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CONTENTS

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(302)

THE INDIAN POLICY-HOLDER

VOL XVII MAY 1951 NO. 1

Field Organisation of Life Insurance Companies.

IT is very much to be regretted that so soon after the passing of the Insurance Amendment Act, 1950, the provisions relating to the limitation of the Agency Commission payable to the category of Special Agents have evoked strong criticisms from a considerable number of Insurers, mostly small and middle sized, and they are looked upon with suspicion. Many are of the view that this part of the amended Act is calculated to favour bigger and old established Institutions and to cripple the younger and middle-sized ones. It is contended that the limitation of management expenses fixed as at present, in the Act, will further induce the Insurers, favourably placed, to easily disrupt the organisation of younger and middle sized companies. While we do not discredit these criticisms as totally unfounded, it is to be realised that no Act, however perfectly drawn, can be without loopholes for the unscrupulous to take advantage of. No one can deny that Insurers established in India, generally speaking, have never been so scrupulous, cautious and careful as those that are founded in the U.K., U.S.A., and Canada. Particularly in the matter of employing workers to go about canvassing in the field, Indian Insurers have been always indifferent and unprincipled. They never paused for a minute before entrusting a candidate with such a responsible task of selling Life Insurance. Whether he be a literate or not, whether he has the aptitude for the kind of work or not, whether he is honest or dishonest, whether he has had any previous experience or not, whether he is connected with any sister institution or not, irrespective of his credentials, the moment a person is available in the street and has no objection to his styling himself as an Insurance Agent, he has been crowned with the honour of that post, on any terms, economic or otherwise from the viewpoint of the Company. Only the candidate must have the presence of mind to shoot high and be a little bold enough to promise a big business. It is only this kind of field organisation that was mainly responsible in the past for the majority of Indian Insurers to be on the verge of deficit valuations all throughout their career. One can well imagine the precarious financial position of these insurers and the factors that drove many of them to the necessity of evading liability even under proper and sustainable claims. No one was ever prepared to meet the situation squarely. It was never realised that the services of gentlemen suitable for the task can be found only if somebody, some Educational or Commercial Institution trains candidates for the particular job as is being done in advanced countries. Some Companies, who never bothered about training men for salesmanship, but at least cared to employ only men of some experience in the line, started the game of enticing away the workers of rival companies by offering more attractive emoluments and soon this vicious practice got into the organisation system of almost all Insurers. The net result of all this has been the draining away of the poor policyholders' moneys. Even today no Insurance Company seems to be serious of considering the desirability of selecting suitable candidates and giving them proper training and thus create a stable and paying field organisation. But everyone wants to have good field workers and they obviously see no other way excepting experimenting all and sundry at fancy rates of commission. When a statutory restriction is now placed on the commission payable to agents and special agents, many Insurers have begun to grumble and pick holes in the provisions made in the Insurance Act. They are now faced with a situation in which they can no longer easily continue their old malpractices. No sooner had the Agency commission been limited by the Insurance Act, 1938, than the companies that never cared to stick to any principle, overnight converted all their agents into Special Agents on fabulous terms and thereby circumvented the provisions of the Act. Not only that, they even more easily absorbed into their agency organisation a good number of ordinary agents of some of the well-conducted Companies, as Special Agents. The Agency commission has been restricted by the Insurance Act with a view to put a stop to the costly and vicious practice of interfering with the organisations of sister institutions, and create a healthy atmosphere. When it was found that the provision has been evaded by appointment of Special Agents, the Government of India have thought it desirable to define the term "Special Agent" and limit his remuneration also. One must honestly admit that the efforts of the Government of India were only with a view to create a situation wherein all Insurers can have equal opportunities to compete fairly and progress according to the merits of individual Institutions, but not by cutting each other's throat at the heavy cost of the poor policyholder. This good intention underlying the provisions of the Act must be appreciated by every Insurer in India. It is not proper to suspect that the old established and larger Companies of repute will use their ample resources to dislodge the younger and middle-sized companies. Such doubters must equally realise that any such motivated step on the part of the established companies will correspondingly reflect on their name and they will soon lose the confidence of the public. No company of standing

would or should think of disrupting the field organisation of sister companies and suffer in prestige. They can as well utilise their ample resources in recruiting suitable candidates and train them for the job for which they are intended. It is here that Insurers must pay heed to the sound advice of that veteran Insurance man, Mr. T. C. Kapur, Manager, Bombay Mutual Life Assurance Society, Ltd., Bombay, given in his address at the 2nd Annual General Meeting of the Association of Mutual Life Offices, held at Madras, on 24th March, 1951. He observes :

"Mad race for more business and still more business irrespective of its quality and its costs has unfortunately influenced the creation of casual agencies. Securing of business has preference over setting up of proper organisation. To be a successful agent, a person must possess certain minimum qualifications, not necessarily educational qualifications and must have the necessary aptitude for work. Care is not taken to select proper persons and to train them up for the noble work of insuring lives. Everyone who applies for agency gets it. Every one who can influence some business is made an agent. The only equipment that is provided to the agents is the prospectus and papers of the Company. Can we expect that untrained and ill-equipped agents to succeed ? Most of such agents must necessarily drop out. Those who enter the field with the intention of making insurance agency as their career and give up the agency take with them disappointment and frustration. Their going out kills the enthusiasm even of those who have the potentialities of success. .... My appeal to my colleagues, the insurance executives, is that we should change our outlook and we should start laying greater stress on setting up healthier organisation by attracting larger and larger number of persons, well-educated and having good connections, into the agency field. We must see that proper care is taken to select right type of young persons. Schemes of imparting them necessary training either by companies individually or by the companies collectively must be evolved and given effect to. This will improve the quality of business. Lapses will decrease, rebating will disappear, greater service will be available to the policyholders and our cost is also likely to go down. This will also lessen the possibilities of policyholders being defrauded by unscrupulous persons."

We wish, all the insurers in India seriously consider the suggestions of Mr. Kapur and make a sincere attempt to carry them out instead of accusing the legislators as having bungled. Under no circumstances can young and weak companies think of competing equally with old established and resourceful big companies, and if they do, it can be only by incurring expenses quite disproportionate to the income and sacrificing the interests of the policyholders.

Life Reinsurance and Some Practical Aspects Thereof

BY V. V. EASWARAN

EVERY Office transacting life insurance business has its own maximum limit up to which it will undertake risk on any single life. This retention limit is largely determined by the size of the Company in relation to its capital, life fund etc., and is increased periodically when the growth of the company warrants it. Companies can, however, and of course, do procure risks exceeding their limit because the excess risk can be re-insured with sister companies.

The need for reinsurance is at once evident. To simplify ideas, let us suppose: there are 1,000 persons each aged (x) and each insured for Rs. 1,000/- for a term assurance of one year. From a mortality table, it can be found approximately how many persons (y) out of 1,000 will die in the course of the year. Premiums can then be calculated to provide for the loss incurred by the company on account of the death of (y) persons. Though we know that on the average (y) persons will die, we cannot know which particular group of (y) persons will die. Lack of knowledge in this respect does not affect the company so long as the sums assured are equal. But, supposing out of the 1,000 persons, one particular individual has insured for Rs. 20,000 say. If this individual does not die in the period, the company gets a good profit whereas if he dies the company incurs a heavy loss. Insurance then becomes a gamble. Reinsurance is, therefore, necessary for the successful working of the law of averages upon which insurance is based.

The alternative to reinsurance is co-insurance. This means that the proposer for a large sum assured will have to be asked to enter into separate contracts with other insurers. The way to do a better service to the policyholder will, therefore, be to undertake the full risk and arrange for reinsurance.

Let us now examine the methods by which reinsurance is effected. The usual way is by what is called the facultative system. Suppose a proposal for assurance is made and it is found that reinsurance is necessary because the proposed risk exceeds the retention limit of the contracting company. (In case there are previous assurances on the life, the amount at risk is not simply the total sum assured but it is this quantity minus the accumulated reserves on the previous assurances). The contracting company then sends reinsurance proposals to as many other companies as required with true copies of the original proposal for assurance and connected medical reports. When the reinsurers have all communicated the acceptance of the risk, the contracting company issues its acceptance letter to the proponent. When the proposal is completed, the proportionate first premium is paid to the reinsurers along with copies of the policy issued to the life assured. The reinsuring companies then issue their reinsurance guarantee either as a separate policy or by an endorsement on the certified copy of the original policy.

The chief disadvantage in the facultative system of reinsurance is the inordinate delay experienced by the proponent in getting the letter of acceptance. The delay is caused since the contracting company has to wait for the letters of acceptance from all the reinsurers before it can issue its letter of acceptance to the proponent. This means inadequate service to the proponent. To overcome this difficulty the automatic system of reinsurance has been adopted by many companies by which the risk undertaken by the contracting company is automatically shared by the other reinsuring companies, which have such a treaty binding them. This means that the company undertaking the original risk can do so without having to wait for the consent of the reinsurers. After the assurance is concluded, of course, the ceding company sends to the reinsurers certified copies of proposal, medical report and policy together with the proportionate first premium. The automatic treaty may provide that one particular company be always the reinsurer and the other always the ceding company, or it may be mutual. But whatever be the system of reinsurance adopted, facultative or automatic, there should be an equal flow of business reciprocally to keep the reinsurance relationship really sound. Before a treaty of automatic reinsurance can be entered into, the participating companies must be satisfied that the standards of underwriting risks adopted by each of them are acceptable to the others. Also, as in the ordinary assurance contract, the principle of good faith must be strictly observed by the signatories of the 'Automatic' treaty. Even with all these pre-requisites, it is not infrequently that a company bound by an 'automatic' treaty has to accept reluctantly a risk which will ordinarily be unacceptable to it.

There is a special type of automatic reinsurance which may be mentioned here. Where the number of cessations involved is fairly large, the companies might agree that they can dispense with individual cession forms and copies of papers. At periodical intervals, say once a year, the ceding company can credit the reinsurer with the total premiums and interest realised in the period for the reinsured portion and debit proportionately the claims paid, expenses etc. The net profit to the reinsurer can then be actually paid or kept in credit. This system obviously saves a lot of clerical labour.

The reinsurance contract is usually made on the premium rates, terms and conditions of the ceding company. Exceptionally, however, it is also done as per the rates of the reinsurer. Usually, the reinsurer agrees to pay bonus additions to the policy as per the rates declared by the ceding company Sometimes, participation in profits is excluded from the reinsurance contract; that is to say, if the original policy is under 'With Profits' plan, the bonus payment is borne entirely by the contracting company which will pay premiums to the reinsurer under the 'Without Profits' plan of the corresponding table. Similarly, disability and accident benefits are sometimes excluded from the reinsurance contract. Other variations are also possible; eg. in the case of an endowment policy with an annuity option at maturity (or an annuity policy with a cash option at maturity), the ceding company may collect from the reinsurer the entire policy money in lump and pay the annuity to the life assured (or vice versa).

The two methods previously discussed, viz., automatic and facultative, deal with the mode of acceptance of reinsurance risks. The payment of premia for reinsurance cessions can be effected in two different ways. The more common is the pro-rata basis, that is payment of proportionate premium. The other is the Risk Premium basis. To start with, the ceding company pays to the reinsurer the term assurance premium for one year, according to the age at entry of the life assured. If the commencement of the policy is back-dated, the ceding company will pay to the reinsurer the term assurance premium for only the period till the next policy anniversary which will be less than one year. If there is no claim on the policy, the reinsurer does not have to pay back anything to the ceding company. The reinsurance contract is renewed each year by the ceding company, the term assurance premium being calculated as for the age attained by the life assured on the date of renewal. The premium rates will, therefore, be increasing on the successive dates of renewal, but this does not imply that the actual premiums will increase; for, the sums reinsured on renewal dates diminish successively on account of the accumulating reserves on the original policy. The plan of assurance of the original policy is irrelevant to the reinsurance contract so long as the plan covers risk for the entire term. In the case of assurances where the risk is deferred, the risk premium basis of reinsurance has an obvious advantage over the pro-rata system. The contracting company can receive the premium for the entire sum till the deferred date and only then need she go in for reinsurance. If, on the deferred date, the company has a larger retention limit than when the policy commenced and if a sufficient amount of policy reserve has accumulated in the meanwhile, reinsurance may not be necessary at all.

One difficulty with this system of reinsurance is that of calculating every year the amount to be ceded and the premium as for the age attained by the life assured on the date of renewal. In India, this system has not yet gained wide popularity.

The risk under a reinsurance contract also can be ceded to another reinsurer. There are instances where in such retrocessions, there are as many as three or four intermediary companies between the life assured and the company actually bearing part of the risk.

The rates of commission charged on reinsurance cessions vary widely between companies and they also depend on the plan and term of assurance. The variation is usually from 40 to 80 % for first year premiums and from 4 to 8 % for renewals. Organisations like the Indian Life Offices Association or the South India Insurance Association can very well consider the desirability or otherwise of having uniform rates of commission for reinsurances.

It is very essential that the guarantee policy should closely follow the fortunes of the original policy from the commencement of risk till the settlement of claims. In the facultative system, the reinsurance risk commences only when the reinsurer receives the share of first premium from the ceding company. It is most desirable that the reinsurance risk commences simultaneously with the risk under the original policy. Some reinsurers agree to this; but only on the stipulation that their share of first premium is remitted to them within a week or so after the issue of the original risk receipt. This stipulation, if strictly adhered to, is likely to cause undue hardship to the ceding company under exceptional circumstances and therefore, needs to be avoided.

