement in the teeth of opposition. When the whole nation is steeped in general ignorance of economic matters, as is the case in our country, the combined efforts of all insurers rather than of individual companies are necessary, if they are to be effective and fruitful. The first task to be achieved is that the citizens should consider insurance a necessary equipment for the battle of life before they are persuaded to take up a policy in any individual company. Once the nation is made insurance-minded, it will be an easy task for the agents to approach them

for canvassing for their respective companies. The necessary atmosphere for canvassing must be created by the joint efforts of all insurers, as mere appeals pointing out the benefits of insurance without demanding that they should take policies in an individual company are bound to produce a better effect upon the minds of the prospects on account of their comparative disinterestedness. A body like the Indian Insurance Offices' Association may take up the responsibility of propaganda meeting its cost by subsidies from affiliated associations and basing its leaflets on the idea and suggestions gathered from different associations. Such a preliminary education of the prospects before the agents approach them will make them better disposed towards the agents when they visit them. The agents will not then be looked upon as mere obstreperous door-knockers and meddling intruders but will have a proper hearing and looked upon as messengers of thrift and peace. Money spent on such propaganda is good investment and will pay good dividends in the shape of better business. If America leads in Insurance, it is because it realises that it is nothing but enlightened self-interest to spend liberally in preliminary advertisement. Britain is not spending so liberally in Advertisements but its ratio of Advertisement expenditure to premium income, according to one authority, is more than double what Indian insurers spend on advertisements. The advertisements made must be purposeful varying according to the regions to be served by them. A study of the field conditions and sales difficulties must precede the advertisements. They must make a psychological appeal to the people and must not consist merely of facts and figures though these latter have also their place. The appeal must be in general terms pointing to the necessity for and the benefits of insurance and laying stress upon its inherent soundness and security when conducted on proper lines. The Americans offer the best example for insurance advertisement and they dramatise in an impressive manner the evils resulting from neglect of the measures to be taken to avoid the financial difficulties that may be caused by old age, disability, accidents etc. The appeals must show proper understanding of the view points of the purchaser and anticipate all his arguments against insurance. There is a wrong notion that advertisement consists in boosting and shouting hoarse. Overdoing is never good. It is possible to be impressive and effective without indulging in exaggerations. The service aspect of insurance must be brought home to the minds of the prospects.

The methods to be adopted for advertisements vary according to the individuals to be approached and the areas to be served. The approach to rural agriculturists depending upon periodical incomes, subject to vicissitudes of the season, must naturally be different from that towards urban dwellers earning monthly fixed salaries. The matter to be placed before educated prospects will have to be different from that to be given to the uninitiated. The advertisements to the villagers be they agriculturists or petty traders or money-lenders or small scale industrialists, must be in general terms, showing an understanding of their difficulties, and show how insurance will help to wipe out the widow's tears, stop the children's cry, and enable the agriculturist, trader or the industrialist to tide over their unexpected losses due to floods, drought, accidents and other causes. The different kinds of policies available to meet the needs of the different classes of society and men in different kinds of life should form the theme. Illustrated pictures and special cinema shows portraying how insurance has saved individuals, families, commercial houses and industrial concerns have their part to play. Such shows must be arranged for school children, so that the idea of thrift and saving for the future for individual and social security may be inculcated in them early in life. Mention may be made of concrete cases of families in distress helped by the movement. Journals of the country specially devoted to insurance must be made use of for giving wide publicity to insurance ideas. A series of advertisements spread throughout the year may be arranged for. Striking utterances by leaders of thought, and men prominent in the Social life of the country regarding the value of insurance may form a regular feature of every issue, a special page being set apart for the purpose. At the same time, insurers must see that proper attention is paid to the education of the insurers and the people. The service aspect of insurance will receive its due attention only if men with academic qualifications are attracted to it and made to feel that there is vast scope for study and research in the field. There is scope for work in the field for the best brains of the country, as the development of insurance in all fields implies the material, social and moral development of the community. The economic freedom which alone can ensure political freedom is based upon increase in the standard of living of the common man. Western democracies notably America and England have recognised that social well-being and security can be brought about only by a well-thought out scheme of social insurance answering to the different needs of the citizens in their days of unemployment, sickness, disability, and old age, and have taken steps to carry out their plans. The best talents of the infant democracy of India are required to study the problems peculiar to our agricultural country, draw up a national programme of social insurance and carry out widespread propaganda to popularise the same before it can be acted upon.

Control and Regulation of General Insurance

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(Paper read at the Second Annual Conference of the Madura Insurance Association on 15th October 1950).

THE object of this paper is to discuss in somewhat general terms the question of control and regulation of general insurance business in the context of the changes introduced by the 1950 amendment to the Insurance Act. Some aspects of the business which were till now regulated by voluntary Associations of Insurance Companies, *viz.*, the Tariff Associations, will hereafter be subject to the regulations by statutory bodies whose constitution, scope and functions have not yet taken definite shape and perhaps a general discussion of the principles which should form the basis of such control and regulation will prove useful.

The Tariff Associations were originally concerned only with the regulation of the Tariffs, *i.e.*, the schedules of rates of premium to be charged for various classes of risks. The need for the closest co-operation in the matter of rating of risks became obvious at a very early stage in the development of fire insurance business and the fact that most of the first insurance companies were greatly dependent on each other for reinsurances facilitated the strictest enforcement of rating and other similar agreements. At first, the agreements aimed only at the avoiding of ruinous competition in rates, but as the business developed, the scope of the Tariff regulations and agreements had widened according to the conditions of business in the various localities. In some cases, the scope of the agreements and regulations are so wide as almost to eliminate competition of any kind whatsoever amongst the members of the Tariff organisation.

In India, more or less autonomous Tariff Associations, having their headquarters at Calcutta, Bombay and Madras, control the business in their respective areas. Besides making regulations regarding the conduct of general insurance business by its members and trying to enforce them, the Calcutta and Bombay Associations employ Inspectors who periodically survey the big risks. An associate institution in Calcutta looks after Workmen's Compensation claims on behalf of its members while at Bombay, there is a Fire Salvage Association which looks after the salvage in the interests of members.

The fact that the Associations at Madras, Bombay and Calcutta are autonomous is a matter of some significance, for although there is a very considerable degree of co-ordination between the Associations, there are invariably occasions when the viewpoints become irreconcilable and each Association decides to pursue its own independent line of action. Till 1948, all these Associations were subject to the control of supervisory bodies in London, but this is no longer the case. It is also a matter of some significance that till about a few years ago, the number of Indian members in the Association was so small that they were not in a position to exercise any influence at all in the making of the Tariff rules and regulations or in their day-to-day application.

The rules and regulations of the Tariff Associations relate to the following subjects:—

(a) Classification of rates, rates of premiums and policy conditions;

(b) Underwriting practices;

(c) Appointment and remuneration of agents, opening of branches etc., *i.e.*, the organisation for procurement of business.

The classification of risks and schedule of rates of premiums etc., together with the appropriate policy conditions, warranties etc., have been elaborately drawn up for Fire and Motor Insurance by each Association. Where the classification is incomplete and no scheduled rates can be applied to any particular risk, the Committee of the respective Association fixes the rate applicable. In addition to the classified tariff, a number of individual risks are specially rated by the committees irrespective of the actual rate applicable according to the regular tariffs. A more or less complete classification of occupations and the rate of premium for workmen's compensation insurance is in force, but here again, special rates may be granted for large employers. There are no tariffs for premiums in force in other sections of accident and miscellaneous insurances, such as personal accident, burglary, etc., and consequently, no standardised policy forms or clauses.

With regard to Marine Insurance, there are agreed schedules of premium rates for certain coastal voyages and inland transit for a limited type of cover. But outside this field, there is very little regulation of premium rates.

Regulation of underwriting practices follows more or less closely the regulation of premium rates. In fire and motor insurances, these regulations cover every aspect of practice likely to arise in an ordinary Fire & Motor Insurance Office such as scope of the cover that can be included in the policy extra premiums that should be charged in the various extensions of cover, procedure with regard to cancellation or alteration, issue of floating policy or declaration policy etc. In Marine Insurance, however, there is a considerable degree of freedom allowed with regard to the type of cover that can or should be granted, the extra premiums that may be charged, the procedure for extension of cover or cancellation. It could easily be seen that the regulations regarding underwriting practice follow as a logical consequence of any agreement with regard to premium rates as the premium rates have to be based on certain underlying assumptions with regard to the nature of risk that is covered and the conditions of the policy that is issued.

Regulations regarding appointment of and remuneration to agents, opening of branches, etc., i.e. with regard to the organisation of a Company for the procuration of business stand on a different footing. The regulations of the Associations in India on these matters include restrictions on the number of branches that can be operated by any insurer in the territory of the Association, restriction on the number of Principal Agencies that can be granted, eligibility of persons to be principal Agents or Agents, conditions to be satisfied by Branch offices, remuneration to Principal Agents, etc. In the areas controlled by the Calcutta and Bombay Associations the number of Principal Agencies has been strictly limited and the standards set for a Principal Agency qualification have been such as to restrict the Principal Agency appointments to a few selected firms. In Madras area, the number of branches has been restricted to only one and a larger but still restricted number of Principal Agencies are allowed and the qualification standards have not been set very high. These regulations do require Agency and Principal Agency appointments to be approved by the Association before they are given effect to and Branches to be registered with the Associations. Most of the Agency regulations are of a comparatively recent orgin dating more or less from the introduction of the Insurance Act in 1939 although the restriction on Principal Agencies has been in force in Calcutta and Bombay from very early times.

Before proceeding to a discussion of general principles which should be the basis of regulations of this nature, it would be desirable to survey how far the present regulations have heen successfully worked. One could say with a certain amount of confidence that the tariff rates are more or less strictly followed and there is very little complaint about the tariff rates not being observed. It does, however, seem to be the case that a misdescription of the risk and a consequent application of a lower rate is not uncommon and some Associations have had to systematically issue warnings to members that wrong classifications of this nature will be severely penalised, however innocent it might have been. Regulations relating to underwriting practice also appears to be working fairly satisfactory although one does hear sometimes of rules not being strictly applied to. When one, however, comes to the tariff regulations relating to the organisation for procuration of business, it would not be an exaggeration to say that the tariff regulations have completely broken down during the last few years. The "tariff situation" has always been the matter of serious concern for the Chairmen of the Associations at every Annual Meeting during the last few years. It is remarkable that the regulations regarding the restriction of payment of commission are being systematically evaded successfully by practically every insurer without any tangible evidence being available for the Associations. This must be attributed in part to the fact that there has been a very large increase in the number of Insurance Companies during recent years so that every insurer has come to regard this as a normal feature of the increased competition that has resulted. It is this fact, viz., that the present tariff organisation has broken down more or less completely in this sphere of its activities, that has resulted in the attempts made by the Insurance Act to tackle this problem independently of the existing tariff organisations.

Regulation of competition amongst insurers transacting general insurance business appears to be indispensable if the insurers are to provide the security that is sought for by the insured. Risks that are presented for insurance have such varying characteristics and present such varying degrees of hazards that no individual insurer can ever expect to acquire by himself sufficient statistical data for the proper classification and rating of the risks. Competition in rates, unless directed and limited by the knowledge of the actual statistical basis necessary for successful underwriting, will easily make it impossible for any insurer to obtain on any kind of risk a satisfactory rate of premium. It is necessary, therefore, that an arrangement should exist for pooling the available knowledge with regard to the characteristics and experience of each class of risk and making it the basis for agreed minimum premium rates that should be charged by all insurers. As explained earlier, a rating schedule carries with it the policy conditions and other underwriting practices which have a bearing on the claims experience and in an agreement as to rates, it is necessary to incorporate an agreement to observe and follow the conditions and practices that have gone to make the rate. These factors have been recognised very early in the development of fire insurance business and it is easy to enforce such an agreement amongst insurers on account of the fact that most of the risks that are offered for fire insurance require the use of reinsurance facilities that can be offered only by other insurers. It is the penalty that the fire tariff organisation can impose, *viz.*, that of cutting off reinsurance facilities, that has been responsible for keeping the organisation together. In a field which is well-served by a number of insurers adhering to tariff, it may be possible for one or two insurers to stand out of the organisation and take away some of the business from the tariff insurers by quoting rates below the tariff. They are able to do this only because of the existence of the basic rates which the tariff insurers have adopted on the basis of their collective experience and the capacity of such insurers to absorb business is limited by the reinsurance facilities open to him. Perhaps, it is necessary to stress at this stage that spreading the risks over a wide area is the fundamental basis for the safety of business and an insurer who carries big risks himself without caring for reinsurance is not carrying on insurance business but merely gambling. In a field where there is absolutely free competition with regard to rates, one might possibly find the following features:—

(a) The margin of profit of any insurer will be very small. In a number of cases results taken over a period of years would probably show a loss.

(b) The capacity of any insurer to absorb any risk would be limited and instead of the risk being spread by way of re-insurances, the insured might have to go to a number of insurers to obtain the cover required.

(c) Rates for some classes of good risks would possibly become ridiculously low while risks involving greater hazards would be required to pay a high rate of premium and sometimes may not be insurable at all.

The only known example of a free Insurance market which is not hampered by any tariff of minimum rates is the Marine Insurance market at Lloyds which consist of a large number of individual insurers who write small amounts. It is, in fact, the existence of such a market as Lloyds that stands in the way of any recognised tariff rates for marine risks.

A tariff of premium rates which all insurers will be bound to observe may be taken to be necessary for sound working of insurance business in this country. A tariff of insurance premium rates, however, should have relation only to the actual needs of the situation. The premium rate in general insurance business is made up by consideration of the following four principal elements:—

(a) Cost of claims;

(b) Cost of Administration;

(c) Reserve for conflagration and catastrophe risks:

(d) Profit Margin of the insurer.

A theoretical classification of various risks may be possible according to the physical and other hazards that the risk presents, but the ultimate test of any successful classification is that over a period of years all parts of a group of risks classified together produce more or less the same claim ratio. Insurance pre-

(*Continued on Page 20*)

Selling Life Insurance as a Profession in India today

BY SHRI A. S. NARAYANAN

(*Excerpts from a talk given under the auspices of the Nagpur Insurance Institute*)

What makes a professional salesman

A sale in the full sense of the word implies the ascertaining of the needs of the prospect and of the salesman using his powers of salesmanship in influencing the prospect to purchase the goods or service. It involves mutual profit and a sense of satisfaction. A profession often requires long preparation and study and involves specialised knowledge and skill in operation. The benefit of others rather of oneself is the guiding principle of a professional. He realises that while he may draw from the common stock of accumulated knowledge, he is also expected to contribute his share to that stock of knowledge.

The professional always tries to avoid the sins of:—

(a) Professional dishonour (like giving incorrect information about competitors)

(b) professional disloyalty (like sacrificing common interest for the sake of individual interest)

(c) professional stagnation.

He views his work as a great opportunity to use his knowledge and skill in rendering service than merely as a means of gaining a livelihood and is ready to co-operate with others for unselfish ends.

A professional salesman is not a mere peddler or an order-taker or a mere solicitor or an agent or a mere consultant. He should have a complete knowledge of salesmanship and be always anxious to become more perfect and have a complete knowledge of human nature. He often develops his imagination and specialises in "creative selling" or creating business where none existed and find customers whom others fail to locate. The professional salesman frequently practises salesmanship as an art, by taking pleasure in and enjoying selling. He considers himself as an "advance agent of new ideas and a better civilisation," changing peoples' minds and raising their standard of living.

Are life insurance agents necessary:

It is often said that "Life insurance has to be sold and is not bought" implying the necessity for employing insurance salesman. Very few persons take the initiative in buying life insurance; and insurance salesmen have to preach day in and day out, the gospel of thrift, protection and security. What is known as the original European plan of marketing life insurance, of expecting men wanting life insurance to search for an office and make his application for insurance has not worked successfully. While the common man is willing to believe in economic security as a principle, he finds it difficult to accept emotionally and translate it into action. Very few can afford to make a single payment and purchase complete financial security; and it becomes difficult to pay year after year. Again death and old age are unpleasant to think about. Further buying life insurance involves self denial and sacrifice of current pleasures for future benefits to dependents or far off old age. These necessitate the employment of human agency to seek out people, determine their needs and persuade them to go in for life insurance. In addition to becoming the human link to interpret the needs and the attitudes of the policyholders to the Head Office, the agents also help in arranging for the distribution of risks geographically and occupationally and also in making a preliminary selection of risks and in screening out undesirable risks.

Several attempts made in different countries to eliminate insurance salesmen have not succeeded. Thus the British Post Office Savings Bank Insurance plan introduced in 1865 had to be closed in 1928 for want of sufficient support. Similarly the Wisconsin state insurance Fund in U. S. A. organised in 1911 did not make any appreciable progress. Again even the savings Bank life insurance of Massachusetts has not been any great success compared to private companies. The National Insurance policies sold to the armed services were given up in great proportions in America soon after war ended. Even in India the "Depositors Benefit Insurance" has not, in spite of its lower rate of premiums, been able to record any great progress nor has the Postal Insurance, in spite of the advantage of the lower rate of premium deposit and the automatic recovery of premiums from the salary.

The Great volume of insurance in force in America is due to the development of the agency system in that country.

An incident which happened during the last world war emphasises the necessity for and contains a tribute to the life insurance salesman. After Pearl Harbour, the beleaguered American troops in the Philippines were allowed to obtain government insurance upto 10,000 without evidence of good health; and applications were radioed to America. Strangely enough it was seen that the average amount for which policies were effected was only about 5,000 even though the men were in the midst of death. Later, a crop of insurance men from amongst the men had to be organised to do personal canvassing and as a result of their efforts, the average value of the policy went up to 9,000. What the guns and exploding shells could not do the insurance agents did !

The importance of insurance and insurance salesmanship depends on the political structure of a country. The essence of salesmanship being persuasion, implying voluntary participation, democracy encourages salesmanship while Dictatorship will stifle it. Again under public monopoly or socialism, salesmanship and advertisement would be of little importance. Hence with the present democratic set up of Government and before socialism is completely and effectively established, there would be a good scope in India at this stage for salesmanship being developed, provided energetic steps are taken on the lines of the progressive modern American methods rather than the conservative English traditions.

Can selling life insurance be a satisfying profession ?

In selecting a profession, one would apply the following tests.

(a) Does it involve only a small capital investment, preferably of intangibles like self confidence, ambition, enthusiasm.

(b) would it provide not merely a comfortable living but also sufficient income to satisfy even a person of ambitions and offer unlimited and challenging opportunity.

(c) would it provide a life time future and assurance of permanency.

(d) would it provide full scope for self expression, independence of thought and be free from crushing monotomy.

(e) would it give pride, self respect and a sense of usefulness and emotional satisfaction like admiration and regard from friends colleagues etc.

(f) would it offer the right success helps.

Selling life insurance satisfies all the above tests, in not being liable to be effected by change of fashions or on account of new inventions, in catering to fundamental needs which would be ever existent, in having new markets constantly opening up as a result of needs of new prospects, in which one's own ambition, energy and efforts alone would set the limit of attainment and which develops qualities of self reliance, initiative and self discipline. Salesmanship is the highest paid profession in the world and builds not only prosperous but also strong men.

In selling life insurance, one becomes a teacher and promoter of thrift (thus helping in the partial elimination of poverty) of good health, of good citizenship and of good ideals. The life insurance salesman becomes the ambassador of things designed to help living becoming more comfortable and pleasant and therefore becomes "the advance agent of civilisation". He also plays a notable part in the establishment of financial reserves and in helping essential industries and national economic stability. Becoming a missionary of peace in this world, he carries the message of thrift and saving for the rainy day, and the "fundamental law of practical economy that the best serves humanity who best serves himself". Thus selling insurance becomes a good way of life and a truly humanitarian job, also spreading the "golden rule of religion, "Bear ye one another's burdens".

In the words quoted in the "Sun Life Agency Review" the job of the insurance salesmen is" to see that widows in the future continue to live in the same houses over which they now preside as wifes, to see that orphans in the future are not deprived of school and play time and are given opportunity to develop into right thinking and self respecting citizens, and to see that old age is comfortable and serene and not dependent upon relatives or in need of public charity," a truly inspiring job!

To what extent is selling life insurance practised as a profession in India today and with what results ?

Unfortunately in India today only very few are engaged in selling life insurance as a profession. In a good many cases, agency licenses are obtained for obtaining money as agency commission by using influence and pressure on those on whom they can be exercised, by arranging for insurance policies being issued to them, through other than bonafide agencies. This will be evident by the great number of agency licenses taken out in favour of ladies which in 1948 amounted to as many as 36,284 out of the total of 1,70,016. Again the already high percentage of non-renewal of agency licenses which has been going up every year has reached the figure of 49.6% in 1948 from 34% in 1943. Further in 1948, 1,70,06 licensed agents influenced all put together during the entire year only 4,85,000 policies or less than 3 policies per agent for the year on the average. On the basis of an average sum assured of Rs. 2,500 per policy and an average annual premium of Rs. 40/- per thousand and even on the assumption that the entire annual premium is received and the maximum 40 % first year commission is paid, the premium collection would work out to Rs. 300/- and the first year commission to the agent would come to Rs. 120/- for the year or Rs. 10/- per month. It would be impossible to expect a person to give serious or efficient attention to a job which brings him such an insignificant income.

Naturally therefore there is very little professional activity or service on the part of the majority of the agents by way of continuous contact with the policholders and rendering to them from time to time, of efficient insurance service. On the other hand, not infrequently the agents are not anxious or even willing to contact the policyholders, not to speak of trying to secure further business from or through them.

Consequently insurance and insurancemen are not in public favour and there is much public misunderstanding and prejudice against them. Vicious practices like rebating and "twisting" are rampant. There is a heavy lapsation of policies, especially among the Indian Insurers. Thus even assuming that all surrenderd policies had been given up in the very early stages, the following appears to be the position.

Even allowing a margin for claims not admitted, the above rough estimate should set every thoughtful well wisher of insurance think seriously over this matter.

The cost of insurance is higher in India and also the expense ratio of companies which works out to 32 % against even the American experience of 17.2 % only.

Should And Can Salesmanship Be Taught

When some salesmen make more sales than others, is their success due merely to their selling aptitude or ambition or drive or greater knowledge or intangible something sometimes described as their being "born salesmen". Mere selling aptitude would not be enough without willingness to learn and do the work. But mere willingness to work would not be of help without the requisite knowledge; the saying that "practice makes perfect" is not true, for unless one practices the right way, he would constantly be proceeding away from perfection.