The original practice of paying premiums in advance to the reinsurer, in anticipation that it will be realised from the life assured is now gradually changing to the other method; viz., paying after it is realised from the assured. The latter method saves the work of refunding and obtaining a refund of unrealised premiums when premiums are being paid in advance, it frequently happens that in certain cases unrealised premiums are omitted to be claimed from the reinsurer. When this aspect is considered the advantage of the revised method is obvious. But there are also the other aspects. Since the ceding company will take some time to reckon the premiums realised and to send them to the reinsurer, the latter is at a disadvantage in that premiums will be received late with lesser interest than would normally be due. It is also very likely that in certain cases one or two instalments of premium are omitted to be paid to the reinsurer by oversight. It will not be fair on the part of the reinsurer to demand payment of interest when the ceding company discovers the omission later and makes the premium payment. Also, if by chance a claim arises in the meanwhile, it will not be proper if the reinsurer repudiates liability on the claim on the score that the guarantee policy is under lapse. Here, as in every other respect, if there is the required accommodative spirit between the related companies, there will be really no difficulty in the long run. The ceding company has to intimate to the reinsurer any alterations in the terms of the original policy within a reasonable time. The reinsurer should not, however, take undue advantage out of any unintentional omission by the ceding company. If under the original policy, the premiums are advanced under the automatic non-forfeiture provisions and the policy eventually lapses, the reinsurer does not have to pay anything to the ceding company. Any premiums other than those actually realised by the ceding company are, of course, refundable by the reinsurer. Where the life assured applies for and takes the surrender value under the original policy, the proportionate surrender value under the reinsurance contract is payable by the reinsurer to the ceding company.

Where a policy is fore-closed owing to non-repayment of loan on the policy, there does not appear to be any fixed procedure as to what should be done correspondingly under the reinsurance guarantee. One method would be to collect proportionate loan and interest from the reinsurer. The other alternative is to collect proportionate surrender value. It will be well if this question is analysed fully and a final understanding reached between all companies.

When any amounts are claimed from the reinsurer after a long delay we sometimes find that an arbitrary time limit is quoted by the reinsurer as a shield against the claim. There need be no grudging if the claim is bona fide. The accommodative spirit, already referred to, is most essential in the settlement of all claims even in extreme instances like the following.—

A substandard risk, normally unacceptable to the contracting company was referred by them to the reinsurer for estimation, the arrangement being that the reinsurer will take 80% and the ceding company the remaining 20% of the risk.

As per the scale of extra premium quoted by the reinsurer the ceding company concluded the assurance but by a clerical oversight, the completion of the proposal was not intimated to the reinsurer. As proportionate first premium was not paid, the reinsurer was not actually on risk. The life assured died in the course of the first policy year and only while looking into the claim, it was found that the reinsurance arrangement was left incomplete. The reinsurer was asked by the ceding company whether it will admit its liability for 80% of the claim amount under the circumstances. The former readily admitted the liability, much to relief of the latter.

It will be really a very happy state of affairs if such an accommodative spirit is displayed by all life offices in their relation with each other and I do hope the South India Insurance Association will help to foster this spirit among the member-companies to a considerable extent.

Investment Problems of Indian Insurers

By I. BRAHMANANDA RAO, M.A., A.I.A.

Investment Principles.

THE fundamental need for investment arises among all insurers from the fact that there is always an excess of income over outgo which has to be accumulated at a proper rate of interest to meet the future liabilities. Besides, there are items of capital and reserves which should be invested to yield sufficient return to the shareholders. The purpose of the investor is essentially the problem of equating his requirements with the suitability of the investment. The prime requirement of insurers is safety of capital consistent with highest possible yield. The fear of capital loss and anxiety for security of funds caused the foremost of the Indian insurers to invest more than 80 % of its available funds in Government Securities. So long as the return on Government Securities was sufficiently high, the disadvantage of holding too many gilt-edged investments could not be felt.

Though security of capital is insisted upon, insurers have recognised the need to get better yield and a new definition of yield is also suggested in this connection so as to enable comparison with gilt-edged securities. The yield calculated in the usual manner and multiplied by a "risk quotient" depending upon the risk involved in the repayment of capital in tact, should be considered in assessing the suitability of a given type of investment. The risk quotient is maximum in the case of Government Securities while in the case of other investment it will be less. The judgment of the investor is called in to determine the risk quotient, taking into account the past record and future prospects of the undertaking under consideration. The risk quotient will be very small in the case of equities liable to large fluctuation while that of fixed interest securities like Preference Shares and Debentures is a little higher. It may be said that emphasis is now laid more upon highest possible yield consistent with security of capital. The security of capital which the Government Securities are acknowledged to possess is not found when one has to cut down losses in times of depreciation.

Another consideration is convertibility, or readily realisable nature of the investment. The income of a growing life office is always such that it is in excess of the out-go, i.e. expenses and claims. Generally, there will be no need to realise the investment except in special circumstances, viz., switching on to a better investment or cutting down depreciation. As such, a good proportion of the funds of an insurer need not be invested in readily convertible securities. The insurer may go in for long term investments yielding a good return even after allowing for possible depreciation in view of the long period involved therein. Convertibility is, therefore, not so essential in the case of insurers as in the case banking concerns.

It is desirable that investments should be distributed over a wide area geographically and also in various categories so as to avoid heavy losses arising from failure of a particular industry or prevalence of disturbed economic conditions in a state. Classification of investments according to industry and type is necessary in the case of Indian insurers and the saying "too many eggs should not be placed in a single basket" has to be followed. There is not much scope for investment in foreign securities except for meeting the statutory provisions of the various countries where business is being done. Geographical distribution of investments does not carry much meaning in view of the very little volume of foreign business done by Indian insurers.

There is another canon which says that investment should be such as to aid the business of the insurer. The connections established by investing the funds in various concerns should be utilised as far as possible for promoting the growth of the insurance business, for example, house purchase schemes and mortgage loans do help the insurers in getting more business but a note of caution has to be struck here in that this is only a subsidiary principle to be followed after the main principles of yield and security are satisfied.

Lastly, investments of insurers should promote the welfare of the nation as a whole and help building a more thrifty, prosperous and reliable state. The economic wealth of the nation should be increased by aiding proper development of the industries and reconstruction projects. For a healthy growth of the insurer's business, it is essential that the country should be industrialised to a great extent so as to enable the average man to realise the need for insurance.

Assets of Indian Insurers

The assets of Indian insurers have increased by more than 200%, during the period 1939—49 and there has been practically slight change in the distribution of the assets. Indian Government Securities formed 53·3% in 1939 and 52·2% in 1949. Investment in Government Securities is made by some insurers during the period mainly to satisfy the requirements of the Insurance Act, 1938 which insisted the investment of 55% of the estimated liabilities adjusted according to Section 27(1) in Government and Approved Securities. In view of the Government's cheap money policy during the period, new issues were made at rates much below the rates of interest employed in the calculation of premiums currently used by insurers. Investment was made in the said Government Securities mainly on two accounts (1) for security of capital owing to the disturbed conditions prevailing in the country; (2) to conform to the requirements of the Insurance Act, 1938.

Securities of Part B states and British Colonial & Foreign Securities: These form a very minor percentage of the assets and there is not much room for expansion in this portfolio, as the market is limited. In view of the insurers being required to invest in the said securities so as to meet the statutory regulations of the states, there has been an increase in this item. Now that the Insurance (Amendment) Act, 1950 was enacted, the existing insurance laws in the Part B states are repealed. Even the former statutory obligation is no longer

present. Pakistan Securities and U.K. Securities are held by several insurers and these are reckoned for the time being as approved securities for purposes of Section 27 of the Insurance Act, 1938, the proportion in the case of U.K. securities being graded down. There is not much room for further investment in this group unless the issues are sufficiently attractive.

Municipal, Port and Improvement Trust securities yield a little higher than Government Securities and in some cases they do not yield more than the Government Securities. Naturally, the Government Securities are preferred to these when there is no substantial increase in the yield. In 1939, the percentage was 8·1 while it fell to 5·0 in 1949. Further, the market, in this case, is very limited as the securities issued in this group have not increased in proportion to the growing funds of insurance companies.

Mortgages on property remain at the same level of nearly 3% in 1949 as in 1939. A few insurers have specialised in this form of investment as they are provided with facilities to collect interest and principal repayments through a net work of allied societies. But the majority do not extend investments under this head unhesitatingly because of the various difficulties met with in realising the loans, though the return is sufficiently attractive. *Loans on stocks and other loans* form a very minor percentage of less than one of the total assets. *Loans on personal security* are entirely forbidden under the Act and these will be wiped out in due course. *Loans on security of policies* varied in amount during the said period in accordance with the changing of demand for money. This item formed 9% in 1939 while it was only 4·9% in 1949. The demand for money by policyholders in the days before war is much reduced during the war and thereafter consequent on the inflation and cheap money policy of the Government. It is not likely that investments under this category will increase considerably in future.

Shares in Indian Companies include debentures, preference shares and ordinary shares of all institutions in India which cannot be classified under any of the above mentioned categories. Debentures carrying the guarantee of a state or Central Government and other approved securities under Section 2 (3) (iv) of the Act together with the various kinds of shares and debentures are grouped under this head in the Indian Insurance Year Book. It would have been a better representation had the approved securities and guaranteed debentures been shown separately. In 1939, this group accounted for 6·8% while it rose to 13·9% in 1949. There is a substantial increase in this item which is perhaps due to the higher yield that might be secured on investments in debentures and shares. In amount, the figure has arisen from 472 to 3022 lakhs. This feature reveals the emphasis laid by insurers on better yield consistent with security. Also, the insurers have realised that their funds should be utilised to as great an extent as possible in the industries of the country.

Land and house property has not been much favoured by the investors in view of the rising values of land and increasing costs of construction and maintenance of buildings. In 1939, this item formed 6·8% while it decreased to 4·0% in 1949. The fall may be accounted for, to some extent, by the depreciation written off every year during the period. The book values may represent the depreciated values of property acquired at lower prices. Further, the purchases of land and building property were not on a substantial scale during the period. In view of the present housing shortage, it is desirable that insurers should invest a good proportion of their funds in developing building estates. Some of the insurers have already taken up such schemes and there is much scope for increasing the investment in house property.

Agents balances, outstanding premia, interest etc., have increased only in proportion to the increase in the total assets as the percentage has changed only from 4·5% to 5·1%. The Insurance Amendment Act, 1950 restricted the agents' balances to only one year's renewal commission and there is no prospect for this item to show any considerable increase and it will be stable.

Deposits, cash and stamps have risen from 3·8% to 5·2% probably on account of the increased funds. The lack of suitable investments forces the insurers to keep a part of their funds on deposit with banks. As and when suitable investments are secured, this item will diminish. The Act imposed a limit of 3% of the controlling fund regarding the deposit of funds in any one banking company. However, the total deposits in all the banks are not restricted and hence, the investment policy of insurers alone can determine the amount lying against this item.

Miscellaneous Group: In 1939, it was nearly 2% while in 1949 it rose to over 3%. This includes library, furniture, fittings, stationery, motor cars and machinery and other sundry items. It is not likely that this item should increase out of proportion to the increase in funds. The increase can be more accounted for by the increased prices.

The Act reduced the proportion of investments to be held in Government and approved securities from 55% to 50% of the adjusted liabilities reduced in accordance with section 27(1), so as to allow larger amplitude for insurers to get higher yield by investing in other securities giving a higher return. The list of approved investments furnished in section 27A(1) of the Act appears to have been prepared with considerable regard for the fundamental principles of investment of insurers, viz., Security of capital, higher yield consistent with stability and diversification. The Act specifically limited the powers of investment of insurers to 85% of their funds and allowed freedom to the extent of the remaining 15% of the funds. Investment in unapproved categories can be made only with unanimous consent of all the directors obtained at a meeting special notice of which is given to them. The Act contemplates a strict supervision and control over the investment policy of insurers thus annulling to a large extent the expert judgment and financial skill of several well-managed companies, acquired through many years of investment administration. The interlocking of funds in the interests of insurers and other concerns is prohibited by the imposition of a limit to the holding of shares or debentures of a banking or investment company to the extent of only 25% of the sum referred to under Section 27(1) or 2% of the subscribed capital and debentures of the banking or investment company whichever is less. The limit is 10% of the subscribed capital and debentures in the case of any other

company. Formerly, there was freedom to raise overdraft on the security of Government and approved securities, but this privilege was entirely ruled out by Section 27(5) which required that the Government Securities and other approved securities invested under Section 27(1) should be held free of any charge, hypothecation or lien. But, other approved investments are permitted to be charged for purposes of investment only upto 10% of the controlled fund. This saving clause is of really doubtful value to the insurers as it will not enable them to raise sufficient sums on the security of other investments.

Coming to the statutory returns to be furnished under Section 28 and 28A of the Act, it is observed that the form in which insurers are required to submit the statement of investments under Section 28(1) and the form IV-A of the controlled fund return as at the end of every year under Section 28A(1) are almost alike as they contain the same information in different forms. It would be of considerable advantage if duplication is avoided in devising a more suitable form. The Controller has required the insurers to submit particulars regarding investments in other than Government and other approved securities in Schedule C to the return under Section 28 (1) while the same details are also supplied under the various categories in the controlled fund return. The form IV-B of the Insurance Rules, 1939 provides for purchases and sales only and it does not give a complete picture of the quarterly changes in the controlled fund. To achieve this end, the department has introduced Schedule F in the Section 28(2) return requiring the insurers to show the details of changes under investments relating to other than Government and approved securities. It is practically impossible to prepare this schedule in an exhaustive manner. It will be causing the insurers much hardship for no useful purpose if this schedule F is insisted upon by the department. It would have been better, had the form IV-B been devised more comprehensively to include the various items forming the Controlled Fund. It is suggested that the department may be prevailed upon to waive the submission of schedules 'C' and 'F' along with the returns under Section 28 which refers to investments held invested in accordance with Section 27(1)

Interest yield and taxation

The Indian insurers are suffering under great burden of taxation on an unfair basis. The rate of tax had considerably been increased during the war years thus reducing the yield on life funds to a low level. The cheap money policy of the Government during and after the war also forced the interest yield down to still lower levels thus driving several well-managed insurers to barely solvent condition. The following table shows how the net rate of interest per annum earned on the funds has declined during the last ten years to a deplorably low level from 4·37% to 3·05%.