At the same time mere knowledge of the product or service would not be sufficient, as evidenced by a number of learned insurance men proving failures as salesmen. It is not true that "salesmen are born and not made," for salesmanship today is carefully organised as any other science and any man willing to pay the price for acquiring a professional's skill and have proper training and supervision, can prove a successful salesman. Salesmanship being a mental process, a study of psychology will enable the salesman to conduct the sales interview in the correct way, properly motivate the prospect and effectively close at the psychological moment. By creative salesmanship and by selling ideas as well as products, the salesman makes the prospect want what he is selling, by making it look different from what it looked before and by making the prospect change his mind, of his own initiative. The successful salesman using imagination, visualises an insurance policy not merely as a contract but sees in it "children being fed and clothed and clothed and educated; widowed mothers spending their time with their children and of old age made the happiest and most beautiful time of life." As has been well said "sales are made, not as a result of argument, reason, logic or explanation of goods; but because the emotions of the prospect have been aroused so that buying is the natural way to relieve his feelings." With complete knowledge of the psychological principles by which human behaviour is controlled, the successful salesman, by suitable incitements, and appeals to inherited and instinctive desires, directs the prospect's thought and action. He understands instinctive desires, mental responses and the state to which a man's mind must be brought before he will buy and succeeds by using psychological principles which bring the desired result. The salesman who fails to understand these, by making use of psychological principles which do not bring out the desired results, fails in effecting the sales.

It is of course possible that without scientific study, one can pick up a great many facts and principles of psychology. But naturally, such knowledge would be neither complete nor accurate. Even those having selling aptitude loosely labelled "born salesmen" are rarely scientific salesmen. Often they do not know how they sell and can rarely teach salesmenship to others. It is better therefore to study and obtain scientific knowledge of human conduct and salesmanship and be sure, of a slow if not a spectacular, improvment in the results achieved and in building up gradually a confidence that one can get an interview with every man contacted and succeed in selling in an increasingly large number of interviews. Instead of merely learning by the "trial and error %" method or depending on one's own restricted skill, experience and knowledge, it would be better to supplement it by studying and thus buying the skill, experience and knowledge of others.

That salesmanship can be taught, has been proved by the remarkable progress made in U. S. A. Without proper training of salesmen in 1925, out of a million salesmen, nearly 70 % were said to be inefficient and out of a million and a quarter of retail salesmen, about 70 % made no net profit. Things have however changed there and with proper recruitment of salesmen and their efficient training, the average annual income of salesmen is reported to have gone up from 2,896 in 1938 to 3,765 in 1943 and 6,177 in 1946. In six great insurance companies, nearly 90 % of the insurance sold was by 34 % of the salesmen. In one insurance company, 90 % of the insurance was sold by 10 % of the salesmen. The Phoenix Mutual for insurance found that 80 % of the business was done by 15 % of the agents and that in 1913, 600 agency contracts did no business, 1700 agents produced 21,000,000. But after salesmen were trained and after agents were taught standardised sales talk and selling of policies to meet the needs of prospect only 575 agents of the company produced 52,000,000 in 1923. Another company had the following figures, showing improvements in the position as a result of training imparted to agents.

What can and should be done and by whom to make selling of life insurance increasingly a profession:

The role of field workers: "The agents or salesmen who desire to take to the work as a career have to realise that they are engaged in a noble profession and should therefore equip themselves with necessary knowledge and training so that they can discharge their responsibilities satisfactorily and thus command respect from people. The agent should not "begin poor, continue poor and leave business poor." He should co-operate in eliminating the evils like rebating and twisting which have crept into the business. He should set before himself a high standard of constantly put the following questions to himself.

1. Am I adequately equipped so far as knowledge of life insurance is concerned to serve the public.

2. Does the spirit of service to others represent my attitude towards my work.

3. Is my day today selling profession, in the highest sense, with all that the term implies.

He should have a sound guiding principle to guide every sale of a life policy, like the one set for the chartered Life Underwriters in America.

> "Have I, in the light of all the circumstances surrounding my client, which I have made every conscientious effort to ascertain, given him that service which I, had I been in the same circumstances, would have applied to myself."

Even if the companies should continue to be disinterested, the salesmen should get together and form into associations similar to the National Association of Life Underwriter's in America to further their common interests and set up a high ideal for the salesmen, arrange to have common problems discussed and help new comers in the profession. They have to realise that the renewal commission which is paid to them is not merely or exactly deferred commission but is also recompense for servicing the policy holders; and that as such they should earn the renewal commission by rendering actual service to the policyholders. As their counterparts did in U. S. A. they should take energetic steps to raise the profession of selling insurance and conduct a compaign to minimise, if not abolish completely, the disinterested and casual agents who are a great handicap. They should, like the N.A.L.U. of USA arrange to get prepared suitable material for the training of agents and encourage business of good quality and persistency being influenced. Unfortunately the examinations which have been instituted by the Indian Life Offices Association, on the model of the examinations of the Chartered Insurance Institute of London, lay emphasis on the theory and sicence of insurance and are therefore suitable more for office assistants and less for insurance salesmen. Hence, on the model of the examination conducted by the College of Life Underwriter's of America and laying sufficient emphasis on the study of psychology and salesmanship, different suitable training material should be arranged to be prepared for the training of agent and field officials.

The Role of the Field Officials: Though they may not have full scope or liberty for initiating new policies, they are primarily responsible for the selection of insurance salesmen and their training. Hence in their own interests, even if the home offices should be short sighted and not move in the matter, they should contribute their full share and if necessary even take the initiative in not only selecting proper man as agents but also in giving them good training. If only the majority of field officials get convinced in this matter and take the initiative, it would not be long before the Head Offices of the companies yield to them. But it is rather discouraging that even now, there are quite a number of agency officials who either do not believe in or are indifferent to the training of salesmen.

The role of the insurance companies: The Insurance companses have a great responsibility in the matter of the proper selection and efficient training of insurance salesmen. Even though many

do not appear to have realised this responsibility, it is an encouraging sign that an increasing number of company chairmen have been referring to the necessity for training of agents, though only a very few have actually moved in this matter. It is well known that owing to poor selection or rather absence of selection, training and supervision of agents, there is an appalling proportion of failures amongst them. This brings about unhappy results for both agents and policyholders and misfortune to the insurance business itself, as a result of the consequent ill will and public revulsion. A good many of the present managements of the insurance companies here appear to have the same attitude which a president of one American Insurance company had some five decades ago, when (in reply to an agent who confussed his ignorance of the business and requested for regular personal enlightenment from the President) he replied.

> "These are books and circulars": if there is anything in you, you will show it: if not, it won't pay me to waste time."

Many still do not appear to have realised the great truth in the statement of William Alexander:-

> "The ignorant and inefficient agents nullify the work and retard the progress of the competent agents. They are like blundering fisherman, who scare the fish from their accustomed pools, thus running the chances of skilled fisherman who may come after them."

Unfortuntely, efficiency in selling is lower than in any other task in industry and the person who makes the sale and complete the final objective, is the most neglected person in the industry. Most of the insurance companies do not provide for any amount being spent in sales training; while even the few who do, devote miserably small sums on this important item. But considerable amounts are regularly spent by them in advertisements even though they know that it is the salesmen who bring most of the business and not the advertisements. This unhappy state of affairs is due to the lack of realisation on the part of the company managements of the truth that insurance companies are basically public trust institutions and instruments of public service and that the policyholders are the real and ultimate bosses. However if the correct view is taken and responsibility is realised and borne in mind, the companies wauld soon give up their present short sighted marketing goal of volume of production, with more agents and more sales and their present neglect of the training of agents; instead they would give due importance to the proper selection and efficient training of agents and their effective supervision and for their proving real ambassadors of peace and security.

If the position of the Non-Indian Insurers functioning in India is more favourable than their Indian Contemporaries, from point of higher output and efficiency of their agents, a lower lapse ratio and a higher persistence of policies and a lower expense ratio, it is mostly due to their agents being better selected, trained and supervised. It is heartening that at least two Indian Insurers have started to give regular training to their agents and the field officials and have become associate members of the life insurance Agency Management Association of America, which serves as a central clearing house for the exchange of agency management ideas, practices and experience, executes research studies and surveys and conducts schools in agency management. Unfortunately the activities of the corresponding Indian organisation, the Indian Life Offices Association have been limited in scope so far. However it is hoped that they too would widen their activities on the lines of their American counterpart and make a substantial contribution to the growth of insurance and the efficiency of the insurance companies.

However, if only a handful of individual companies begin to train their agents and field officials, there would always be the danger of other companies taking undue advantage and snatching away trained personnel by temporarily offering them higher remuneration. It would therefore be necessary that at least a sore of the first big companies should all simultaneously take steps to impart regular training to their agents and the field officials.

U. S. A. has made the greatest progress in salesmanship as also in insurance. It would therefore be natural if we study their methods and experiences and after modifying them to suit conditions here, adopt them, taking of course care to see that their defects are eliminated. The conservative English traditions and methods which have so far been followed may not enable us to make much or rapid progress.

The role of professional associations: The general backwardness is reflected in the absence of active professional associations in this country, unlike in U S A where in addition to associations pertaining to particular aspects or sections of the business like the National Life Underwriters Association. Life Insurance Agency Management Association and Life Advertisers Association etc, all the companies have promoted the formation and the maintenance of the Institute of Life Insurance, New York for promoting the cause of insurance in general and not any particular section or group in it. The Institute has done valuable work in educating the public and promoting public relationship by sponsoring Institutional nation wide advertisements, by means of radio broadcasts and by producing motion pictures dealing with the origin and purpose of insurance, the professional work of the insurance agents and the like. If Institutes on similar lines are established and run in important places in this country they can play a substantial part in the promotion of the cause of insurance and in raising the professional standard of insurancemen.

The role of the Government and the Universities: The Government of all countries have been seeing to it that insurance companies are managed efficiently and in the interests of the insuring public. In view of the important nature of the duties which insurance salesmen are expected to discharge and the present unlimited scope which untrained and ill informed agents have, for rendering disservice to the insuring public, Government should in co-operation with the Universities, take steps for a suitable course of instructions being given to the agents as a condition precedent to the issue of licences to them. Though the Universities are expected to play their part in the matter, it is seen that as many as seven Indian Universities have not provided for any course of instruction in commerce while even the other eight universities have provided for salesmanship and insurance only as a minor or optional subject in their course of studies of instruction in commerce. The number of men engaged in the selling profession would not be less than the lawyers, accountants or doctors and in order that commerce and industries may prosper, the services of competent and trained salesmen are necessary. Our universities should therefore not merely train and supply qualified lawyers, accountants, and doctors but also arrange to provide trained salesmen, as they are also vital for the economic growth of the country. In this connection it may be recalled that while before 1904 college instruction in insurance on a comprehensive or organised basis was unknown even in America prior to 1904, and that while even as late as 1920 there were only 17 such courses, the number has since increased in 1940 to as many as 157 in 143 universities and colleges. Those in the insurance business should take early steps to move the Government and the various Universities so that at least diploma courses in Insurance and Insurance salesmanship would be instituted.

Conclusion

Selling insurance is not easy and requires strength of mind and enthusiasm for the job, so that one can get over the difficulties and disappointments in the form of lost orders, postponements keen and often unfair competition, lost customers, too much travelling tough customers, changed territory etc. However if every salesman would realise that he is being used not for selfish indifferent or unconsequential ends but for the noble purpose of "relieving poverty, exterminating misery, educating fatherless children, making old men and women comfortable and happy, eliminating risk of loss, taking chance out of financial problems, giving security to property, building up the financial strength of the nation, teaching men how to save and helping them to do it and conduct himself in greater and greater degree as a professional men, he would soon not only be not shunned by society but welcomed warmly and respected by them and his assistance and advice would be voluntarily sought after; and more and more would join the ranks of insurance salesmen.