Year:	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949
Rate:	4·37	4·17	3·94	3.88	3·64	3·48	3·02	3·33	3·02	3·05

There appears to be a turning point in the falling curve in 1948 as the yield in 1949 is slightly higher. The trends of the money market are definitely towards a higher rate but the hopes of an increase in the rate of interest on new investments are sometimes overpowered by the gloomy prospect of a third world war. However, the recent issue of the 3½ % (Tax free), 10 year treasury deposit certificates by the Government of India lends support to the view that the Government may consider it propitious to borrow new money at a higher rate than 3 % so as to infuse life into the money market. The Steel Corporation of U.K. which has taken over a number of steel concerns from February 15, as a first step in the nationalisation of the steel industry offered 3½ % 1979-81 stock at par in compensation. It has fallen by two points and is now quoted at 98 %. The Government of U.K. have considered that the days of 3 % long term rate are over and that it should be 3½ % or above. The trend of the market confirms that it should be even more than 3½ %. In case, the Government of India also decide to push the long term rate to 3½ % or thereabouts, fresh impetus will be given to all investors. It is imperative that, in the interests of financial houses, the pegging of the 3 % conversion loan 1946 at 93 % should give way to a more helpful gesture from the Government of India.

In regard to taxation, it may be argued that the business of an insurer in respect of its life branch is not similar to the business of an ordinary trading concern in as much as the profits or losses cannot be reckoned accurately in the case of a life office while the profits or loss of other trading concerns are derived accurately from the books of accounts maintained by them. As such, it is not just that the profits declared to the policyholders should be taxed, as they are a mere return of the premiums already paid by them. Further, the with profit policyholder pays definitely something more than a non-profit policyholder for getting the bonuses. The shareholder's share of the profits may be reasonably taxed. That is the taxation basis in the case of U.K. companies. But, in India, the Revenue authorities do not take up such an equitable position and they exempt only half the share of the actuarial surplus expended on behalf of, allocated to or reserved for, policyholders. There is an alternative basis of gross earnings less expenses allowed at 90 % of first year premium income and 12 % of renewal premium income. The earnings comprise interest, dividends and rents received from their investments. As all the insurers are relatively young, the interest income never exceeds the expenses incurred or allowed as above. No Indian insurer is, in effect, taxed on this basis and the former method of exempting only half the policyholder's share of profits is invariably followed. In 1949, the Income-tax Investigation Commission studied the tax position of insurance companies and recommended that so much of the policyholders share of profits as is in excess of the bonus load provided in the premiums charged for is taxable besides the shareholders' portion. Even this position is not tenable and fair on the score that with-profit policyholder has got back only what he has already paid. The only equitable basis is that which taxes the shareholder's portion of the

profits while in the case of mutual concern the interest less expenses basis is justified. The recent Insurance Amendment Act, 1950 has permitted the addition of tax deducted at source to the actuarial surplus but has insisted on an estimated provision for incometax payable for the valuation period. Formerly, tax deducted at the source is not taken part of the total surplus available for distribution. As tax is deducted at source only as a measure of convenience for the tax authorities, it is not payable until the assessment is over. After prolonged discussions with insurance interests, it was decided that the tax deducted at source may be added to the life fund and a separate provision made for tax payable. This method enables the shareholders as well as the policyholders to claim a larger share of profits in view of the tax liability being in most of the cases less than the tax deducted at source. With the present ceiling rate of tax at 48 pies in the rupees and the rosy prospect of an increased rate of interest for new Government borrowings the outlook for investors of insurance funds is optimistic but the basis of taxation should be changed to a fair one on similar lines to that obtained in U.K. It is essential that the Government should provide every facility for insurers to develop their business on healthy lines as insurance plays a very important part in the development of a welfare state which is the avowed object of the Indian Government.

Importance of Medical Examination in life Assurance

By Dr. K. SITAPATI RAU

Insurance and Assurance are words which are used colloquially by the ordinary person for such an agreement but to the purist Insurance means only those contracts by which the Company agrees to indemnify the insured within the face value of the policy to the extent of any actual loss which may be sustained from *Fire, Accident, Marine and other risks.* Assurance, on the other hand, is more than a contract to indemnify a person against a possible loss; it is an obligation to find the sum assured at a definite time in the terms of the policy; for this contract the word assurance is more strictly used. Hence you find "*Assurance*" for "*Insurance*" noted in the title sentence above.

As we all know there is in '*Rig Veda*' the term "*Yogakshema*" meaning Life Assurance in its literal and material sense that which is acquired by the Assured is '*Yoga*' and that which is protected by the Assurer is '*Kshema*'.

Some kind of communal insurance was practised by the Aryan Tribes of India nearly three thousand years ago; hence insurance is not new to India. The tribe was a mutual insurance association against other tribes and the first state a combination against others as there existed in those days no strong, stable and firm Government in order to have efficient control of law and order and as such one tribe or clan was fighting against another resorting to loot, arson, murder and so on; therefore to have some sort of protection against opposite clan or tribe a kind of mutual insurance association was practised then.

Looked at in this manner, insurance appears to be human need that was felt almost as soon as Man became conscious of himself. His early efforts were naturally sectional and spasmodic directed against those '*risks*' which at the moment seemed the most pressing. His first business was to look after himself, *i.e.*, looking after his own material possessions; subsequently he has developed the idea of providing for those who would come after him and also during his lifetime for his old age by means of Life Assurance; thereby, he has developed the idea of thrift.

England may rightly claim to be the pioneer country in Life Assurance and the first Life Assurance Society was the "*AMICABLE*" started in 1705 and applicants for Life Assurance were obliged to appear personally before the Court of Directors or pay an extra year's premium. Even in those days it was considered advisable to obtain some sort of medical record of '*LIFE*' and the messenger of the Society was charged with this duty. But he had to seek information not from any doctor, who might have attended on the applicant, but from the Minister of the Church as also from the Church Wardens of the Parish where the party lived as to his or her way of life and state of health and in addition a personal declaration was required '*that the applicant had no distemper, which according to his knowledge or belief might tend to shorten-ing of days*'

Subsequently there came into existence "*LONDON ASSURANCE*" in 1720 and '*EQUITABLE*' in 1760. Both these Life Offices insisted on regular medical examination of the applicants for Life Assurance. But it must also be readily conceded that at the present day it is the American Assurance Companies that occupy a pre-eminent position in Life Assurance World and it is the Americans, who lead the way in the amazingly rapid development and spread of Life Assurance Business based on modern scientific lines and up-to-date methods and thus maintain their record of doing the largest volume of such business in the World and it is said that about ¾ of total amount of World's Life Assurance is placed in America.

The first Life Assurance Company '*THE MUTUAL*' of *NEW YORK* was started in 1842 and the *giant* among *giants* the "*METROPOLITAN*" of *NEW YORK* does an average new and revival Policies business of about 5 to 10 *million dollars per day* and this Life Office has been running a *Tuberculosis Sanatorium* of her own to her *Policyholders, Field Workers, Staff, etc.*

As we all know '*Bombay Mutual*' and '*Oriental*' were the *First Life Offices* to be incorporated in India. It will be readily admitted that to conduct and develop such gigantic transactions on safe lines, careful, scrupulous and judicious medical examination is necessary while the Life Office authorities (*Medical and Actuarial*) are to exercise constant care and balanced judgment in the proper selection of lives prior to final acceptance. For, the stability and continued progress of a Life Office depends to a great extent on the adoption of such strict supervisional methods; of course, the Life Office is to look after the expense ratio and other actuarial and administrative matters too and it is not out of place to state here that the Medical Examiner and the Fieldworker are the pivots of a Life Office, the importance of which I stressed in my Article "*The Importance of valvular defects and Arrhythmias of heart and blood-pressure determinations in life Assurance medicine*" read at the Third International Congress of Life Assurance Medicine held in *Rome* in *June* 1949.

Life Assurance Societies like *Provident and Co-operative concerns*, who generally practise lower assurance work issue policies for amounts below thousand without medical examination and they impose certain restrictions to cover risk, in that they do not take risk on such policies for the first one to three years or impose a liability a less sum than that of the policy for the first few years of its existence.

Now and then I have occasions to examine applicants for Life Assurance, who had been previously accepted without medical examination by Life Assurance Societies. I have found, in one applicant sugar in the urine and without examination of urine I would have recommended him as 'FIRST CLASS' life as he looked very healthy, with bright eyes, lovely complexion and erect and broad shoulders; heart, lungs and every organ was nil abnormal. The blood pressure too had been normal.

In another case, albumen present persistently, while another applicant who looked quite healthy had pre-systolic mitral murmur; but was an awful smoker.

What I like to point out here is that the applicants having such gross defects had not suppressed at all the information intentionally before the non-medical examination life offices, but might not have felt the existence of such aliments.

How can a person know if he has got slight biliousness and some vague abdominal pain that he is suffering from chronic appendicitis?

How can an applicant for Life Assurance remember of slight cold with sore throat and joint pains in his boyhood and now aware of the existence of valvular heart disease?

How can athlete or weight-lifter know that he has developed heart trouble from overexertion? (This theory is not universally accepted.)

Can a person aiming at a non-medical examination policy aware of his being a victim of Tuberculosis if he has slight disinclination for food, or a kind of sleeplessness and apathy towards work in the afternoon and evenings? He may think that it may be due to some *overwork* or overheat and thus glide over the matter when filling up non-medical examination forms. It is very common for applicants for Life Assurance, to withhold or suppress information of importance, *viz.* venereal infection and alcoholic habit as they feel shy to divulge such incidents in life, which touch their social *status*. How can they be aware of their *disastrous* effects on health? *It is only by tactful cross-examination and by thorough phycal examination* those defects can be detected; such detection is not easily possible for lay authorities of assurance offices.

In adenocarcinoma or sarcoma of the fundus of uterus, there are unfortunately no early symptoms, even the irregular bleeding or watery blood-stained discharge not occurring till considerable growth has taken place and metastasis set in; hence, women applicants for non-medical examination assurance policies may not be aware of the existence of above stated disease and their impending death and thus fill up the non-medical examination forms believing that they are having normal health.

Therefore, applicants, who have policies under non-medical examination for Life Assurance if they are declined on medical grounds, feel diffident and embarrassed for their assumption that they are having normal health. As such, non-medical examination tables may not be quite alluring to many life assurance-minded public, as they do not cover full risk. It is only applicants declined on medical grounds aim at such non-medical policies.

But some American, Canadian and a few English Companies have been issuing Short-term Policies, on all classes of lives, good and impaired ones, within a certain age limit and without any medical examination whatever. A full medical examination is demanded only if the Actuarial Authorities after careful enquiry suspect of the *presence* of any serious defect in the applicant. The arguments I adduced above against non-medical examination schemes are self-explanatory here and how it is not easily possible for companies' lay authorities to elicit and detect such defects, though these companies take pretty good care to protect themselves against a possible loss by covering them beforehand with special extra rates of premia and by imposing some special safeguarding conditions. Considerable controversy has been going on in the medical and life assurance journals in foreign countries and opinion is still considerably divided for and against non-medical examination schemes and so to put it shortly, it is still under trial in *Europe and America's Life Assurance Offices*.

In India we have got so many adverse factors against the adoption of non-Medical life policies' schemes. The average expectation of life in India is said to be only 23 years as against 52 years in *England* and about 58 years in *America*; hence it is an admitted fact, that the stamina of Indians is comparatively low. Tropical diseases like MALARIA and CHOLERA are taking a heavy death toll-the highest by Malaria. Luckily the Western Countries and America are free from tropical diseases, which is another unfavourable factor in India.

Next comes *Tuberculosis*-half a million people die of tuberculosis in India every year and at least 5 times that number suffer from active tuberculosis and it is much higher in cities in *India* than in the *Western Countries*, namely an average of about 400 to 500 per 1,00,000 population compared to about 1/10 this number per 1,00,000 population in Western Countries. *B.C.G. Vaccination* for prevention of the disease has been started long ago in Western Countries, Continental Countries, and America and the disease has been controlled a good deal in those countries by adopting this method; to boot, they have mobile mass Radiography units and by taking *'X' Ray pictures* of chest they are able to weed out healthy from the diseased and irrespective of financial status, treatment is given free in the *T. B. Sanatoriums* and *T. B. Hospitals* to diseased persons there. India would need 3 to 4 thousand tuberculosis clinics and about 5 lacs Beds for Tuberculosis Patients. Against these we have only 119 Clinics and about 12,000 beds distributed in Sanatoria and 32 Tuberculosis Hospitals, and thus we can understand how meagre are our State's efforts towards combating the disease.

Malnutrition, unsanitary surroundings and inadequate and non-pucca houses and purda system and last but not the least the low average income *per capita* are contributory to such low stamina; modern medical aid too is very inadequate and public too are not fully hospital-minded and only in emergency and advanced stages of diseases they seek the aid of hospitals and hence the mortality rate too is comparatively high.

Therefore, I would strongly advise the INDIAN LIFE OFFICES to wait and watch the progressive experience in other countries in the adoption of non medical assurance schemes before they leave the old groove and venture to tread on this risky path.

In my humble opinion *Indian soil* may not be suitable in the adoption of such hasty methods in Life Assurance till the food, housing and clothing and economic problems have been solved, when only the stamina of the Indians will be raised. But to reach the level of Western Peoples' stamina it may take decades; of course, geographical considerations come in the way to some extent.

On the other hand, I would suggest what is known as "*PERIODIC HEALTH EXAMINATIONS FREE OF CHARGE*". These free physical examinations are to be conducted by competent medical men, *viz.*, medical insurance specialists, like Medical Referees, to examine persons, who have been previously assured with them, at certain intervals for the preservation of health. Such periodic examinations will indirectly help to prolong the life span of the Assured and lower the mortality ration in the interest of the Assurer; further it gives the assured both a timely warning of any existing or impending disease or defect and thus enables the lives of the assured to undergo proper preventive treatment and in consequence lowers the earlier incidence of death.

This scheme has been started and working in some *American Life Offices.*

New Amendment Bill

A Bill further to amend the Insurance Act, 1938 was published in the Gazette of India of April 21, 1951. The Bill which is likely to be introduced in the present session of the Indian Parliament will come into force as soon as it emerges from the Parliament. We are giving below the amendments, as proposed in the Bill.