(Continued from Page 10)

mium rates again being based on the average, the same rates must be applied to all risks falling within the specific class, any rebates, discounts or extra premiums being based on definite physical features of the risk applicable in all similar cases. It follows also that the claims experience should be carefully watched and the rates revised periodically in order to take into account new features disclosed by the analysis of the rate. The provision in the premiums for the expenses of administration, conflagration reserve and profits is usually a percentage of the premium so that the claims cost is easily expressed as a percentage of the premiums for that class of risk for purposes of analysis. From the point of view of the public, it is necessary that the loadings for expenses and profits are not excessive. It will perhaps be reasonable to suggest that the claim element in the premium should be 50 per cent. of the premiums and that the Company's administrative expenses and the reserve for catastrophe risks and profit should come out of the other 50%. While the present tariff of premium rates for various classes of risks are useful as a working basis for the rates that should be charged for the various classes of risk, it is difficult to come to the conclusion from a study of the various tariffs that the classification and the rates applied by the different Associations can be considered to satisfy the requirements of a sound and workable set of premium tariffs. The conditions of life in this country have changed during the last 25 years and the classifications and rates based on conditions of the early twenties require a thorough overhaul. There are too many instances where the rate is based on the ancient custom of charging what the traffic can bear. There are instances where identical risks in different parts of the country presenting no appreciable difference to physical or moral hazard are rated at widely different rates. There also appear to be too many instances where the tariffs are completely ignored and special rates fixed on considerations which are not apparent. The only thing that is satisfactory about the present tariffs is that the recent experience shows the rates taken as a whole contain an adequate margin of profit for the insurers if the restrictions with regard to procuration cost and expenses of management are strictly adhered to although it might not be possible to say this of certain sections of the tariff considered by themselves.

Coming now to the section of the tariff regulations dealing with the underwriting practices, it has been explained previously that however sound the structure of the tariff rates may be and the policy conditions and clauses that go with it, one may easily be led astray if there is laxity in the methods and practices of the Underwriting Department. It is, however, difficult to regulate this by tariff regulations. Most of the regulations that are now in force have relation to premium payable for the risk and strictly speaking, part of the premium schedule.

The agency regulations of the Tariff organisations stand on a different footing altogether. If any agreement with regard to the rates of premium to be charged is to be effective, there should also be agreement with regard to the commissions, discounts or brokerage payable. To the extent the regulations go beyond restricting commissions, brokerages, etc., they cannot be justified merely by the necessity for tariffs explained earlier. There are two possible points of view on this matter. The first appears to be that commission on brokerage paid as remuneration for canvassing or procuring business should be

distinguished from expenses incurred for administration and organisation etc., and that while commission can and should be restricted, there should be no limitation on expenses of the other kind This view is reflected in the fact that in the regulations of most of the Associations, there were no restrictions with regard to Chief Agency commission. Just as a commission to an agent or broker can degenerate into a rebate to the insured there were possibilities that Chief Agency commissions and even allowances for expenses to branches might find their way ultimately to the insured, thus undermining the basis of the Tariff of rates. From this point of view, the regulations were intended to minimise the evil rather than eliminate it. Strict scrutiny of agency personnel, restriction in the number of such agencies and in the number of branches all followed as necessary steps in the implementation of this policy, but sometimes this is carried too far when no branches are allowed, commission to Principal Agencies as well as the number of principal Agencies is limited and the eligibility of Principal Agencies, personnel is also closely scrutinised. Objection to this point of view can be taken on the ground that this does not directly tackle the problem of rebating and condones competition in the form of rebating to a certain extent while at the same time unnecessary restrictions are placed on the development activities of insurers which are unimpeachable on other grounds. The fact that eligibility of Principal Agencies is scrutinised by members of the committee who are also competitors in the field appears to have been a very great handicap in the way of the development of new Companies which have come into the field.

The other point of view is that these regulations represent an attempt preventing competition for business altogether or at least minimising it so as to ensure for each member of the tariff organisation a proper share of the business. This view is probably based on the fear that the volume of the business available is limited and where competition in rates, policy conditions, commissions, etc., have been ruled out altogether, it is the duty of the organisation to secure for every member of the organisation a protected share of the business and for that purpose, it is necessary to place restrictions in the way of any particular member being placed in a position to monopolise business on account of his financial resources. Opening of new branches and creating an organisation for procuration of business entails a considerable amount of capital expenditure which companies who are represented in the territory only by agencies or which do not have the necessary capital resources may not afford to incur. The development of Branch Offices is, therefore, restricted in the interests of the other members. Restrictions on the number of Chief Agencies and the setting up of a high standard for qualification of Chief Agencies might similarly be based on the need to protect the existing Chief Agents. Regulations based on these consideratians would, however, be open to objection on the ground that it creates a virtual monopoly for the existing insurers and Chief Agents and if such regulations are to be fully effective, it would shut out any development of new companies or the extension of insurance service. These regulations do not give adequate weight to the fact that very considerable work has yet to be done in spreading the knowledge of the facilities afforded by insurance and of making insurance-minded all those who need insurance.

The above observations were with regard to agency regulations that were enforced by the tariff Associations. During the last few years, there has been a virtual break-down with regard to this section of the tariff regulations. One cannot ignore the fact that rebating on a large scale is very common. Payments by way of commission or rebate are made to agents, brokers and principal agents in excess of the limits permitted by the tariff regulations and also to persons who are not registered as such with the Associations and that all attempts to restore some kind of order have been unsuccessful. It was this state of affairs that prompted the Indian Companies to introduce into the 1950 Amendment Act a provision for controlling the expenses of management of all kinds. This was a counsel of despair. Instead of trying to devise an efficient machinery for enforcing the regulations with regard to commission payments, it seems to have been taken for granted that such regulations cannot be enforced and that only a limit on the total outgo of the Insurance Company would be really effective. The Act has also included some provisions with regard to agencies and an attempt has also been made to create an organisation for controlling tariffs independent of the existing organisations that the Act has attempted to supplant the existing-tariff organisations has not been made very clear. It is, therefore, difficult to understand or criticise the various detailed provisions which appear in the Act with regard to the proposed organisation. The Insurance Companies are however finding the provisions in the Act to be either incomplete or unsatisfactory and discussions are going on with the Government with regard to the modifications to the machinery set down in the Act. These provisions will now be discussed in a greater detail.

The Insurance Act has set up an Insurance Association of India of which all Indian Insurers carrying on business in India are members and all non-Indian insurers carrying on business in India are Associate members. That section of the Insurance Association of India which is concerned with general insurance Council acts through an Executive Committee which is composed of 8 members elected by insurers who are members of the Association and 8 other persons nominated by the Government, five of whom will be insurance-men. The functions of the Executive Committee are of a very general nature the chief of which is to advise the Controller with regard to the limit by which the actual expenses of management of the General Insurance Companies can be allowed to exceed the limits prescribed by the Act and the Rules. The Act also gives General Insurance Council (not its Executive Committee) powers to frame regulations for controlling and regulating the rates, terms, conditions and advantages that may be offered in respect of general insurance business and such regulations when approved by the Central Government become binding on all members and associate-members. For this purpose, the General Insurance Council may set up a Tariff Committee to whom the regulations made by the General Insurance Council may delegate powers of control and regulation. The General Insurance Council is also authorised to set up Regional Councils and Sectional Committee for each Region and to delegate them such powers and functions as the General Insurance Council deems fit. The Central Government may, however, exempt any insurer or class of insurers from the control to be exercised by the General Insurance Council in this manner.

When the General Insurance Council makes regulations for the tariffs of rates, terms, advantages, these regulations have more or less the force of law and slightly

different consideration applies. For instance.

(a) The statistical basis underlying the schedule of rates etc., should be unimpeachable. A start has to be made on some early data and while the existing tariff of rates of the various Associations may be adopted as a temporary measure, the necessary machinery for a complete revision of tariffs on an All India basis and for accumulating and compiling the statistical data necessary for a periodical revision of the tariff should be set up without delay. It would not be proper to give the sanction of law to an empirical set of tariff rates etc., and enforce these on the public.

(b) The tariff should be complete and provide for all classes of risks. There cannot be any element of rebating in the form of special discounts, etc. applicable to a particular risk only.

(c) The power of the Central Government to exempt any insurer or class of insurers from the scope of the tariff Regulations should not be used so as to perpetuate the operation of what are now called "non-tariff companies". When a rating organisation is established by law there is no reason at all why any particular insurer should be exempted and it is difficult to understand why a provision to this effect was introduced in the Act. Probably, something might be said in favour of exempting an insurer who insures only his own property or a mutual association of a few persons who insure their own risks and where only the insurance can be considered to be merely an accounting device for creating a self-insurance fund. Insurers seeking public patronage should not be exempted from these regulations, particularly at the present time when the experience of no single individual insurer can be considered to provide an adequate statistical basis for premium rates and classification.

With regard to the actual rate-making organisation, there is a great deal to be said in favour of an All India organisation in preference to local Regional organisations. Classification of risks primarily by geographical regions which have been formed on considerations having absolutely no relation to the physical hazards which are insured against is unsound on principle. The primary classification must be by the actual physical hazards presented by the risk in question and a further regional classification will be necessary only if the claims experience show a significant variation for different geographical regions and in any case this regional classification need not fit in with the regional groupings adopted for the purposes of administration. The Act has rightly placed the responsibility for making the tariff regulations on the General Insurance Council and a tariff committee which will presumably be formed on an All India basis. It is difficult to understand the proposals that have been put forward that the regional bodies to be set up under the Act should have the function of making tariff regulations and that the tariff committee should only have a supervisory and co-ordinating function. The function of making tariff regulations is a purely administrative and academic function, especially when special ratings applicable to individual cases only are ruled out. The personnel of the tariff-making body should, therefore, be selected on considerations of the knowledge and experience which he will be able to bring to bear on the problems and not on the basis of a representation of any particular group or class of insurers. The tariff committee to be set up under the Act has not only the power of making tariff regulations, but has also powers of administering the regulations and taking action in the case of breach of regulations. This would possibly mean that the tariff committee should be a representative body and be able to bring to bear on the issues before them a judicial mind. All this would indicate that the Tariff Committee should be a small body of experienced insurancemen who should be able to meet frequently and keep in touch with each other and at the same time who would be representative of various groups of differing insurance interests. A Tariff Committee constituted on lines similar to the Executive Committee of the General Insurance Council, consisting partly of elected members, partly of nominated members—an official nominated by the Government—would probably be more suitable than a Committee wholly elected by the members.

In addition to the tariff committees, the Act has provided for Regional Councils for such regions as may be prescribed and Sectional Committees in each region in order to discharge such functions as may be allocated to them. Four regional groupings have been prescribed for each of which a Regional Council can be set up and for each of which there can be 3 Sectional Committees. In the absence of any indication of the functions which the framers of the Act intended that these bodies should discharge, it is very difficult to appreciate the part these bodies are expected to play. In the proposals which the insurance interests have put forwaad, the Sectional Committees of each Regional Council are the rate-making authorities for the particular section of the business in that particular region. It would appear that these proposals contemplate the transformation of the existing tariff organisations into statutory bodies, thus perpetuating the anomalies that are at present apparent in their approach to the rate-making problems. If the rate-making organisation is to be a central one, the Regional Councils and Sectional Committees can only be concerned with the investigation of breaches reported to them and possibly supplying official interpretation of the regulations as applicable to particular cases.