1. Amendment of section 28, Act IV of 1938—In section 28 of the Insurance Act, 1938 (hereinafter referred to as the said Act),—

(i) in sub-section (2) the following shall be added at the end, namely:—

"The forms of returns referred to in sub-section (1) and this sub-section will be prescribed by Government"; and

(ii) after sub-section (5) the following new sub-section (6) shall be added, namely:—

"(6) The forms of returns shall be so prescribed that they will also show the investments made out of the controlled fund referred to in section 27A, with the necessary classifications and details."

2. Omission of section 28A, Act IV of 1938:—Section 28A of the said Act shall be omitted.

3. Amendment of section 29, Act IV of 1938:—In section 29 of the said Act,—

(i) the Explanation to sub-section (3) shall be omitted;

(ii) in sub-section (4) for the words "within one year from such commencement" the following shall be substituted, namely:—

"within such time as is prescribed in an agreement recording a mutually settled arrangement for its repayment, such arrangement being arrived at with the consent of all the Directors present at a meeting and eligible to vote. In case no such agreement is arrived at the same shall be *repaid* within five years from such commencement"; and

(iii) in sub-section (6)—

(a) for the words "the insurer" the words "any insurer" shall be substituted; and

(b) the words,—

(i) "granting the loan"; and

(ii) "of one year or three months, as the case may be" shall be omitted.

4. Omission of section 31A, Act IV of 1938:—Section 31A of the said Act shall be omitted.

5. Omission of section 32A, Act IV of 1938:—Section 32A, of the said Act shall be omitted.

6. Amendment of section 40A, Act IV of 1938:—In section 40A, of the said Act,

(i) in clause (c) of sub-section (2) after the words "first year's premium" the words "and one per cent. on each renewal premium" shall be inserted.

(ii) after sub-section (2) the following new sub-section (2A) shall be inserted, namely:—

"(2A) No Insurer shall pay or contract to pay to a Chief Agent and no Chief Agent shall receive or contract to receive by way of commission or remuneration in any form in respect of any policy of Life Insurance issued in India by an Insurer after the 31st December 1950, and effected through a Chief Agent an amount exceeding:—

(a) where the policy grants an immediate annuity or a deferred annuity in consideration of a single premium, or where only one premium is payable on the policy, one per cent. of that premium;

(b) where the policy grants a deferred annuity in consideation of more than one premium, four and half per cent. of the first year's premium, and 1 per cent. of each renewal premium, payable on the policy; and

(c) in any other case, thirty per cent. of the first year's premium and two and half per cent. of each renewal premium, payable on the policy:

Provided that in a case referred to in clause (c), an Insurer, during the first ten years of his business, may pay to a Chief Agent and a Chief Agent may receive from such an Insurer, thirty two and half per cent. of the first year's premium payable on the policy."

7. Amendment of section 44, Act IV of 1938:—In clause (b) of the proviso to sub-section (44) of the said Act, after the words "at least five years",—

(i) the words "after his ceasing to act as such agent he does not directly or indirectly solicit or procure insurance business for any other Insurer, and that" shall be inserted: and

(ii) the word "and" shall be omitted.

8. Amendment of the Sixth Schedule. Act IV of 1938.—In the Sixth Schedule to the said Act, in Part C, (i) for paragraph 2, the following shall be substituted, namely:—

"2. The special agent shall empoly and keep employed at least five insurance agents and shall cause to be procured through insurance agents employed under him in each calendar year organized and completed new business amounting to not less than fifty thousand rupees assured", and

(ii) in paragraph 3 for the word "fifty" the words "thirty-three and one-third", shall be substituted.

Statement of Objects and Reasons

The following notes on Clauses indicate clearly the objects and reasons for the amendments proposed in this Bill:—

Clause 2.—Multiplicity and duplication of returns is not desirable. A form can easily be prescribed so as to exhibit in one form all the information required for the purposes of sections 27 and 27A.

Clause 4.—Grants of advances to new agents and new special agents are unnecessary and inconsistent with the whole conception underlying the limitation of advances.

The period of one year allowed at present is too short and insures non-recovery rather than aiding or inducing recovery. The Act should aim at making actual and substantial recovery possible.

It is but proper that a person who makes a default should be prohibited from

working for any Insurer. Otherwise there will be obvious anomalies and difficulties, in case the defaulter is allowed after the default, to work with another Insurer.

Clauses 5 and 6.—These new provisions will act as a deterrent to capable persons throwing their full weight into the expansion of business, and will act as unnecessary restrictions on the activitles of persons of high and varied ability.

Clause 7.—Non-limitation of the expenditure on commission in the solitary case of the Chief Agency appears to be a grave omission in the Act. There is no reason way the principle of limitation of expenses which the Act extends to all and sundry is kept in abeyance with regard to the single category of the Chief Agent. The rates suggested are the average rates obtaining in India at present.

The Special Agency method of organization is a comparatively cheap method most suitable in the present condition of the business. It is calculated to extend and popularise life Insurance speedily. Hence the special agency contract must be made attractive and remunerative. It must offer benefits of semi-permanent income to a person so that he will stick to the business as well as the Insurer. Hence the suggestion to provide for Renewal commission.

Clause 8.—It is not sound policy to provide for continuance of commission even in case of a person who joins another Insurer. This will exert a dissipative force amongst the workers of an Insurer. A smaller number of years is prescribed in Clause (b) of the proviso to section 44 (1) as a condition of continuous service period in view of the smaller percentage provided in that case.

Clause 9.—The special agent should be judged on his organized work only. His personal work need not be taken into account when judging his eligibility to commission. He must employ and keep employed a sizable number of agents. Two is small a number. The existing condition as to receipt of full year's premium is too harsh and repels intending workers. Such a condition is not imposed elsewhere in the Act where minimum qualifying business is laid down, e.g. in Part B of this Schedule which applies to Chief Agent.

News

Mr. K. L. Gupta, M.A., F.I.A., F.F.A., **entertained by the Insurance Club Patna**

The Insurance Club, Patna, was "At Home" to Mr. K. L. Gupta, Manager, Bharat Insurance Co., Ltd.. on the after noon of March 30, last. Addressing the members of the Club, Mr. Gupta referred to the increasing problem of lapses in life insurance business and said how those in charge of business returns like Branch Managers and the field staff can considerably help in the matter.

The problem of lapses, Mr. Gupta continued, has many aspects. One of the aspects is its effect on the expense ratio which is of the most urgent significance. In another aspect its effects on the life insurance market as a whole also, would not be inconsiderable if the present high incidences could not be substantially checked in the immediate future. The present high incidence of lapses was undoubtedly, substantially due to the high pressure business that large new business programmes of life offices make inevitable. But that by itself would not account for the whole of it. A large proportion of it must be due to faulty service rendered to the policyholder both by the procuring agent as well as his head office in this matter.

The Branch Executives and their staff both in the field and in the Office, Mr. Gupta continued, however have a great role to play in this matter. In fact, according to Mr. Gupta, they were far more advantageously placed than even the head offices on accout of their direct and day to day fresh experience of and contact with the field from which the business is actually procured. And their willing and spontaneous co-operation is essential if a solution of the problem is seriously intended. Indeed, Mr. Gupta conceded, the head offices have a lot to learn from their branches in this matter.

Postal Insurance Fund

The Government of India have decided to transfer a major portion of the administrative functions of the Postal Insurance Fund Organisation to the Posts and Telegraphs Department from the Comptroller and Auditor-General from 1st April, 1951.

The step has been taken, it is understood, on the recommendation of comptroller and Auditor General, who held that it was incongruous for his organisation to be both the administrative and the final audit authority. In the new setup he would now be responsible only for the audit.

Bharat's Moradabad Branch

The Opening Ceremony of Moradabad Office of the Bharat Insurance Co. Ltd., was performed by Mr. Ramkumar of Messrs. Ramkumar Rameshkumar on April, 8 last. The function was presided over by Mr. S. Shambunath Khanna. Messrs. V. P. Duggal, Agency Manager, Chandra Shekhar, Branch Manager and G. S. Bedi, Manager, Ajodhia Sugar Mills spoke on the occasion. Mr. V. P. Rastogi, B.A., LL.B., Secretary, was complimented for introducing a business of Rs. 2 lakhs (Life) that day only.

South India Co-operative Insurance Society, Ltd..

Announcement is made of the appointment of Mr. A. R. Raghavendra Rao, No. 6H, Ramiah's Lane, Seegebelf, Bangalore City, as the Society's Organsier in Mysore State. We wish him success in his efforts to organise the area well and popularise the Society a great deal.

Indo-Pakistan Rupee Exchange:

A Press Note dated April 14th, issued by the State Bank of Pakistan said: "With effect from April 16, 1951, the State Bank of Pakistan will sell and buy Indian rupees forward to and from authorised dealers at the following rates per 100 Pakistani rupees, Selling Indian rupees, 143; buying Indian rupees 144 11/64. Authorised dealers will sell and buy Indian rupees forward to and from public up to six months at the following rates per 100 Pakistan rupees; Selling Indian Rs. (TT) L 143 21/32; buying Indian rupees (TT) 144 1/4,"

The Press Note added: "This facility will be available through authorised banks for 'bona-fide' trade transactions with India on production of firm contract for supply to or purchase of goods from India. Opening of letters of credit will not be compulsory for this purpose."

In this connection it may be recalled that the State Bank of Pakistan, had on March 2, empowered banks dealing in Indian rupees to allow four types of remittances to India without prior approval of the exchange control. One of these four types of remittances, is Remittance of insurance premiums in respect of life policies of companies which have no offices in Pakistan and where policies were taken out before February 27, 1951.

Alleged Insurance Fraud in Surat: The Surat police have arrested three persons on charges of cheating a life insurance company to the tune of Rs. 40,000 by obtaining life policies in the name of fictitious persons and declaring some living persons as dead. A "Sadhu" who was insured for Rs. 10,000 and is still alive was stated to have died and the policy fraudulently claimed.

This serves as one more instance, emphasising the need for closer scrutiny of proposal papers by the underwriter in life office, to assess the moral hazard, as well as careful consideration of claim papers. Cases like the above should serve to convince such of the prospective policyholders and the claimants who feel that they are unnecessarily harassed by Life Offices, when the latter take due steps to guard against possible cases of fraud not unlike the one cited above.

New Company in East Africa: A new Company to transact in Life, Fire, Motor, Marine, etc. has been formed under the name of "The East Africa General Insurance Company Ltd.," with its head office in British East Africa.—Address P.O.Box No. 1392, Kampala (Uganda).

Cancellation of Registration: The Controller of Insurance has cancelled the registration granted to the following companies for transacting the business shown against them by notification in the Government of India Gazette dated 31st March 1951 and 7th April 1951.

Lily Insurance Co. Bombay. (Country Marine)

Habib Insurance Co. Bombay. (Life, Fire, Marine and Misecellaneous)

Union Life & General Insurance Co Ltd., Bombay. (Fire, Marine and Miscelleneous but allowed to continue Life Business)

National Mercantile Insurance Co. Calcutta. (Life)

Andhra desa Insurance Employees Association

A meeting of the Insurance Employees was held on 1st April last in the premises of Theosophical Lodge, Vijayavada to consider the formation of an Insurance Employees Association, under the Presidentship of Mr. P. V. Subbarao, Branch Secretary, New India Assurance Co., Ltd. and Mr. S. Kanagaraju Pantulu as the convener. The meeting resolved to form an organisation of Insurance Employees under the name of "Andhra Desa Insurance Employees Association" with Headquarters at Vijayavada. Two provisonal committees have been formed to conduct the affairs of the association, and to draft the constitution of the Association with Mr. S. Kanakaraju Pantulu as convener of the said two Sub-Committees. Messrs. P. V. Subbarao, S. Kanakarju Pantulu and K. Prasadarao spoke on the aims and objects of the Association.

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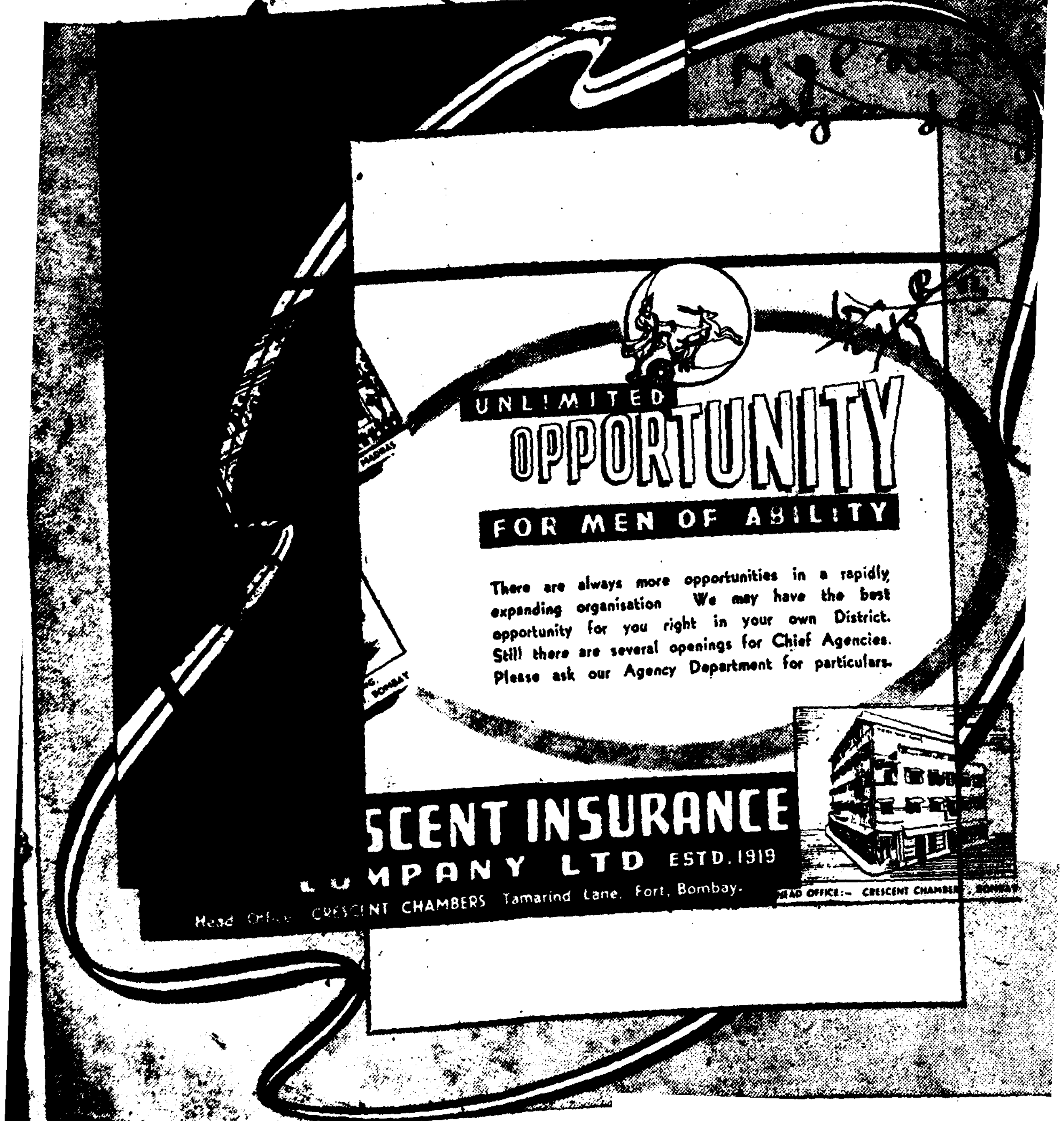