The present tariff organifations are concerned with yet another set of regulations regarding agencies, but the powers given to the General Insurance Council under the Act do not include any powers to regulate and control the appointment of agencies and opening of branches. This is understandable if the provisions in the Act itself relating to commissions payable to agents and principal agents, registration and conditions of appointment of Principal Agents etc., are taken into consideration. Insurance Companies, however, have been negotiating with the Government for some authority which could continue to exercise the control over agencies and branches that is now being exercised by the tariff organisations. These proposals are based either on the fear that some companies might misuse their resources in order to pay commissions and rebates in excess of the prescribed standards and thus undermine the basis of the tariffs or alternatively that it is necessary to ration out the business amongst the existing insurers in order that the business is not monopolised by one or two insurers. On neither of

these grounds is it permissible for the Government to make regulations which would seriously restrict the freedom of operation and the scope for development of any insurer. Any possible loop-holes which would be open to insurers for evading the provisions of the Act with regard to commission and agencies should be closed and measurers devised for investigation into and penalising heavily all attempts to misuse financial resources for the purpose of undermining the tariff, before measures to restrict the legitimate activities are thought of.

Perhaps what is uppermost in the minds of most of the insurers im this connection is the fear that the attempts to enforce strictly the provisions of the Act relating to payment of commission might still be ineffective and insurers might find themselves in the same position as they have been finding themselves during the last few years, viz., either enter into competition for evading regulations on a wide scale or go out of business. There are two important factors to be considered in this connection. The first is that even with all the heavy expenses incurred for the procuration of business, the business still appears to leave a margin of profit, thus indicating the need for a drastic revision of premium rates. A previous experience has shown this would still not solve the problem unless there is a genuine willingness on the part of the insurers to observe the tariffs. The second is that measures contemplated are not sufficient to see that the limits with regard to commission etc., are observed. Instead of facing the problems squarely and directly the Act has tried to meet it indirectly by fixing a limit on over-all expenses, implying thereby that within that over-all limit the Company is free to spend the money in whatever way it likes and again expenses of management do not form the only item of outgoing in an insurance company's revenue account. Linked up with this question of observing the limit for commission is the general question of observance of numerous tariff regulations with regard to under-writing practice and the proper classification and rating of risks. It is necessary to devise a system of a thorough periodical investigation into all the activities of the insurer if it is desired that proper standards of conduct in all matters which effect the financial bases of the tariffs are to be observed. This in turn presents numerous difficulties and no proper solution is in sight. It is only in this way that an explanation must be found for the persistence with which each group of insurers has been pressing for a form of restriction on chief agencies and branches which would give them an advantage over other groups. A restriction on the numerical strength of the agency force or branch organisation appears however such a crude attempt to prevent normal free development that other avenues of enforcing strictly the limitations with regard to the remuneration for influencing or procuring business to an insurer should be investigated more thoroughly before the agency regulations are thought of.

Reviews

The Sterling General Insurance Company, Ltd.

First valuation discloses encouraging results.

IT redounds greatly to the business capacity and efficiency of the management of the Sterling General Insurance Co, Ltd., New Delhi that the results of the first valuation on the company's assets and liabilities have shown a surplus.

Mr. H. K. Sen, M.Sc., A.C.I.I., F.F.A. the Actuary, has employed in the valuation strict standards, of course, keeping in view the age of the company and the initial handicaps that the company had to face up to, particularly in its formative stage of development. For purposes of valuation he has assumed an interest rate of 3¼ % and the Oriental Table of Mortality Experience (1925-35) ultimate. Reserve for expenses made in the present valuation is on an average 18.35 % over the whole business. Besides, an additional reserve of Rs. 1,22,374 has been set up on the assumption that the renewal expense ratio would be gradually brought down in conformity with the valuation assumption over the next three years, so that the actual experience may exceed the assumptions made by 8.5 %, 5 %, and 2 % in each of the three years succeeding the valuation date, the Company expending not more than that provided for in the valuation from 1953 onwards. The Actuary points out, in justification of the above assumptions, the rapid growth of premium income and the need to effect economy in the matter of expenses to conform to the new insurance rules.

The result of the valuation showed a surplus of Rs. 1,05,184 in respect of Indian Business and Rs. 2,250 in respect of total business of the Company and this surplus has been carried forward unappropriated on the recommendations of the Actuary.

Concluding his report the Actuary observes "the result of the valuation has been quite satisfactory. There has been a substantial addition to the premium income during the last five years. It has now emerged from the initial trying period and there is no reason why it should not be in a position to consolidate its position substantially before the next valuation".

"Sterling General" which has completed its first six years of working had to incur heavy expenses in setting up Branch and Sub-Offices to ensure a decent volume of new business. All such expenses have been completely written off in the last Balance Sheet and with the rapid growth of its renewal premium income, the expenses will tend to go down. While Offices of several years' standing find it difficult to arrive at a surplus valuation, the results of Sterling General are really encouraging. We wish the company every success.

The South India Co-operative Insurance Society, Ltd.

THE Director's Report of the South India Co-operative Insurance Society for 1949 illustrates the progressive character of the Society and the confidence it enjoys among the insuring public at large. The Society issued 5910 new policies during the year for assurances amounting to Rs. 85,88,025 yielding a premium income of Rs. 4,33,890. The Society had at the end of the year total assurances of Rs. 3,61,31,422 in force comprising of 27,375 policies. Income from all sources such as premium income, Interest, Dividends and Rents accounted for Rs. 21,28,000.

Claims arose during the year for Rs. 1,55,060 by death, and for Rs. 1,03,153 by maturity. Total disbursements under this head amounted to Rs. 2,75,562. The renewal expense ratio of the Society as per the rules worked out to 16.19%, and the interest realised on its Funds was 3.5% as against 3.39% in 1948.

Until a few years back the Society restricted its activities to Madras Province only and its organisation did not extend to the neighbouring States like Mysore, Travancore & Cochin. Now that the Society has attained a status of a very well - managed concern in the country with good financial position, the Directors have rightly launched on a programme of expansion. With this end in view, a beginning has already been made in the Mysore, Travancore & Cochin States. The business returns from the Province of Bihar are very encouraging. Further there is immense possibility in Uttar Pradesh which the Directors point out can be tapped profitably. The Society with its high ideals and prompt service has always attracted the attention of the thoughtful public and can easily therefore secure the co-operation of leading Co-operators in other Provinces. We trust the Society's new business will register still more rapid strides in the years to come.

The Society's growth to the present size is due to the devoted services of its Secretary, Mr. V. Venkatachalam, M. A., B. L., whom we congratulate heartily on the success so far attained.

(*News Continued*)

Mr. S. B. Cardmaster

Mr. S. B. Cardmaster, formerly the General Manager of the All-India General Insurance Co, Ltd., has recently joined the Empire of India Life Assurance Co, Ltd., Bombay as Joint General Manager.

Mr. P. K. Ayar.

The Andhra Insurance Co, Ltd., Masulipatam has appointed Mr. P. K. Ayar as Divisional Manager at Madras. Mr. Ayar has only recently retired as the Madras Branch Manager of the Bharat Insurance Co, Ltd., after 25 years of continued service and we have no doubt his advice and guidance will be a valuable asset to the Andhra Insurance Co. in their new expansion programme.

Change in Name.

The India Life Benefit Assurance Society, Ltd., Coimbatore, will hereafter be known as the India Life & General Assurance Society, Ltd., consequent on the decision of the Board of Directors to transact other classes of insurance business besides Life, viz, Fire, Accident etc.

News

Mr. K. S. Ramiah,
Branch Manager of Hindusthan Co-operative Insurance Society Ltd., Bangalore,
entertains
Hon. Dr. B. C. Roy
Chief Minister of West Bengal

Hon. Dr. B. C. Roy, Chief Minister of West Bengal was the distinguished guest at a reception arranged in his honour by Mr. K. S. Ramiah, Branch Manager of Hindusthan Co-operative Insurance Society Ltd., Bangalore, on Thursday the 26th inst. The reception was held at the chamber of Commerce premises and was attended by ministers of the State, President of the Mysore Legislature, high-ranking Government officials, executive officers of the leading sister companies, members of Chamber of Commerce, Lt. Col. Sen, Chief Medical Officer, Hindusthan Co-operative Insurance Society Ltd., Calcutta and other dignitaries.

Welcoming the distinguished guest, Mr. Ramiah referred to the selfless service rendered by Dr. Roy to the country to which he had dedicated himself with devotion, and said "your generosity as a selfless man has been very well proved by your declining the Governership of U. P, in favour of late Sri. Sarojini Naidu, and the very fact that you accepted to be the Chief Minister of west Bengal while the province needed you most even at the cost of sacrificing a very lucrative profession is testimony to your devotion to duty and spirit of patriotism. Ever since you assumed office of the Chief Minister of West Bengal, you have steered the destinies of that strategic province of India during the most critical period of its history and the communal disturbances. The task would have been overwhelming except for a man of your calibre and eminence.

Earlier, Mr. Ramiah traced the progress of the Hindusthan Co-operative Insurance Society since its inception during the great Swadeshi movement in the year 1907. Mr. Ramiah said that the Society was established by the inspiration of one of the noblest sons of India, late poet Rabindranath Tagore, in a small room at his residence. It was nursed and moulded into shape by men like Deshbandhu C. R. Das, Achary Dr. P. C. Ray, Surendranath Tagore and others. Mr. Ramiah said that the President of the institution till recently was Hon. Mr. N. R. Sarker, who along with Hon. Dr. B. C. Roy had to take leave of the Society to join the Cabinet of West Bengal. Mr. Ramiah paid a tribute to the work done by Dr. Roy as the Director of the Society in enabling it to maintain an ascending spiral of progress, which merited the appreciation of late Dr. Rabindranath Tagore in the words "the seed planted by its originators proved sound at the core and it rejoices my heart to find today it has matured into a sturdy growth of immense future promise. It goes without saying that I feel proud of this achievement". Mr. Ramiah also recounted how the Society came to be registered in Mysore State as a Branch in 1946 with the active support of Dr. Roy, and how from a small inspectorate office in

1942 the Branch has progressed and has been raised to the status of a full-fledged first-grade Branch.

Replying to the address of welcome Dr. Roy said "Insurance companies, if properly run, should be agencies for the compulsory savings on the part of those who otherwise will not be able to save enough for their old age or for the education of their children or to have something to fall back upon in times of need". He, however, said that was so far as a family was concerned and those were commonplace matters which everybody should realise. He was of the opinion that a Society after having insured a large number of people and having got a certain amount of life fund should "also increase its scope of service to the people by enabling the state to utilise a part of its funds for the development of the State as a whole".

Dr. Roy was confident that in Mysore State there were greater opportunities for development than in any other province or state of India. He said "it is natural for the State to utilise the resources and raw materials of the State for the service of the people and it is in that endeavour that the State should call upon the insurance companies to part with some of their money and the interest on that money should be secured and guaranteed by the Government". Dr. Roy continued "in that case the funds of the Society are well invested". He declared 'it is no solution to the problem if the funds are invested merely to secure an interest of 3½% or 4%. It is necessary that a life insurance society should flourish in the interest of the State as a whole and should be called upon to minister to the service of the people by giving a portion of the life fund for the development of the State as a whole".