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CONTENTS

THE INDIAN POLICY-HOLDER

VOL XVII JUNE 1951 NO. 2

Life Assurance and the Public

IT is a matter for real pride, that people in India are becoming more and more convinced regarding the value of the service of Life Assurance and the great benefits it confers on humanity. That is an indication that the people are now cultivating, in a greater measure, habits of thrift and economy. It is also an indication that they now realise more than ever the fundamental truth that times are uncertain, their length of life is uncertain, their health is uncertain, and that they must provide against these contingencies and that the only way by which they can provide for them is only through Life Assurance. Above all, the bread-winner has realised that his first duty in this world is to provide for his wife and children and to those who are depending upon him. It is no exaggeration to say that the War has given them a fillip for this gradual transformation. People were not only able to understand the uncertainty of life, but they had also the means to provide against. The number of the unemployed was considerably reduced and the position of those who were already engaged in one line or other, were able to earn much more. That swing still continues But where our countrymen are still lacking is in their selection of the Institution to seek the cover they need. They are yet to realise that Life Assurance Policies represent long years of self-denial, self-restraint and thrift and therefore the solvency of the Institution they choose is of paramount importance. Otherwise, their foresight to provide against contingencies, specified, would become illusory. If the people use their discretion and choose a company that is well-managed and financially sound, and that cares for the policyholders' interest, then, in the order of "the survival of the fittest" inefficiently managed and weak companies would either change their ways and set right themselves to deserve the patronage of the public or would automatically become extinct in course of time. In this matter the Government of India have done their duty best. As a people's Government, they have felt that a duty is cast on them to see that Life Insurance Companies that flourish on the support of the mass public, are conducted and administered in their best interests. By legislation, they have now required all Insurance Companies to conduct the business only in accordance with the strict rules and regulations enacted. These rules and regulations, they believe, are absolutely necessary and desirable both from the point of view of the policyholders and of the companies. More than once in the past we have called the attention of the public to the urgent necessity of these regulations and how every average citizen should take at least some active interest in these institutions. But alas, with poor response! Our countrymen are deplorably dead slow in their action. They neglect mattes of solid value. It is only an almost complete lack of awareness on their part and their utter negligence in exercising an acute discrimination necessary for the well-being of all, that is responsible for the companies' indifference to matters of importance. With the rules and regulations now enforced, the Government have made an attempt to establish sound bases for maintenance of solvency of insurers and for the establishment of reasonable administrative standards in such a way as to require fair and equitable treatment of the public. But, such restrictions, the Insurers complain, and they are not far from correct, have deprived them of their right of initiative and freedom of action and consequently made their task of administration more difficult. Insurance in India, is now in the process of enormous development and expansion. In the interest of the laudable objectives that underlie the Institution of Life Assurance, namely, the national economic rejuvenation, all, the Government, the Insurers, and the public, should evince an active interest and achieve the stability, safety, and order of Life Insurance Companies by extending their whole-hearted co-operation. Immediately what is required of Life Insurance Companies in our Country is the maintenance of solvency and then equity and fairness in their practice of the business. This will benefit both the public and the insurance companies and ultimately our country's economy.

Our Revised rates of Subscription.

With effect from May 1951 issue, Vol. XVII. No. 1. the annual subscription to our Monthly "Indian Policyholder" is increased to Rs. 5/-and single copy is priced Annas 8/- in view of the continued high cost of production. We solicit the kind support and patronage of our subscribers and request them to remit their subscription in future at the revised rate.

A Survey of Indian Insurance

BY MR. R. RAMANATHAN CHETTIA[redacted]OF MADRAS.

Government have not been indifferent to the interests of investors and policy-holders knowing as they do how important an economic activity is vested in the hands of the insurance companies. In all the advanced countries of the world, insurance is upheld as a great national asset and the Indian people and the Government have now awakened to this important need of India. The recent amendment of the Indian Insurance Act has given a clear focus of fundamental principles to the bigger and smaller insurance businesses alike and has given a clear mandate to the giant companies to "live and let live". There can be no doubt that after these guarantees from the highest governmental authority, the progress of insurance in this country will be assured and remarkable, and the public will get more and more insurance-minded.

In aiming at a great objective of encouraging savings by the public, in trying to obtain maximum security for such investments as Government has attempted by legislation, there is bound to be some inconvenience and handicap and of course, lack of freedom to the insurance companies which were hitherto enjoying perfect discretion in respect of their investments. There is no question that the large percentage of approved securities which form the portfolio of every insurance company has diminished the return to the investor and to the policyholders. I note that your company is no exception in having to provide a big slice of hard-earned revenues against depreciation of Government paper, that was a point which raised much controversy even when the new law was on the anvil before the legislature. While it is hard law in the case of extravagant companies, it causes a good deal of hardship to companies like yours which is in wise hands. But on the whole the public may congratulate themselves on the increased measure of security vouchsafed by the new enactment. It is still open to the insurance offices to divert the balance of funds to the fruitful and profitable employment, and you have chosen a right royal method for such diversion which is being practised by other insurance companies very successfully all over India. Not only it brings good return but is a tangible proof of your bonafides and credit-worthiness. We, in the South are not so enterprising as the companies in the North, but we have to thank them for losing no time in opening offices in South India and educating people to take advantage of insurance security for the benefit of their families and properties and they have done great service in leading the way for us. The North Indian companies in insurance as well as in Banking have done useful work in important towns and we shall have to follow them in the right spirit. The Government of India as well as the State Governments have done well in accepting the principle of regionalisation as it is an essential policy for broadcasting our enterprises and industrial units so as to improve the local sources of employment and raise the economic standard. Unless the industries and enterprises are scattered in different places, it is impossible to raise the general level of employment and earning power among the people of all parts of the country, and especially in the rural parts of our country, and similarly we have to follow the more advanced part of India in introducing insurance, banking and other enterprises of our own among our own people. It is indeed a potential factor of wealth to every nation and to every country and we know how important an invisible source of exports is provided by the insurance, banking and shipping activities of the Western countries. Probably it will be many years and decades before we can think of opening insurance offices abroad, but that is a day which should be looked up to with great pride and glory, and it is open to every company, big and small, to establish such integrity and reputation among policyholders and investors that the expansion from this country to the foreign countries will soon become a feasible proposition. It requires no special recommendation to the public to take to insurance benefits in time of great strife and stress, when national calamities file one upon another and when nations are flying at each other's throats on every conceivable occasion and conflicts of a most destructive character occur without notice whatsover. There is no appearance of human conduct and human affairs improving in character and so suddenly as to keep the people in a self-satisfied secnrity. It is just at such a time that every individual should secure his limited resources in the best possible manner and spread all conceivable risk on them and in such a manner as is provided by insurance.

The public as well as the insurance companies must feel extremely thankful to Government for the kind and beneficient way in which they have enforced the new law and administration for the general good, though at the same time I have to admit that some of the small companies may feel difficulties in their way for a few years. It has introduced a distant tone of efficiency and economy in all companies and, has created a great deal of confidence in the investing public. But there are its own limitations. The enactment of law is easy but not its administration and fulfilment.

Much of the above depends on the personnel of the administrative machinery as well as the personnel of the companies. It is up to you to give your fullest co-operation to Government and work the new law in the right spirit for the general good of the people.

Most of you assembled here may know better than me the history of insurance in this country and the very slow growth that it had and the vast scope it has got if it is rightly tackled. With the progress of social life, the necessities of life also increase. Modern science with its wonderful inventions while adding to man's convenience and happiness bring, at the same time, new risks against which protection is sought; this protection is given by insurance. Insurance with its many-sided aspects has become more or less an indispensable factor in the present day economy. More than 320 insurance companies are today working in India - perhaps most of them may be foreign ones. The scope for further expansion of the business is unlimited in this country as not even a small percentage of the population has not so far been insured. The existing companies need not, therefore, be afraid of their business if they approach the problem in the correct spirit and tackle it to the satisfaction of the policyholders.

I would like to remind the insurance companies that their function is not limited to giving protection against risks. It

has a still greater task and responsibility in developing the nation's economy. The huge reserve funds of our insurance companies can be utilised to help the national schemes of development to a great deal and to aid the economic progress of the nation. That is what is being done in most of the European and other Western countries. Many of the advanced countries owe much to the contribution made by the insurance companies for their economic development. Our Indian companies could compare much more favourably with those of the advanced countries whether in the point of organisational capacity, administrative efficiency or business turnover and your company will stand as a concrete proof of my statement. To fight inflation, insurance can help a good deal as through them regular and systematic savings can be made by the masses.

A very knotted question that may be facing the Directors of your company as well as those of others may be the question of nationalisation of insurance. Life insurance is essentially a social service which should not be left to be organised for private profit, is the contention of some of the so-called reformers. They support their argument on the long-term nature of the business which according to them should not be in private hands. If the insurance business is nationalised the entire funds could be at the disposal of the Government for nation building activities to raise the standard of living of the common man. The question of making provision for old age or for one's dependants being applicable to one and all, whether he belonged to the poor, middle or rich class, who needed insurance protection, can, according to them, be solved by life insurance and therefore, life business should be considered as a public utility enterprise as railways, posts and telegraphs and run by the Government for the benefit of the community. But they forget that competition among private enterprise leads to better and more efficient service. The history of insurance in Britain and America are eloquent testimony to this.

One of the important fields of activity which has so far remained unexplored and which we may suggest that the co-operative insurers could usefully take to, is the insurance of crop and cattle. Co-operative societies, agricultural credit and multi-purpose socieities, are already playing a useful role in building up our rural economy and the co-operation of these socieities can also be enlisted by co-operative insurers to underwrite this business. There has been no notable progress made by co-operative insurance in this country, although the value of such was recognised more than thirty years ago.

Friends, I have taken much of your time and I have given you some suggestions which appear to my mind to be valuable ones and it is for you, veteran insurers, to see how far they are good and sound ones and work on them.

Speech delivered on the occasion of the opening of Popular Buildings at Mangalore recently.

Excerpts from the Presidential Speech of Mr. S. N. Roy Choudhury

(delivered at the 21st Annual general Meeting of the Indian Insurance Institute, Calcutta, held on the 30th May, 1951.)

Economic Situation.

The deep sore caused to the economic limb of the world by the last war has not been fully cured. The present economic malaise through which this country has been passing for the past few years is too well-known to you to need any elaboration here. No country or nation can possibly play a worthy and effective role in the international sphere, however progressive or far-sighted may be its foreign policy, unless that country is sufficiently rich in the economic or material sense. The first and foremost duty before us therefore should be to raise the economic status of our country if we desire to play really an effective and beneficient part in the comity of nations.

National Income

Most of you have probably in the meantime gone through the Report of the National Income Committee recently issued which, to say the least, makes a very dismal reading, as far as this country's economic prosperity goes. The abysmal depth of poverty in which the country finds itself, is furnished by the Report which reveals that during the past 20 years since 1931-32 when an unofficial estimate of national income was made,—practically no progress in this direction has been made, notwithstanding the reassuring utterances of many of our leaders. A per capita income of less than Rs. 20/- per month does not certainly reflect credit on those who are at the helm of affairs of the State. Look at the U. K. and U. S. A. and you will find altogether different pictures there. These two countries, most hard hit by the last war, have not only increased their national income but have also provided such social security and amenities to their people as would be considered revolutionary in this country.

Another important revelation, the Report of the National Income Committee makes, is the backward and stationary structure of our economy which discloses that almost half the national income comes from the agricultural sector and no less than 68·2 per cent of all gainfully occupied persons are engaged in animal husbandry and vegetation; and the per capita income of this sector is less than one-third of the level that obtains in industrial sector.

To a people who cannot provide two meals a day and whose 53% of income goes towards food stuff alone, the question of making future provision for old age or for the family sounds chimerical. The progress of insurance is bound up with the progress and expansion of the country's commerce and industry. Unless, therefore, the purchasing power of the people improves very appreciably we cannot look forward to an increasing prosperity of the insurance business. The per capita insurance in this country is variously estimated at Rs. 16/- to Rs. 21/-. It is indeed very low, particularly so when we compare it with the per capita insurance in U. S. A. which is as high as Rs. 3,300/-. But a comparison in this sphere does not appear to me to be quite logical as the insurance industry in the two countries operates under different circumstances. When we find that the per capita insurance has increased from Rs. 4/- in 1929 to Rs. 21/- in 1949 we have reasons to be optimistic about it. We have, however, a great responsibility in this direction, and I am also sure that we are fully conscious of our responsibility.

Achievements of Indian Insurers.