Referring to the rehabilitation of refugees, Dr. Roy said "I am here now in the interest of a class of people who have been uprooted from East Bengal and have come to India seeking relief. Lakhs of them, nearly 45 to 50 lakhs of them have been thrown away from East Bengal and have come to India leaving everything behind-their property, their possessions, their means of livelihood, their homes and all their belongings. It is a pitiful sight to see these people marching into West Bengal and to India having lost everything including their courage and hope. They seem to be frustrated and isolated in the world". He declared, "in the interest of the country as a whole it is necessary for all of us to render all possible assistance to these people." Continuing Dr. Roy said, "I am now free to say, that the Government of Mysore are trying to make arrangements to rehabilitate a certain number of refugees." He felt gratified to note "genuine enthusiasm on the part of the people and the Government of Mysore to help the unfortunate refugees from East Bengal," and he said he had no doubt that every facility would be provided for their rehabilitation.

Preceeding Dr. Roy deprecated all talk of isolationism, and declared "today after independence, we should not think in terms of isolation. It is a dangerous thing We cannot afford to be isolated from one another. Mysore State", Dr. Roy said "enjoyed certain amount of autonomy during the regime of the British Government. Today, it is an integral part of India economically and politically, and therefore, the destinies of the State are bound up with other parts of India. Correspondingly, if there is any difficulty in any other part of India it is bound to affect the State of Mysore today or tomorrow." He was, therefore, of the opinion that "whatever action we take and whatever means we adopt for the development of the State it is always necessary for all of us to feel that we are an integral part of one nation". Concluding, Dr. Roy warned, "if we do not do so, we shall have very little to say to the world outside that we as a united country are proud of its culture, proud of its past and very very complacent of our future.

Mr. Ramia, after reading two meassages received from Sir M. Visveswaraiah, Retired Dewan of Mysore, and Hon. Sri. K. C. Reddy, Cheif Minister of Mysore, wishing the function all success, proposed a vote of thanks on behalf of the members of staff, Agents and field-officers of the Branch.

Hindusthan Ideal Insurance Co., Ltd.,

New Branch Opened.

A Branch Office of the Hindusthan Ideal Insurance Co., Ltd., was declared open at Vizianagram recently by Dr. Pattabhi Seetaramayya, Ex-President of the Indian National Congress.

In requesting Dr. Pattabhi Seetaramayya to declare the Branch open, Mr. S. Ramachar, General Manager of the Company dwelt at length on the progress the Company has made during the last two years and gave a resume of the activities of the Company. He particularly complimented Mr. D. Sangameswararao, the Branch Secretary on the fine work he had done during all these years.

Dr. Pattabhi declaring open the Branch surveyed in general the advantages that accrued to the individual and the Society by growth of insurance habits in the people. He then complimented the officers-in-charge of the Company on the fine progress made by the Company.

Mr. D. Sangameswararao, the Branch Secretary thanked the guests for responding to the invitation and assured them of his best services.

The function was attended by leading citizens of Vizianagram District as also almost all the imporant officials of the place.

The Prithvi Insurance Co., Ltd.

Opening of new premises.

Requesting the Chief Minister, Sri P. S. Kumaraswamy Raja to open the new premises of the Head office on 21-11-50 Mr. S. Parthasarathy, the Managing Director of the Company observed that insurance companies could make a substantial contribution to the solution of the housing problem but that unless they were placed in the same advantageous position as Cooperative Societies in the matter of acquisition of land and materials, they would be unable to make their maximum contribution. In making investigation into claims, documents available with local authorities were not easily available to companies.

The Chief Minister opening the new buildings, congratulated the company on its attainment of the status of a well-established concern in a short period of seven years. The minister was of opinion that the insurance movement could make a substantial contribution to the implementation of the development schemes. Insurance Companies found in the Government the greatest security for the investment of their reserves and the Government found in the insurance companies a source of aid and an incentive to the execution of its schemes of development. Insurance, the Minister added, should therefore be treated as a public utility service having a vital part to play in the national economy.

General Insurance Council Inaugurated

The Commerce Minister of the Union Government, Mr. Sri Prakasa, inaugurated on 23-11-50 the General Council of the Insurance Association of India and observed that if everyone of the members resolved to stand by the principles behind the statutory provisions and acted without ill-feeling towards others, the constitution of the Council would succeed. The object of the Government in constituting the Council was that the business itself should in a large measure supervise and control its activities. Mr. J. C. Setalvad, was Chairman of the Council. The Tariff Committee which should be formed under the Council would look after the working of the rate-making bodies. The rate-making so far done by voluntary associations had weakened latterly. The Government did not desire that the non-tariff companies should cease to be. Only, Government would not allow them to abuse the freedom from the close control of their brethren that the non-tariff companies would enjoy.

Health, Accident Insurance Registers Rapid Growth In U. S.

A rapid growth in voluntary health and accident insurance protection in the United States since 1939 is reported by the Health Insurance Council, a private organization representing insurance trade associations. During the past year one million Americans acquired one or more kinds of health or accident insurance.

Last year a relatively new form of protection -- one that pays benefits for medical expenses other than surgery -- registered the greatest gain. The number of persons covered by this kind of insurance increased 31 percent, from 12,895,000 to 16,862,000, during 1949. The majority of these policies cover fees for doctors' calls within the hospital, and the cost of special laboratory, X-ray, and other examinations. Some provide for comprehensive coverage of home, hospital, and office treatments and examinations.

The number of persons covered by surgical insurance increased 7,083,000, or 21 percent, in 1949 to an estimated total of 41,143,000. In 1939, only 792,000 were protected by this kind of insurance.

The most popular type of policy covers hospital expenses such as room, board, and miscellaneous services. During 1949 the number of persons protected in that way increased from 60,995,000 to 66,044,000. Only an estimated 5,670,000 persons had hospital insurance in 1939.

At the end of 1949 an estimated 34,136,000 Americans were protected against loss of income through disability, compared with 33,410,000 a year earlier. This class of coverage includes group and individual insurance, paid sick leave, employee mutual benefit associations, labor union insurance plans, and other employer-employee programs.---USIS

Social Welfare Scheme in Egypt

Dr. Ahmed Hussain, Minister of Social Affairs, Egypt declared that Egypt was to have the World's first non-contributory Social Welfare System from February 1, 1951. A pension scheme will be introduced according to which pensions will be given to four groups without any contribution on their part--widows with children, orphans, people over 65 and invalids. He added that 6 millions required for the scheme in the first year would be raised by direct taxation necessitating an income-tax increase. Dr. Hussain has visited London and Paris and will stay a week in Zurich... ..studying social welfare conditions in the country.

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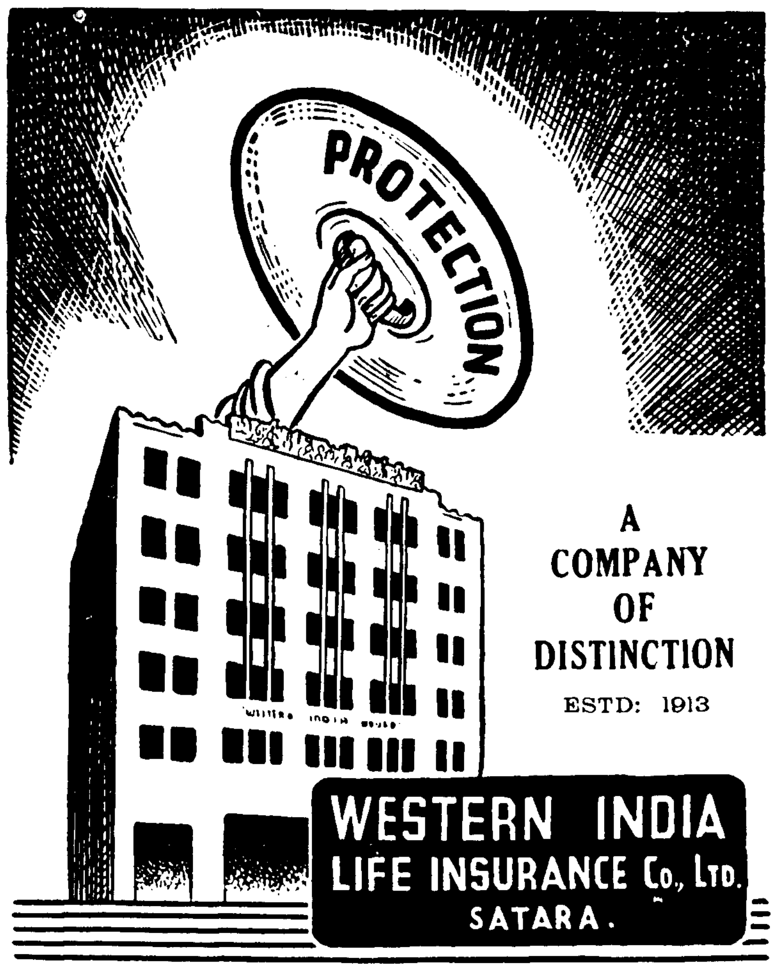

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CONTENTS

THE INDIAN POLICY-HOLDER.

VOL XVI DECEMBER 1950 NO. 8

The General Insurance Council.

WE heartily welcome the constitution and opening of the General Insurance Council of the Insurance Association of India, constituted under section 64(c) of the Insurance Act, 1938. The council is charged with the duty of seeing that general insurance is properly organised and is worked on right lines. The Hon'ble Sri Prakasa, Minister of Commerce, Government of India, who inaugurated the Council on the 23rd November, 1950, observed that the aim of the Council was that the trade itself should supervise and control its activities and achieve the general good of the public. We have every hope that the minister's faith that the men engaged in the insurance Industry will keep the national interest uppermost in their minds and will carry out in a spirit of mutual understanding the duties entrusted to the new council and that the confidence of the Government in the Council will be fully reciprocated by the industry. The minister's advice to the Tariff Committees which have a very important role to play in contributing to the success of the new organisations is to avoid the weaknesses of the existing tariff bodies, not all of which observe the regulations in their spirit. As pointed out by the minister, the success of the new experiment depends on the part to be played by the leading insurers, who have to set an example to the smaller ones, help them in every way, so that these might conduct their business without fear of loss of business, or unfair dealings, and make the functioning of the council and its committees smooth and effective. If the new tariff committees are to function more efficiently than the old ones, it is necessary that as remarked by the minister, the committees should include the salvage-fighting, research in the matter of reduction of fire-fighting, etc., in their sphere of work. The Minister's exhortation to insurers to elect the best men to the council and to learn from the experience of non-Indian insurers is quite timely, coming as it does just before the election of members of the council. As the success of any Act depends upon the hearty co-operation of the Government and the individuals affected by the Act, the Minister's assurance that the Government will offer every reasonable help required by the insurers must be encouraging to insurers. The minister who had something to do with insurance business and who was a member of the Insurance Select Committee of the Legislative Assembly in 1937—38, and in 1946, has inside knowledge of the Insurance work and it is hoped that insurers will do their best to carry out his advice.