It is indeed no small credit for our

Indian Insurers to have continued its pace of progress in this important sector of our national economy, particularly when many other fields witnessed recessions. Although Indian Insurance has to its credit over half a century's active service to the country, the rapid strides that it made actually began since the latter part of the thirties of the present century. For instance, while new business in 1929 was 28.75 crores, it amounted to Rs. 46.52 crores in 1939 and Rs. 135·35 crores in 1949. Similar growth in premium income, total income, total assets and total assurance in force is observed. Indian Insurance received a tremendous acceleration in its business during the war period It is all the more creditable for our Indian Insurance Companies that all this phenomenal progress was made by them in this sector of our national economy against heavy odds and without the least aid and co-operation from the then Government The post-war recession, the creation of Pakistan through unprecedented chaos and bloodshed, devaluation, bank failures and thousand and one other problems assailed our insurance business, but I am happy to say that Indian Insurance has emerged from these with flying colours and I am convinced that with the implementation of the various nation-building projects of the Government and with the gradual rise in the purchasing power of the people, Indian Insurance will continue to make headway and at no distant date will attain a position comparable to that now obtaining in other advanced countries of the world.

With regard to General business, we can now claim that Indian Companies also are slowly coming in the forefront though in actual turn-over, our share still is much less than what it should be. We have however reasons to be optimistic about our future in this sector and I am looking forward to the day when we could claim equal achievement for our general business too.

Present-day Problems.

You have your own experience with regard to the present-day working difficulties of our insurance companies and therefore, I do not propose to take you through these problems. I would, however, refer to only a few of the more important problems confronting us, such as Investments, Taxation, Expenses, Organisation and Training of Personnel.

Investment Problems.

The fall in the prices of gilt-edged securities, consequent on the hardening of the long-term interest rate, presents some very difficult problems of adjustment for the insurance companies. The position has become all the more difficult on account of the compulsion of the law under which the bulk of the investments of the life offices are held in the form of Government and quasi-Government securities. A persistent fall in the values of securities, though somewhat compensated by a slightly better interest yield, cannot be looked upon with equanimity. In this connection, I am tempted to quote Sir George Barrow, Chairman of the "Prudential", who sometime ago observed as follows while speaking about the trend of interest in recent years:

"The consequences of the current low yields are of fundamental significance to an institution such as ours whose contracts are in the main based on the principle of accumulation of money over a long term of years. It is true that the effect of a cheap money policy upon the rate of interest is gradual owing to the weight of investments purchased when yields were higher. Nevertheless it is vital to realise that in considering future accumulations we must have in mind probable future yields in new money, for it is only these yields which we shall be able to secure on the increase in our funds and on the large sums falling due each year for re-investment as a result of maturing securities."

Capital Formation.

One of the urgent needs at the present moment is Capital Formation in the country. Much of the country's idle money or the money spent on unessential goods, may be mobilised by a country-wide drive. Both the present Finance Minister and his predecessor had openly declared Government's inability to mop up

surplus money in the country. It was also conceded by many eminent persons that insurance companies could play a very important part in mobilising these savings and thus contribute substantially to the Capital Formation. But the manner in which the hands of the insurance companies have been tied down leaves little prospect for such a consummation to be attained. While it is not disputed that every possible endeavour should be made to ensure security to the funds of insurance companies, too much restriction on the investments, I am afraid, is liable to stunt the growth of indigenous industries and hamper the nation-building work of the Government. It admits of no doubt that insurance companies can play a vital role as an important source of funds for capital formation.

I do not propose to ask the Government to reopen the question as regards compulsory investments in Government securities. I would, however. suggest that in order that the Life Offices can earn a better rate of interest, a special class of securities with a slightly higher rate of interest than that prevailing in the market, may be earmarked for these companies only. This, in my opinion, would somewhat ease the difficult position in which our companies find themselves at the present moment.

Taxation

The basis of Income-tax assessed to Life Offices in this country is not only not equitable but also very unscientific. As is well known, only half of the bonus distributed to policyholders is allowed as a deduction from assessable income. As has been nicely pointed out by Sir Purshottamdas Thakurdas, the bonus distributed to policy-holders out of the loadings in the participating policies to provide bonus, constitutes nothing but return of excess charge and is therefore in the nature of capital. Where the gross external incomings provide the taxable quantum, recognition of the present-day conditions affecting the conduct of life insurance business should therefore provide for a larger percentage on renewal premiums than 12 per cent at present allowed as expenses of management,-a fact recognised by the Income Tax Investigating Commission. As you are all aware, the Commission have already recommended an increase in the percentage of allowable expenses for management from 12 to 15.

The high incidence of tax has been another hurdle for Life Assurance Companies. The statutory compulsion as regards investments and low interest yields on the one hand, and an all round rise in expenses on the other, have combined to present formidable difficulties for our insurers. To heighten their burden further, the Government have now curtailed the rebates of super-tax by Six pies so long enjoyed by proprietory companies, with the result that the total tax is now increased to 65·4 pies on the rupee. Unless therefore a more equitable basis of tax is adopted in the matter of assessment of Life Offices, the Life Companies perforce will be compelled to raise their cost of insurance-an eventuality which cannot be considered beneficient to a poor country like ourselves. That our Insurers failed in the past to get special consideration from the erstwhile Government was understandable but there is absolutely no reason why they should not get justice from our present National Government. Apart from the voice of protests by the insurance interests, the Income-Tax Investigation Commission also has lately made some recommendations relating to taxation of Life Offices. It is, however, gratifying to learn that the Government has now decided to examine the question in detail and that a Bill is likely to come in the near future before the Indian Parliament.

Expenses.

Although the services and commodities made available to the public by the insurance companies have remained more or less immune from the effects of inflation and although they are not much influenced by the inter-actions of the theory of demand and supply, the insurance companies themselves have been subjected to severe hardships owing to the rise in the prices of other commodities and services. To heighten their difficulties, the Government have now put ceilings on their expenses. Numerous protests and representations failed to dissuade the Government from imposing the formula on the companies. Personally, I do not think that such an expense formula as has been imposed by the Government gives results from which the soundness of an office can be judged. A life office must work out its own expense ratio not only taking premiums into account, but its mortality experience, interest earning and other relevant factors. However, so far as this question is concerned, I believe it has now been laid at rest. It now, therefore, remains for us to comply with the provision by taking recourse to such measures as may be found feasible and expedient.

One such measure to my mind, is the need for rationalisation of our business not only in the office but also in the field. We must see that by adopting rationalisation we can achieve at least twice the money's present output. This is a very important matter, and we should explore all possible avenues before we are compelled to raise our premium rates.

Organisational Set-Up.

To effect economy we should also consider how best we can derive maximum results from our field organisation. The Government stepped in this sphere also, and has enacted various provisions regulating appointments of all categories of field workers on commission basis. It is not however my intention to go into the reasons that influenced the Government to introduce these restrictions in the remuneration of field workers on commission, who earn their remuneration on actual results and not on assumptions or promises. The Agent's remuneration has been reduced by 5 % in the first year though this cut has been distributed in the second and third years. This has its merits but at the same time it cannot be denied that at a time when the cost of living has gone up by 400 % this cut in the first year's remuneration will adversely affect the whole-time agent. With regard to the Chief Agents, though no restriction has been placed on their remuneration the very structure of Chief Agency has been changed. It is premature to say whether this has been a helpful change-time alone will prove it. There is another class of intermediaries who operate on commission basis-the Special Agents. The provisions regulating their appointments and the remuneration statutorily fixed for them may very well result in the ultimate extinction of this useful class of workers. A remuneration of maximum 15 % over-riding commission on the first year without any remuneration on subsequent premiums, subject to completion of fifty thousand business within calendar year with full years premiums paid regardless of the date of his appointment, hardly attracts any really good worker, and this obviously will result in many salaried appointments with their attendant risks. These workers have played a very important role in the past in building the structure of our life offices, and it is indeed very regrettable that their fate has been crippled in this manner. Their case perhaps has gone unrepresented. However, I still hope our Insurers will apply their thought to this very important aspect of our field structure and try to remove these difficulties as early as possible.

While I speak about organisational set-up, I feel inclined to make a reference to the most important limb of our field structure, namely, the agency force. It is indeed a matter of great disappointment that even now adequate attention is not being paid to the structure of our agency force. The State has introduced various beneficial provisions for the insurance agent including the payment of hereditary commission, and it should now be our duty to devise means to improve the standard of agencies. I may be pardoned if I say that owing to our mad race for new business regardless of quality and cost we completely ignore the very basis of our agency structure. We hardly take any care at the time of selecting our men for agencies. We appoint persons on salary basis with certain business quotas to be fulfilled periodically through agents. Have we ever cared to give these persons any direction or training as to the basis of recruiting the agents? What is the result? These salaried employees in their anxiety to earn their salary recruit agents through whom they would get ready business. As soon

as the resources of the agent are exhausted, he runs after another new agent and follows the same procedure without caring to build an organisation in the true sense of the term. We cannot blame these people; as a matter of fact the responsibility for this state of affairs is exclusively ours. A reference to 'percentage of licences not renewed to total number of licences issued during the previous year', as detailed in the Government Year Book will make a sad revelation, but it should not surprise anybody. It is, of course, true that the total number of licences issued in 1949 records an increase of 6.3 %, but I ask-is it a healthy increase? In the year 1949 a little over 26 % of the total licences were issued for female agencies, or in other words, part-time agencies. I do not suggest that the part-time agencies have outlived their utility, but at the same time an analysis of their work and their production will show that many of these agencies die out rapidly, and with a little discrimination at the time of recruitment a considerable number of these 'benami' agencies could have been avoided. The labour and expense involved in recruiting these agencies could have been profitably utilised for whole time agency recruitment. We have, therefore, to go at the very root of this problem. The Controller of Insurance very rightly suggests that 'larger the number of agents the lesser is the output of work'. The process of recruitment, the method of training and the basis of remuneration have to be thoroughly renovated in the light of past experience. I do not suggest that this can be achieved overnight. We have, however, now the data to make a beginning, and the earlier we do it, the better for Indian insurance as a whole.

Section 44, as amended under the new Act, should attract the intelligensia of our country into insurance business. Some of us may not feel quite happy about certain aspects of this new amendment of Section 44. Their fear is that this particular amendment would dislocate the organisational structure, as it permits an agent under certain conditions to join another Company and yet continue to receive his renewal commission reduced by only 1 %. It is premature to say whether this apprehension is justifield, but let us agree to take a liberal view of this change. Let us try to remove the root causes contributing to the incorporation of this amendment, and I believe, the number of agents coming forward to take advantage of this amendment will not be such as to cause us any worry. A satisfied agent does not usually prefer a change-then why there should be any worry for us on this account? If we demand hundred percent loyalty from our agents, let it be reciprocal.

Insurance Education & Personnel.

While on the question of rationalisation, I should like to stress the urgent need for the training of our office staff. Recently most of the Indian Universities have introduced Insurance as a special subject in B. Com. and Post-graduate Classes. I do not want to minimise the importance of such studies, but I am inclined to the view that this is not enough. Only when theoritical knowledge is combined with practical day-to-day work, good results ensure. So long no attention was paid to this very important aspect of our Business, and only those who were more ambitious among us obtained postal tuitions from Insurance Educational Institutions of London. Due to various difficulties, many of our youngmen who would have otherwise qualified themselves, were thus debarred from obtaining this specialised study.

For some years now the Indian Life Assurance Offices Association have been conducting insurance examinations for insurance assistants. Though started rather late, yet the Association deserves our thanks for the lead given by it in this direction. I feel sure an increasing number of candidates would take up these courses and thereby not only improve their own future prospects, but also benefit the institutions they serve. In this connection I venture to suggest that with a view to making these examinations more popular among our youngmen, some sort of Degrees or Diplomas which successful candidates can use after their names may be introduced. This is likely to have a good psychological effect. Another point that strikes me as quite important in this context is that our insurance companies should enter into an agreement - a gentlemen's agreement - by which they would see that whenver a vacancy would occur in their office, it must be filled by a candidate who has passed the Examinations of the Association, unless the post is of a special category. Other associations in this country may act as Employment Bureaux under the Life Offices' Association.

Insurance Amendment Act.

The Insurance Amendment Act, as you know, has brought in far-reaching changes in the entire set-up of insurance business in this country. The main feature of this measure is the delegation of extensive powers and control to be exercised by the Government or the Controller of Insurance. Besides the incongruities and defects in the drafting, some of the provisions of the Act were criticised, and rightly too, as highly obnoxious, as for instance the provision regarding the appointment of an Administrator etc. Adequate safe-guards for the Policyholders' interests are certainly necessary, and the State control is also welcome for the attainment of the object, but that control must be minimum and not such as to obstruct the free play of private enterprise. Unfortunately, we ourselves asked for more and more control.

I would be probably considered out of date if I attempt at a detailed discussion of the merits and demerits of this latest piece of legislation. Let me, therefore, touch upon only a few of the more important provisions affecting the insurers of this country.

Insurance Association of India.

One of the most important innovations made in the Insurance Amendment Act is the incorporation into it of the provision as regards the Insurance Association of India. This Association which consists of all insurers, life as well as general, has two Councils, namely Life Insurance Council and General Insurance Council. Each Council has an Executive Committee which is for all practical purposes a quasi-Government body, consisting of elected and nominated members and Government officials. The life of each Committee is for three years, and its primary functions are (1) to aid, advise and assist insurers carrying on insurance business in the matter of setting up standards of conduct and sound practice and in the matter of rendering efficient service to policyholders, (2) to render advice to the Controller of Insurance in the matter of controlling the expenses of insurers in respect of their insurance business in India, and (3) to act in any matter in identical or ancillary to any of the above matters, with the prior approval of the Central Government.

It is rather too early to predict what part this semi-Government body would play, but as the first Executive Committee has in it some of the well-known insurance personalities of this country, some really good results may be expected out of their joint deliberations.

Future Shape of Things.

The way in which things are taking shape all over the world leaves little doubt, as I have indicated earlier in my speech, that tremendous changes are in the offing. And our business cannot also escape them. Already talks of nationalisation of insurance business are going round. I, for one, do not think that our present Government is capable of taking over insurance at this stage of our national economy and if they did so, they would have made probably the greatest blunder. I am, however, glad to note the realism of the situation displayed by the erstwhile Commerce Minister, Mr. K. C. Neogi, who, while introducing the Insurance Amendment Bill of 1950, in Parliament, declared that the Government had at present no intention of nationalising insurance, but the Government would promote mutualisation of the business. It is true that a Welfare State must look to the economic well-being of its citizens, and it is only natural for it to see that the greatest number benefit from any welfare measure. But the Government which has so far failed to implement even a pilot scheme of State Insurance for employees of some industrial areas cannot be expected to shoulder the huge responsibility which nationalisation of insurance industry would involve. We in this country should, however, prepare ourselves to meet any situation or any change that may present itself to us in the future.

Observations of Mr. M. Ct. M. Chidambaram Chettiar, on problems of Insurance.

The necessary concomitant of the higher yield obtainable on present investments is the depreciation in the market value of the investments made when interest yields were low, as is evident from the following table giving the market values of certain representative Government Securities and the yields on them in the post-war period :

Conversion Loan.	As an 31st December									
	1946		1947		1948		1949		1950	
	price	yield	price	yield	price	yield	price	yield	price	yield
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
3% 1946	103—1	2.86	101— 4	2.94	99— 2—0	3.04	97—13	3.11	93— 1	3.41
3% 1970-75	103—5	2.81	101—14	2.89	99—15—6	3.00	100— 1	2 00	96—12	3.20
3% 1957	103—5	2.31	102—12	2.42	101— 4—0	2.74	101—11	2.64	100— 3	2.96

These trends point towards hardening interest yields and further falls in market values particulary in long dated securities. As depreciation cannot naturally be of such proportion in the case of medium and shorter dated loans, as in the longer dated, we have converted a substantial part of our holdings in long dated securities to medium and short dated.

The depreciation suffered on account of this conversion operation and on our other holdings has been provided for in the Accounts.

It is, however, too early to say whether this fall in value and rise in interest rates justifies any revision of our premium and valuation bases. These latter have to be judged on long term trends, in consonance with the long term obligations involved under life insurance contracts, while the trend noticed above may prove to be only a short term one.

Training of Personnel: I wish to refer particularly to certain matters of principle and detail which are perhaps unprecedented in the annals of Indian Insurance and which we have initiated in our Company. I am convinced that with the vast strides being made in the industrial and economic progress of our country, insurance business should also rationalise its methods and develop a technique to suit the needs of the changing social structure. Only then, can it serve its socially useful role as the handmaid of industry and commerce. We have set ourselves to the task of putting across this firm conviction to our fieldmen and officemen alike, by imparting them the knowledge of those methods and technique which alone can help them serve the community as they should. For the past few years, we have been making efforts to train our personnel, both in the Office and in the Field with a view to imparting to them a realisation of their responsibilities and duties to our patrons, the policyholders and the public.

To my mind, the role of an insurance agent as a casual connection between an insurance office and the policyholder, the role of a supervisor who is only interested in producing insurance-business and not any further, the role of a Branch organisation interested more in sales than in service, and the role of Office personnel without knowledge of the principles and the technique of the business is fast coming to an end. A more intensive development of life insurance is called for through agents enjoying prestige in the community which he seeks to serve through insurance, having faith in the security he is selling, conscious of the long term benefits of life insurance and dependable as the worthy representative of a great financial credit institution; through the supervisory official who scouts for talents in every centre of influence divided methodically and precisely into units of territory, professions, trades or industries, and, through the office personnel who add strength to the elbow of the fieldmen by competent and sympathetic technical advice to the field and to the policyholders.

The essential features of life insurance business in its long term obligations, the utmost good faith it engenders, and the sacred trust a large body of persons in everyone connected with the business are seldom more in evidence than in the case of insurance fieldmen. While endorsing whole-heartedly the provisions of the Insurance Act designed to safeguard the interests of the policyholders, I am greatly surprised that such provisions were not considered necessary to set up a better type of insurance agents, special agents, and chief agents; and that, on the contrary, new provisions should be enacted encouraging ephemeral connections between life insurance agents and insurers.

While on this subject, I should like to request the Life Insurance Council and the Central Government to implement at a very early date the provisions of Section 64I of the Insurance Act by holding examinations for individuals wishing to qualify themselves as insurance agents. In my view, even this is a halting measure in as much as it excludes special agents and chief agents besides a host of others called by different designations, but, within the limitations of the Act, no time should be lost in implementing at least this provision. I am confident that the status of the insurance agent would rise and the enormous wastage of time, energy and money in recruiting persons to the profession who do not even care to renew their licences and benami agents who show little interest in sales or service, will be avoided. In insurance agency, as in any other profession the increase in the basic qualification of entry cannot but increase its status.

Rationalisation: A considerable amount of rationalisation of work has been attempted both in the Head Office and in the Branches. Our Sales and Service work is analysed minutely into its component elements and every one associated with the business educated in what is being done and how. To the inquiring mind, desirous of knowing why, we offer courses of instruction in the Office, thus qualifying them for examinations in Life Insurance. Success in these professional qualifications is recognised by allowances and consideration for promotion.

The human aspect of job break-down and analysis cannot be ignored. Our analysis brings out the efficiency of an employee applied to the various jobs performed by him. It would be in his interests as well as in the interests of the Institution that as far as possible an employee is put on the job in which his efficiency is the greatest. Viewed from this aspect, efficiency analysis is also an analysis of aptitudes, a realisation of which helps one to develop his potential in any aspect of life.

An important step in rationalising our underwriting technique is the adoption of what is known as the "Numerical Rating System". Although widely practiced in the North American Continent, this is quite new in our country, the main difficulties being not so much in the concept itself as in its application to our peculiar conditions such as the initial selection of lives by our agents, the conduct of medical examinations for life insurance and the variations in build and habits in different parts of the country. However, our pioneering efforts are continuing with an increasing measure of usefulness; as we gather experience and benefit by friendly criticism, we correct ourselves from time to time.

Reviews

Hindusthan Co-operative Insurance Society, Ltd.

IT is refreshing to note that the Annual Report and Balance Sheet of the Hindusthan Co-operative Insurance Society, Ltd., for 1950 records another year of continued progress. From the very inception of the Society, expansion has been the key-note of its managerial policy and consistent with this policy there was gratifying increase in the new business and funds and assets. At the end of the year, the total assets advanced to Rs. 17,70,70,624 while the annual premium income increased to Rs. 3,40,27,017. The total assurances in force amounted to Rs. 73,16,60,597 under 3,47,538 policies.

New business consisted of 54,096 new policies for sums assured totalling Rs. 13,75,39,851 with an annual premium of Rs. 71,95,210. Out of this risks to the extent of Rs. 23,04,956 were reassured on Risk Premium basis. Claims by death arose for Rs. 28,45,787 while claims by survival accounted for Rs. 35,90,256. The income from other sources such as interest, dividends, rent etc. amounted to Rs. 53,05,425 representing a net yield of 3·58 %.

While the new business has recorded a sizable increase, the expenses have been kept up within limit, the renewal expense ratio being 14.73 % and the over-all expenses 28.44%. During the year an addition of Rs. 1,76,88,752 has been made to the Life Fund raising it to a total of Rs. 15,92,14,138. The assets of the Society are widely diversified so as to yield the maximum yield consistent with safety. To offset the fall in value of assets in stock exchange securities, there is a Contingency and Investment Reserve Fund of Rs. 44 lakhs.

To sum up, the Society is in an exceptionally strong financial position and enjoys a reputation for very quick settlement of claims. The Society is managed with a high conception of its duty to the public and we wish it bigger results in the years to come.

United India Life Assurance Company, Ltd.

THE Directors' report of the United India Life Assurance Co., Ltd., for 1950 makes a pleasant reading and indicates that the resources, premium income and the business in force have expanded enormously and stand at an impressive figure. During the year, the Company has taken over the business of the "Allianz Und Stuttgarter Life Insurance Bank", transferred to them by the Government of

India along with its assets and liabilities. The business of the "Allianz Und Sturtgarter" consists of 8637 policies assuring a sum of Rs. 1,08,13,783.

The New sums assured totalling Rs. 3,40,04,194 under 11705 new policies at an annual premium income of Rs. 18,65,675 represent an increase of Rs. 25,15,340 over the preceding year. The average sum assured per policy showed an increase and was Rs. 2905. Claims by death and maturity amounted to Rs. 33,58,228 and the total sum paid under this head since the inception of the company is now Rs. 2,24,56,726.

The renewal premium income of the company was Rs. 85,54,634 as against Rs. 82,60,177 in 1949. This includes a sum of Rs. 1,00,356 of the "Allianz Und Sturtgarter". The income from interest, dividends and rent amounted to Rs. 18,87,399 as against Rs. 15,41,579 in the previous year showing a net yield of 3·24%. The renewal expense ratio at 14·29% showed a slight decline. The Life Assurance Fund went up to Rs. 5,99,15,179 representing an increase of Rs. 1,37,08,445. This includes a sum of Rs. 86,73,511 of "Allianz Und Sturtgarter". Besides, the company maintains an investment reserve fund of Rs. 0,72,000 to guard against possible depreciation in its assets.

The total business in force at the end of the year stood at Rs. 22,00,78,484 under 1,06,132 policies registering an increase of 9752 policies assuring Rs. 1,87,51,554.

The above details emphasise the great popularity of the Company which is the premier institution in the South. It is known for its sound business methods and efficient service to the policyholders. We wish them still brighter record in the future years.

News

U. S. Union operates own Insurance Company.

An Insurance Company operated by one of America's major trade union organisations, the American Federation of Labour, is marking its twenty-fifth anniversary this year.

The Union Labour Life Insurance Company was founded by the AFL to further the financial security of workers and their families. AFL Vice-President Matthew Woll, President of the Company describes it as "an outgrowth of the AFL's intense interest in constructive economic and social welfare."

The company offers the same kinds of insurance that are issued by other life insurance firms. These include life, health, accident, and retirement policies for individuals and groups.

The company has special policies for employers who are required by State laws to pay workers who become temporarily disabled.

To-day more than 285,000 persons in the United States and in Canada are protected by the company's policies. The policies are valued at more than $ 325,000,000.

Some of the company's cash reserves are made available as mortgage loans to workers buying their own homes. Some money is invested in U. S. Government bonds and other profitable securities. Part of the earnings on these investments are returned to policyholders as dividends.

Although the company was organized primarily to meet the needs of workers, its policies are available to others. Policyholders include employers in business, industry and finance.

Of the company's growth, Woll says:

"The years spent in studying and analyzing trade union insurance problems have stood us in good stead in serving the needs of labour and in the building of a sound institution. With time and experience we have succeeded in removing whatever doubt or prejudice may have been lurking in the minds of management or any other group or individual."

All India Insurance Field Workers Association.

The 17th Annual General Meeting of the All India Insurance Field Workers Association was held on Thursday, the 31st May, 1951 at the Hall of the Bengal National Chamber of Commerce.

Sri B. N. Mukherjee, General Secretary of the Association read out his report narrating the activitieis of the Association for the year 1950-51 which was unanimously adopted.

After the General Secretary's Report had been adopted and other items in the Agenda had been considered, Sri B. B. Mukherjee, the Out-going President of the Association delivered his presidential address. In the course of his address he at the very outset referred to international situation and described its reflections on the economic structure of the country. Referring to the trade relations between India and Pakistan he praised both the Governments for their particular gesture in respect of the settlement of the ratio of currency and expressed hope that the ex-agents of Indian Insurers who earned renewals in the area now under Pakistan would be relieved of their miseries which was caused by "Devaluation of Rupee" and would get back their legitimate dues.

Speaking on the economic crisis of the country Sri Mukherjee advised the unemployed young men of the country to take up the profession of Insurance salesmanship and build up their carreer. In his opinion it had not only the scope of making an income of three, four and five digits but had the pleasure of giving immense services to the Society.

Speaking on the Insurance (Amendment) Act of 1950 he criticised particularly Section 44 (2) by which the Act has provided the legal heir of a deceased agent to get renewal commission of course if at the time of death he had served the Company for at least 5 years or 10 years (Section 44 (1) (a) & (b). But in the event of death of an agent after five years but within 10 years during his active connection with the company his legal heir would get no renewal commission. Sri Muherjee termed this as a fallacy of the Act. Sri Mukherjee also criticised the rigidity of the provisions relating to special agents.

He protested most emphatically against Section 48A of the Insurance Act which debarred agents, special agents and Chief Agents of Life Insurance Companies from becoming Directors.

Referring to the non-inclusion of Field Workers' representative in the Life Insurance Council he said that the formation of the Life Insurance Council without a representative from the Insurance Field Workers was like the staging of Hamlet without the Prince of Denmark.

Speaking on the progress of Indian Insurance business during the last few years in spite of the economic crisis, Sri Muherjee thanked the Insurance field workers of the country who were responsible for this acheivement. In this connection he also referred to the alarming lapse ratio of Indian Insurers and appealed to all concerned to make an all-out effort to reduce the same to a nominal figure.

Referring to the practice of the Indian Insurers of their appointing agents indiscriminately he appealed to the Indian Insurers in the words of the Controller of Insurance "to make suitable arrangements to ensure that the agencies are granted only to those persons who measured up to certain standards of conducts in all aspects of the business."

Indian Insurance Institute

The following Members have been elected Office-bearers and Members of the Council of the Indian Insurance Institute for the Session 1951-52:

President:

Sri S. D. Srinivasan (National Ins.)

Vice-Presidents:

(1) Sri H. K. Sen, Actuary.
(2) ,, U. C. Barua (Lakshmi Ins.)
(3) ,, A. B. Chatterjee (Metropolitan)
(4) ,, P. K. Sen (Calcutta Ins.)
(5) ,, H. C. Naug (Palladium)

Treasurer:

Sri S. K. Acharyya Chowdhury (Bangalakshmi Insce.)

General Secretary:

Sri B. N. Chowdhury (Hindusthan Co-op.

Joint Secretaries:

(1) Sri B. B. Mukherjee (Oriental)
(2) ,, A. C. Nivogi (East India)

Auditors:

M/s. Roy & Bagchi, Chartered Accountants.