As has been observed by Mr. Setalwad, Chairman of the Indian Insurance Companies Association, Bombay, in his welcome address to the new council, General Insurance has become a major economic necessity and is one of the biggest credit institutions occupying a high place in the national economy of every important country. It has therefore to be well organised and properly equipped for the new responsibilities it will have to shoulder. Mr. Setalvad freely admitted that excessive costs, the basic weakness of Indian Insurance, has not been tackled by any scheme drawn up by the insurers, and he regrets the Governmental delay of 5 years in giving effect to the progressive measures voluntarily suggested by the trade for the statutory limitation of overall expenses. Mr. Setalwad's hope that this reduction of over-all expenses will increase the insurers' margin of profit and will make them build up reserves, is bound to be fulfilled if the new council takes up its duties in a spirit of service so essential for the insurance business. We may also hope that the policy-holders will eventually reap the benefit of the reduction of costs of procuration. Mr. Setalwad's hope is well justified as the Indian Insurers are assured of the sincere co-operation and support of the non-Indian insurers in the country to make the provisions of the law achieve rationalisation and stabilisation of Indian General Insurance business. The General Council which will work through its executive Committee and Tariff Committee has the responsibility of laying down proper standards and conduct for the business. As pointed out by Mr. A. C. Setalvad "Government on their part should give due consideration to the recommendations of this body and should not allow it to become ineffective by concentrating too much power in their hands or in the hands of the controller of Insurance." At the same time, there must be close co-operation amongst insurers themselves if the objects of the Insurance Amendment are to be achieved. It must be admitted that there is room for greater co-operation amongst insurers and that the unhealthy rivalry now prevalent among some insurers must be replaced by healthy co-operation, all working together for a common cause, namely, the economic development of the country and its citizens. Mr. Setalwad's address closes with the appeal to the Government that they should be prompt in dealing with impending or actual cases of mismanagement of an insurer. Justice delayed is justice denied. Prompt action in dealing with activities which are likely to result in lowering the standards or debasing the conduct of business will prevent damage to the institution and protect the interests of the policy-holders. Prompt action by the Government is therefore a necessity particularly in our country where the industry is yet in a nascent stage.

Progress of Insurance Business in India

(Excerpts from the Indian Insurance Year Book 1950)

New Business.

Life business.

There was an increase in new life business done by insurers both in the number of new policies issued as well as the sum assured during the year 1949 as compared with 1948. The total new business effected in India during the year consisted of 5,44,000 policies assuring a sum of over Rs. 1,35 crores, the increase being Rs. 15.70 crores of 58,000 policies and Rs. 15.70 crores of sum assured over that of 1948. In the case of both Indian and Non-Indian Insurers the average sum assured per policy has also increased as compared with 1948.

The new business done in 1949 exceeds that done in any year during the last decade except that in 1945 and 1946. This is quite satisfactory so far as it goes. In the midst of the increasing pressure of rising cost of living and heavy taxation of personal income, voluntary private savings of people have tended to languish and it is not surprising that Indian life insurers in these circumstances find it difficult to increase their business to the extent that would be possible if normal conditions prevailed.

In the matter of expenses the experience of insurers in common with other business has not been favourable. Renewal expense ratios calculated according to Rule 25 (b) of the Insurance Rules, 1939, show an increase as compared with 1948. The average net rate of interest earned has increased slightly in the case of Indian insurers but has decreased in the case of Non-Indian insurers. Lapses still continue to be high.

Internal economic conditions have not improved as much as was expected and the complexities of the international situation have increased further. These coupled with the difficulties pointed out above necessitate constant vigilance in administrative matters and economies in expenditure by insurers. In a way, however, these troubles may prove a blessing in disguise, as these will *ipso facto* check the craze for bigger business every year at any cost which has been responsible for many an ill from which Indian life insurance business has been suffering, *e.g.* forced business, larger lapses and un-economic production costs.

A new disquieting factor so far as the economic difficulties of the country are concerned has cropped up. The Korean War may not have any direct effect so far as the general economy of the country today is concerned. As, however, as a result of this little war and the steps taken by nations for being prepared for any similar contingencies, inflationary tendencies are perceivable in countries from which this country gets the major portion of its imports, it is obvious that if prices go up in those countries, it will add to the cost of imports which India makes and this will undoubtedly affect the level of prices in the country. Inflationary conditions, if not checked effectively, will reduce the field for life insurance savings of people still more and it is, therefore, upto life insurers to lend their weight in keeping the spiral of rising costs within limits. The problem to be faced now as well as for 1951 by insurers is to find security for growing prosperity that will add to their business and to the wealth of the country.

General Business.

Expansion in the premium incomes of insurers doing Fire and other classes of general insurance business continues, the increase in the premiums of Miscellaneous business being more pronounced. The amount of premiums for Fire business in 1949 was Rs. 7,70.16 lakhs as against Rs. 7,39.41 for 1948; that for Marine business was Rs. 3,78.46 lakhs as against Rs. 3,64.58 lakhs and that for Miscellaneous business Rs. 4,81.52 lakhs as against Rs. 4,03.10 lakhs. Expense ratio for Fire business as compared with 1948 increased by 1 per cent and that for Marine and Miscellaneous business by 3 per cent and 2 per cent respectively. Losses were up by 2 per cent in Miscellaneous business but were less by 3 per cent and 4 per cent in Fire and Marine business respectively as compared with the preceding year.

Losses in insurance business in plain words mean waste of national wealth and a young welfare state cannot afford waste in any form. It is, therefore, the duty of insurers doing general classes of businesses in India to inaugurate loss prevention campaigns to combat waste. They will find a wealth of rich material at their disposal in the shape of the steps taken by the U. K. and other advanced countries in this regard from which they can profit. The huge sums paid in insurance claims every year could be reduced measurably if publicity on correct lines is done to prevent losses.

Though the share of Indian insurers in these classes of business has been increasing gradually over a number of years, it is still much less than what it should be. It is not denied that general insurance business in its nature, more than many other classes of business, is international in character, but that an unduly large share of this class of business available in a country should go directly to non-national concerns does not follow as a necessary corollary from this proposition. Indian insurers have, therefore, to ensure, as far as they can, by their efficient conduct of business and prompt settlement of claims that the major portion of these classes of business in the country comes to them. To some extent this end can be achieved by closer co-operation between the bigger and the smaller Indian insurers in their trade operations.

It has been felt that it is not possible to estimate even within broad limits the amount of the annual drain on the country as a result of the reinsurance transactions of insurers operating in India. It is important to have this statistical information with the Department. Insurers are requested to keep their books in such a form as to be able to supply this information whenever required to do so.

Transfers, windings up and action under Section 52A of the Insurance Act, 1938

Since the publication of the last Year Book the following transfers of life insurance business were effected :—

(i) The business of Eastern National Insurance Company, Limited, Krishna Life Assurance Company, Limited, Navajiban Insurance Company, Limited, and Unique Assurance Company, Limited, was transferred to Aryya Insurance Company, Limited, Calcutta.

(ii) That of Commercial Insurance Company, Limited, was transferred to Advance Insurance Company, Limited, Bombay,

(iii) That of Southern Asia Life and General Insurance Company, Ltd. was transferred to Calcutta Insurance Company, Limited.

(iv) That of South India Insurance Company, Limited, was transferred to New India Assurance Company, Limited.

The United Motor and Fire Insurance Company, Limited, and two provident societies went into voluntary liquidation.

The first appointment of an Administrator under Section 52A of the Act was made by the Central Government in the case of the Union Life and General Insurance Company, Limited, Bombay.

Legislation.

Amendment of the Act.

A comprehensive amending Bill to amend the Insurance Act was introduced in the winter session of the Parliament in 1949, which, after being reported upon by a Select Committee, found its way to the Statute Book early this year. A large number of the Sections of this amending Act came into force on the 1st June, 1950, and the remaining ones became operative as from the 1st September. The amended Act extends to all the States in India excepting the State of Jammu and Kashmir and removes the long-felt inconvenience of insurers of having to comply with the several Insurance Laws enacted by the various Indian States under the old regime.

The underlying principle of the amending legislation is greater control on and supervision of the working of insurance companies and provident societies by the Government as also prevention of the interlocking of funds of insurance companies and banks. The main provisions affecting insurance companies relate to :—

(i) Prohibition of transaction of insurance business by other than public companies (Section 2C).

(ii) (a) Cancellation of the registration of an insurer for default in complying with or action in contravention of any provision of the Act or of the Rules or any order made thereunder [Section 3(4) (f)].

(b) Prohibition of an insurer from carrying on any business other than insurance business or prescribed business [Section 3(4) (h)].

(iii) Control of capital structure and voting rights of life insurance (Section 6A).

(iv) Triennial valuation of life insurance companies (Section 13)

(v) Reduction in the quantum of compulsory investment in approved securities (Section 27).

(vi) Control of investments of life insurers (Section 27A).

(vii) (a) Restriction on the employment of officers and persons on commission basis (Section 31A)

(b) Prohibition of common officers and directors between two life insurance companies (Sections 32A and 48B).

(viii) Prevention of payment of excessive remuneration to employees (Section 31B).

(ix) Employment of only whole-time officers by insurers (Section 32A).

(x) Amalgamation and transfer of business through the Controller of Insurance instead of through Courts (Sections 35 to 37).

(xi) Control and limitation of commissions and expenses of all classes of insurers (Sections 40A to 40C).

(xii) Provision for issue of 3-year licences to insurance agents (Section 42).

(xiii) Registration of and Regulation of employment of Principal, Chief and Special Agents (Sections 42A to 42C).

(xiv) Permission of payment of hereditary commissions to insurance agents (Section 44).

(xv) Option of settlement of claims on small life insurance policies through the Controller (Section 47A).

(xvi) Limitation of shareholders' share in the valuation surplus of insurers carrying on life insurance business (Section 49).

(xvii) Appointment of Administrator by the Central Government to manage the business of insurers where necessary (Section 52A to 52G).

(xviii) Establishment of the Insurance Association of India, its Councils and Committees for all classes of insurers (Sections 64A to 64Q).

Amendments have also been made in Part III of the Act governing provident societies. The more important of these changes are:—

(i) Sub-sections (2) and (3) of Section 10, Section 26, sub-section (1) of Section 27 and Sections 27A, 28, 29, 31A, 31B, 32, 46 and 53A have been made applicable to provident societies.

(ii) Provident societies are now allowed to issue policies upto Rs. 1,000/- sum assured (Section 65).

(iii) Transaction of provident business by other than public companies has been prohibited (Section 65A).

The amendment of the Act has come at a time when a turning point in the administration of insurance companies was necessary and it is hoped that the legislation will fulfil the purpose for which it has been enacted.

Amendment of Insurance Rules, 1939.

The Insurance Rules have also been amended *in extenso* to bring within their scope the changes made in the Act. The important changes incorporated in the Rules relate to:—

(i) The prescription of constituencies of insurers for purposes of returning members to the Executive Committees of the Life and General Insurance Councils (Rule 12B);

(ii) Prescription of scale of fees for the licensing of insurance agents (Rule 16) and registration of Principal, Chief and Special Agents (Rule 16C) and issue of licences/certificates to them (Rules 16A and 16D) by the Department of Insurance ;

(iii) Prescription of percentages of expenses of management allowed to life and general insurers (Rules 17C to 17E) ;

(iv) Penalties prescribed for contravention of limitation of expenses laid down for life and general insurers (Rules 17G and 17H) ;

(v) Provision for constitution of Regional Councils and penalties for breaches of Tariff Rules by insurers (Rules 17-I and 17 J) ; and

(vi) Prescription of fees payable by members and Associate members of the Insurance Association of India (Rules 24 B).

Insurance Act, 1938 and the Indian States.

The Insurance Act, 1938, has been extended to the whole of India excepting the Jammu and Kashmir State. In terms of Section 66 of the Insurance (Amendment) Act, 1950, insurance laws in force in the various Part B States prior to 1st June, 1950, have been repealed.

Insurers and provident societies who were registered only under the Part B State Insurance Acts will now be deemed to have been registered under the Insurance Act, 1938, by virtue of the provisions of Section 66 (3) of the Insurance (Amendment) Act, 1950, and they can now operate throughout India.

Similarly insurance agents who are holding licences issued under the State Insurance Acts alone can now operate throughout India. These licences, as and when they expire, may be renewed as prescribed under the Insurance Act, 1938.

Instructions have been issued to the various Part B State authorities to arrange for the transfer of the statutory deposits made by insurers and provident societies under their respective insurance laws prior to their repeal on the 1st June, 1950, to the Reserve Bank of India to be held under the Insurance Act, 1938. It may be that insurers and provident societies concerned have already made the maximum deposit required of them under the Insurance Act, 1938. In such cases, the question of refund of the excess deposits may be taken up by the insurers and provident societies concerned in due course after the deposits have been received by the Reserve Bank.

As regards the amounts held in trusts executed in the various States in terms of the Insurance Laws of those States prior to the 1st June, 1950, the State authorities concerned have been asked to release the trust and return the monies to the respective insurers.

As regards Jammu and Kashmir State, the Insurance Law enacted by the State authorities and operative there continues to be in full force. The position of insurers registered under the insurance Act, 1938, *vis-a-vis* the State Insurance Act is the same as stated in the last issue of the Year Book.

Art of Insurance Selling

By S. S. JOSHI,

IN human beings the art of selling is found as a gift of nature. The perfection of human life in any aspect lies in developing the natural faculties dormant in man to the highest level of evolution. Even as faculties are developed by human beings with constant application and intelligent improvement upon the modus operandi (methods of works), so also this art of selling can be developed to perfection by a careful and studious application of the principles found helpful in its evolution. When this art reaches its culminating point in an insurance agent he is said to be the most successful in his career. Then it is said that he can serve the Society and the industry of insurance to the best advantage of both, the prospect and himself.

In every stage of life between a mother and a child, a master and a servant, a teacher and a pupil and the clerk and the boss we come across glaring examples of this art being unconsciously practised but to win a preferential look or favouritism it takes due time. A canvasser of insurance has got to pick up this art and develope it in all its phases by careful study of the various temperaments of his prospects and their financial needs in the way of insurance. To attain perfection in this art like all other branches of education and profession requires a good deal of study, time, training, patience and perseverance in addition to having other necessary qualities of being punctual, regular, convincing, polite, brief and exact accompanied with a smiling countenance on the part of the practitioner. He should as a matter of fact never expect cent per cent. success in the first week or the month of his taking up the line and feel disgusted after meeting some delays and failures. Just as to become a graduate one has to go through several tests and to patiently pursue his studies for a long number of years inspite of drawbacks and failures; similarly a seller of life insurance will have to educate himself and cultivate this art by repeated and persistent practice inspite of the failures and successes in his career. He will have to exercise a good deal of patience and wait for better results.

The main thing which he has to achieve in the course of his discourse with prospects is toi mpress upon them the necessity of life insurance by pointing out to them the several wants and shortcomings existing in their life and how they would affect in the absence of sufficient insurance cover if not remedied in time. The comparison of the lives of families and their pitiable lot after the removal of the bread-winner in the absence of insurance with those that were wisely and sufficiently protected by insurance will ensure the initial success.

A combination of negative and positive aspects would help the canvasser in convincing the prospect of the necessity and desirability of having it for himself.

The more experience a canvasser gathers in his profession as a result of a large number of visits and competition with representatives of other sister concerns the more wisdom and tact he learns and the better he is able to create a desire in the mind of the people with the least effort on his part.

The next requisite quality which leads a canvasser to quick success without much labour is the intelligence to watch the proper opportunity to close the deal with the prospect. While very frequent visits to the proponent might lead him to disgust, the canvasser might also lose the opportunity of securing the bargain if he repeats the visits after a very long time. So he has to select the exact phsycological moment when the prospect is most likely to respond. For this he has to make a close study of the conditions of life of the prospect and his temperament and inclinations. So he should be a good student of human phsycology,

A successful insurance agent is not only a good seller but he also assures future service and help to his prospect. Thus the confidence and the appreciation won by him is sustained for a long number of years and goes a long way in widening the circle of his fresh approaches and wins him a good name for the institution whfch he represents.

A sincere and successful insurance salesman is a blessing to the Society inasmuch as he helps proponents to relieve themselves of their financial burden and responsibility as also to reduce the economic burden on their survivors which unavoidably fall on their shoulders when they miss the main bread winner. By constantly serving a large number of families in this manner he unconsciously helps to improve the economic condition of the Society to a large extent. It may be said without exaggeration that development of this art, which can be achieved by mutual cooperation of the insurer and the agent, in a large number of insurance agents, would without fail, lead to the raising of the standard of living of the citizens. Then only insurance will serve its true purpose in life. A family sufficiently insured means a happy home. It leads to a carefree life which also ultimately enables the supporter to work with greater vigour and energy. He can concentrate attention to maximise production and secure financial stability.

The Insurance canvasser is therefore advised to spare no pains to master the art with the aim of reaching the zenith of perfection and thus in addition to assuring the maximum income for himself and his dependents, should secure more contentment and stability in business by bringing in a very large number of families under the cover of insurance. Therey he will be discharging his sacred duty efficiently and pave the way for removing the unrest and increasing the prosperity of the nation and the country.

News

Insurance Institute

The Council of the Indian Insurance Institute, Calcutta met Mr. K. Balasubramonium, Hony. Secretary, Indian Life Offices Association on Tuesday, the 5th December, 1950, at the office premises of the Institute (P-11, Mission Row Extension, Calcutta) for an informal discussion on the provisions of the new Insurance Law. Mr. Balasubramonium spoke on various aspects of the Insurance Law. A lively discussion was followed in which many of the members present participated. Mr. S. D. Srinivasan, Senior Vice-President of the Institute presided over the meeting. Amongst those present were Mr. S. P. Bose (National Indian), Mr. S. C. Roy (Aryasthan), Mr. H. K. Sen, Actuary, Mr. H. C. Naug (Palladium), Mr. U. C. Barua (Lakshmi), Mr. A. C. Neogi (East India), Mr. B. N. Choudhury (Hindusthan) and others.

The Madura Insurance Association.

At the Second Annual General Body 1950 Meeting of the Members of the Madura Insurance Association, Madhurai, held on 2-11-1950, the following have been unanimously elected as office bearers for the current year:-

Office Bearers:

President: Mr. P. Lakshminarasimhan
Vice-Presedents Mr. S. Vinayakam
Mr. N. Govindarajalu
Honarary Secretary: Mr. P. Ganesan
Joint Secretary: Mr. V. E. Ponniah
Treasurer & Librarian: Mr. V. G. Renga Rao

Committee Members:

1. Mr. E. Annamalai
2. Mr. V. Shama Rao
3. Mr. Y. S. Newton
4. Mr. M. Ramaswami
5. Mr. R. Balaraman
6. Mr. A. Viswanatha Rao

Indian Insurance Institute

Sri S. N. Roy Chowdhuri, President, Indian Insurance Institute, Calcutta met the Members of the Council of the Institute, at a TEA PARTY on Tuesday, the 7th November, 1950 in the office premises of the Institute (P-11, Mission Row Extension, Calcutta). Sri H. C. Naug, General Secretary of the Institute was all attention to the guests. Amongst those present were: Sri S. C. Roy (Aryasthan), Sri H. K. Sen, Actuary, Sri U. C. Barua (Lakshmi), Sri S. K. Acharyya Chowdhury (Bangalakshmi), Sri U. N. Pal (Indian Economic), Sri B. B. Mukherjee (Kaiser-I-Hind), Sri N. C. Ghosh (Empire), Sri M. N. Bose (Jupitar General), Sri B. N. Chowdhury, etc. etc.

Mysore Insurance Guild

Members of the Mysore Insurance Guild were "At Home" to Sri P. Ganesan, Founder President of the Guild and Branch Manager, Bharat Insurance Co., Ltd., Madura, during his recent visit to Bangalore on 19-9-50 at the United India Buildings. Sri D. V. Ramaswamy, President of the Guild in his introductory speech eulogised the services rendered by Sri. P. Ganesan to the Guild during its formation and also as its first President. Mr. T. N. C. Satagopan of United India, Mr. P. C. Karambayaof Crescent Insurance and Mr. V. S. Narasimhachar of Sterling General also spoke on the occasion. Sri. P. Ganesan replied suitably, thanking the members for the honour done to him and wished the Guild all success in its efforts.

Mr. V. Venkatachalam

Mr. V. Venkatachalam till recently Branch Manager of the Andhra Insurance Co., Ltd., Madras has joined the Hindusthan Ideal Insurance Co. Ltd., as Superintendent of Agencies with effect from 1st December 1950 with Headquarters at Madras.

All India Insurance Field Workers Association

Sri B. B. Mukherjee, President of the All India Insurance Field Workers Association met the Council Members of the Association at a Tea Party held on Saturday, the 25th November 1950 at the office premises of the Association. Sri B. N. Mukherjee, General Secretary of the Association was all attention to the guests. Amongst those present were: Sri M. N. Bose (Jupitar General), Sri S. Kahali (H. C. I. S.), Sri Sukhamay Sarkhel (H. C. I. S.), Sri B. B. Bose (National), Sri P. R. Dutta (New India), Sri M. N. Khasnobis (Kaiser-I-Hind), Sri Romen Basu (Bangalakshmi), Sri Bhudev Mukherjee (Hindu Mutual), Sri N. Chakraborty (Oriental) and others.

Shri Bhagwan Swarup Seth, Secretary Empire of India Life Assurance Co., Ltd., entertained.

Shri Bhagwan Swarup Seth, Secretary, Empire of India Life Assurance Co., Ltd., Bombay inspected the Company's Madras Branch from 7th to 9th December 1950. At an informal gethering of the Office Staff, he exhorted them to work hard and do their utmost for the Company in all possible ways. On the 8th a Tea Party was held in his honour at the "Woodlands" Gardens by the members of the Company's field force and Staff of Madras and he was presented with a Welcome address. Mr. M. Gurumurti, Branch Secretary of the Madras Office welcomed the guest and expressed his hope that under his able guidance, the Madras Branch and the Company would prosper well. In a refreshingly candid and thought provok- reply, Shri Swarup briefly dealt with the urgent necessity for economy on all sides on account of the coming of the Amended Insurance Act. While he heartily thanked each and every one present at the gathering, he appealed to all to give their maximum co-operation in raising the Company's prestige and business output.

Later in the day Shri Swarup was the chief guest of honour at a Dinner given by Mr. Gurumurthi at the Cosmopolitan Club. Some of the prominent citizens of Madras were present at the gathering and here also Shri Swarup gave an interesting talk on Life Insurance.

Shri Swarup left for Bombay on 9th December.

Transfer of business of a German Insurance Firm to the United India Life Insurance Company

The Union Parliament passed the Alliance and Stuttgarter Life Insurance (Transfer) Bill 1950 transferring the business, assets and liabilities of the German firm of Alliance and Stuttgarter to the United India Life Insurance Company, Madras. During the Second World War, the custodian of enemy property was in charge of the property of the firm. Subsequently, a chartered accountant was authorised to carry on the business of the company. The United India Life Assurance Company will pay all claims on the life policies issued by the German firm. All contracts of agency entered into before July 31, 1942 would be deemed to have been terminated with effect from that date. The commerce Minister observed that the object of the bill was to safeguard the interests of the policyholders of the German firm. According to him, the conversion of the firm into a mutual company would imply the risking of the utilisation of the existing funds for the acquisition of new business. Under the Paris Reparations Treaty, it was not possible for any German assets in India to be transferred to the original authorities.

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Photo taken on the occasion of the departure of Sri. H. D. RAJAH, President, All India Republican Party, on a tour of Far Eastern Countries.

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