Council Members:

Sri S. P. Bose (National Indian)
,, S. C. Roy (Aryasthan)
,, S. N. Roy Chowdhury (Bombay Mutual
,, B. C. Ghose, M.L.A. (Calcutta)
,, B. L. Banerjee (Prabartak)
,, U. N. Paul (Indian Economic)
,, S. C. Chatterjee (Eastern Mutual)
,, P. N. Talukdar (Hindusthan Co-op.)
,, S. C. Mitra (Indian Mutual)
Mr. J. L. Fernandez (Indian Life)
Sri. M. N. Bose (Jupiter General)
,, N. C. Ghosh (Empire)
,, B. N. Mukherjee (Hindu Mutual)
,, S. S. Butani (Empire)

New Headquarters for The Popular Insurance Co., Ltd., Mangalore.

"Popular Buildings" opened by the Mayor of Madras.

The new building of the Popular Insurance Co., Ltd., Mangalore was declared open on May 21, 1951 by Sri R. Ramanathan Chettyar, Mayor of Madras before a large and distinguished gathering. On the occasion, the Board of Directors of the Company presented an address of welcome to the Mayor and Dr. U. Sunder Ram Pai, M.B., B.S., Vice-Chairman gave a descriptive account of the origin and development of the institution and the different persons that contributed to its success and growth. The company had a total business in force of Rs. 1,20,00,000 with a Life Assurance Fund of Rs. 19,20,000

Mr. B. Vittal Rau, the founder and Managing Director of the Company requesting the Mayor to open the buildings said:—

"Today is a red-letter day in the Annals of the POPULAR INSURANCE COMPANY LIMITED, Mangalore. The Mayor of Madras has come amidst us to perform this historic ceremony of declaring open the POPULAR BUILDINGS. As one who has been connected with the Company from its very inception, as its promoter, and as one who has been entrusted by the Board with the office of Chief Executive, I feel that today is the proudest moment of my long association with the POPULAR when its Board of Directors have brought to completion their cherished and long-standing ambition to have a building of its own for the POPULAR, worthy of this ancient, great and growing city of Mangalore, and worthy of the covetable place the Company has carved out for itself during the last two decades. It is a happy augury for the future of the Company and a good fillip for its workers that these spacious and beautiful buildings are to be opened by a great son of India for whom Insurance, Banking and Industry have always been dear. The "POPULAR BUILDINGS" to be so graciously opened by you will stand to posterity as a worthy monument of the beneficial work to society, performed by a galaxy of Officers and Field-workers of the Company."

In declaring the building open the Mayor paid a tribute to the promoters of the company on its progress and said: "Starting in 1929 with a very strong Board of Directors, each one of them with a firm determination and love to develop local resources, you have marched steadily from one milestone to another and in three years' time you will have reached the great landmark of the Silver Jubilee. *It is a monumental work* of which you Sir, Mr. Mascarenhas Mr. Vittal Rau, Dr. Mallya and all of you can be proud and which will be for all time a great *example of selfless public work for which not only the insurance world but the entire public will be sensible and grateful.* You have built up a fairly big Life Fund; you have a fair-sized portfolio of Government paper; you have been helping a number of other companies and industries by subscribing to their shares and debentures. We are all glad you have a determined band of very influential Directors which any company will be envious of. The Canara people are a very tenacious and self-reliant group. Your leaders are very forward in their public life. Your banking companies are marching ahead undaunted by the ups and downs in Mincing Lane or Wall Street. You have contributed not a few of our ablest Ministers and Officers in all Departments. You have no reason to despair about the formation of your own Karnataka province so long as you have cornered such talent and capacity in this isolated part of the country. Madras City in particular is proud of the leading citizens hailing from South Kanara. You, therefore, know what loss you be inflicting on the Madras State by your separation when it comes and you should not be surprised if I feel no regret for your failure for the time being. I wish you all success in your great enterprise. I have great pleasure in opening this magnificent building for your continued prosperity and progress. Before concluding I have to express my congratulations and high appreciation of the excellent work done by the Engineers who within a short time were able to complete the construction of this massive and imposing building.

The workmanship is one of the best to be seen anywhere in this part; and the finish is quite pleasing to the mind and the eye.

Insurance Firms In India

Assessment for Income-tax

Matters relating to the assessment of insurance companies for income-tax were discussed by Mr. Mahavir Tyagi, Minister of State for Finance, on June 28, with members of the South India Insurance Association at Madras.

Mr. T. S. Swaminathan, President of the Association, welcoming Mr. Tyagi, said that their actual profits were determined only once in three or four years, but the assessments for income-tax were on a year-to-year basis. In the past they had some kind of rule which worked sometime satisfactorily and sometimes not. In 1939, the taxation of life insurance was placed on a different footing. It had consequences which were not contemplated. He hoped that the Minister would give attention to the subject and give them "a square deal".

Mr A. S. Mani read out a memorandum, which stated that they did not claim any special consideration for the business, but only submitted that the concepts of 'profit', 'tax on profit' and 'tax deducted at source' should conform to the realities of the business. The law as it stood at present was 'admittedly anomalous' and their suggestion was that the method of arriving at profit of life insurance business, the application of a rate of tax to such profits, and the mechanics of collection should be rationalised.

The present law proceeded, the memorandum said, from considerations of traditions and to some extent, United Kingdom practice. The representations made in the past from insurance interests had naturally rested on the same considerations, and to a large extent, on expediency. The memorandum suggested that the assessment of life insurance companies should be made in the following manner:

Life insurance companies should be assessed for income-tax only at the end of every valuation: under the present Insurance Act, a valuation has to be made once in three years. All life insurance companies should be assessed only on the basis of the surplus disclosed at every valuation and on no other basis. The surplus disclosed at the actuarial valuations, after the adjustments and allowances, as indicated in the existing Rule 2 (b) and after deducting the entire amounts paid to, reserved for, or expended on behalf of policy-holders, should be treated as the assessable income of the company.

In arriving at the surplus, the valuing actuary should be allowed to add the total amount of tax deducted during the valuation period and in distributing the surplus, he should make due provision for the amount of tax liability for the inter-valuation period. The income for each year may, for the purpose of ascertaining the rate of assessment, be the annual average of this adjusted surplus. The tax liability for these three years may be determined on the basis of the rate of tax applicable to the respective assessment years and set off granted from the total of such liability to the extent of the entire tax deducted during the inter-valuation period. If the tax liability in any of the inter-valuation years, exceeds the tax deducted, interest on such excess at two per cent. per annum may be recovered from the insurance company. Conversely, if the tax deducted during each year of the valuation period exceeds the tax liability for that period, interests on such excess at two per cent. per annum should be payable by the Government to the insurance company concerned.

Minister's Reply

The Minister stated that he was not in a position to give a definite reply but, there were many important points in their memorandum which deserved consideration. The general aim of Parliament and the Government was to safeguard the interests of policy-holders. It was with that bias that they started enacting the Insurance Act. That bias still continued. The revenue point of view was not a great consideration with the Government in

dealing with the Insurance business. Of course, the Government had to see that the insurer maintained his business well. They also realised that the insurer could make the policy-holder contented only so long as business was profitable.

Mr. Tyagi explained the basis on which the companies were assessed to income-tax, namely actuarial surplus and external incomes. Dealing with some of the points raised in the memorandum, he said that their request to base the tax payable on the basis of actuarial accounts was one that deserved every consideration. However, Mr Tyagi pointed out difficulties that might arise from their request that assessment should be made only at the end of every valuation, that is, once in three years. The Finance Bill changed every year and the taxes must always change according to the needs of the country. "The varying of rates from year to year must be taken into account if you are to be taxed once in three years".

Mr. Tyagi stressed that the Government were alive to the fact that the expenses of insurance companies had risen up in recent years. This could be seen from the fact that the investigation Commission had suggested an increase from 12 to 15 per cent. in regard to the allowance of renewal premiums.

Mr. N. Rama Rao proposed a vote of thanks.

East & West Insurance Co., Ltd.

Seth V. J. Pilani and Mr. K. N. Samant entertained.

Appreciative references were made to the services rendered by Seth V. J. Pilani, Director of the East & West Insurance Co., Ltd., and Mr. K. N. Samant, the Head Office Manager at a party arranged to meet them at "Woodlands" on June 2, by Mr. K. P. Jambulingam, Branch Manager at Madras. The party was attended by the local workers of the company besides a large number of officials and non-officials.

Welcoming the Chief Guests Mr. Jambulingam said "We have assembled here to extend a cordial welcome to the chief guests of the evening, Seth V. J. Pilani and Mr. K. N. Samant".

"Sethji is well-known in the business and financial world of Bombay. His increasingly widening business activities are spreading his popularity and reputation in other States of the Indian Union. As a financier, he is a class by himself. It is not not the mere lure of profit that attracts him. He is often enticed by a passion to build up and stabilise public utility concerns. That, in a nutshell, explains his getting himself interested in the fortunes of East & West Insurance Co., at a time when due to certain transactions connected with a sister and allied concern, it required the backing and support of a far-sighted and high-souled financier. He did it at considerable personal sacrifice. Let us hope that he would enjoy his stay at Madras and carry with him best memories of the same."

"Mr Samant, as the Manager of the East & West Insurance Co., is best placed to decisively influence the fortunes of the Company. Ever since his association with the Company in 1945 we are the beneficiaries of his ripe experience, rare integrity and sound judgement. It gives me greatest pleasure in welcoming him amidst us."

Thanking those present on the occasion Mr Samant said:

"Some of you in our midst today are our workers — the pillars of this institution, whereas some of you are our clients, who have been feeding this company by their general business. It is insurance service of some kind, say either Life or General that has brought us together today. While therefore I take this opportunity of thanking you for all that you have done so far for this company, I would like to digress a little and say a few words regarding the principle involved in our service.

Many of you may not be knowing that Insurance is perhaps the greatest human effort on a co-operative basis. We have co-operative institutions today in this country as also all over the world. But all these co-operative institutions put together, cannot come anywhere near the benefits which our insurance service as a co-operative effort does. There is a Latin saying 'Ulterim ulterious auxilin edjel, which means 'All for one and one for all'. This is the principle on which this institution is founded. You will be surprised that through this institution even enemies are unwillingly helping each other.

Life assurance is thus the greatest co-operative effort of its kind in the world, based in addition to co-operation, on enlightened self interest. When you are insured with a company, you may be looking at it from your point of view that you are making a provision for your family. This provident motive of yours have ultimately to be fulfilled. But out of the premium you may aunually pay, lacs and lacs of insurance claims are being paid on account of deaths in case of your unfortunate brothers. And mind you, it is you who are paying for such claims.

We as managers or Directors are only your representatives to do a job which individually nobody will be able to do. You are already aware that Democracy is the Government of the people, by the people for the people. But all people put together will not be able to govern. So as — Harold Tusky, the famous author puts it, Democracy in actual working is autocracy by delegation. It is ultimately the delegates of the people who govern.

Similarly in this insurance democracy, we are your representatives or your servants rather to carry out your wishes strictly in accordance with the principles of our business.

In General insurance also there will be no safety in trade and commerce in the absence of insurance and in meeting the losses also, it is all of us who pay premium are helping the unfortunate few to reimburse their losses and help them carry out their trade or profession without any interruption.

Having brought home to your mind that it is you who are paying the premium for your benefit as well as for the benefit of others, I think you will agree with me when I say that you will require us to exercise utmost care in carrying out the service entrusted to us by you. This side of our business sometimes compels us to investigate matters, which normally you yourself would have liked to do before payment of claims. If you understand the identity of interest between you and the management, there will be no room for misunderstanding, which sometimes exist when we enquire into matters. It is in the fitness of things that enquiries should be made and genuine claims paid.

Insurance is based on the principle of uberima fides i.e. principle of good faith. If every individual connected with this business, I mean the policyholder, the agent and others connected, observe this principle, we shall have no occasion to delay or dispute matters."

New Appointments

Captain A. Ethirajulu, 157, First Road, Chamarajapet, Bangalore has been appointed as Chief Agent for Mysore State & Coorg by the Eastern Life Assurance Co., Limited.

Mr. M. Rama Rao, B.A., B.L., J.P., has joined the General Assurance Society, Ltd., as Divisional Manager at Madras. His jurisdiction extends over the other Branches in the South including Bangalore, Bellary, Bezwada, Coimbatore, Madras Madura and Trichinopoly.

Change of address

South India Co-operative Insurance Society. Limited.

We have pleasure in announcing that the Head Office of the South India Co-operative Insurance Society, Ltd., Madras has been shifted to its own premises, purchased recently, in Teynampet (82-B Mount Road, Teynampet P.O.) Madras 18

Vishwabharati Insurance Co., Ltd.,

The Madras Branch of the Vishwabharati Insurance Co., Ltd., has been recently shifted to a more spacious building at 37, Errabalu Chetty St., George Town, Madras.

Party to Mr. V. S. Narasimhachar

A farewell party was got up in honour of Mr. V. S. Narasimhachar, Branch Secretary, Sterling General Insurance Co. Ltd., by the staff on May 9th at the Mysore Chamber of Commerce Buildings Bangalore before a large gathering. Mr. Narasimhachar has resigned his position from the "Sterling General" and has joined the "Hindusthan Cooperative" as Divisional Superintendent.

Mr. K. N. Samant, on tour.

Mr. K. N. Samant, Manager, East & West Insurance Co., Ltd., who came to Madras recently visited in company with Mr. K. P. Jambulingam, Branch Manager, some of the important organisation centres in the South like Calicut & Mangalore. At Calicut, Mr M. V. Alikoya who is in charge of the Office, received the officials and entertained them to tea. Mr. Samant was much impressed with the work turned out by Mr. Alikoya.

Mr. A. Rajagopalan, B.A., F.I.A.

Mr. A. Rajagopalan, B.A., F.I.A., the Assistant Controller of Insurance has taken charge of his new office as Controller of Insurance from June 1, and Mr. M. A. Ansari the former Controller of Insurance has joined the "Eastern Federal" as Manager for India.

Mr. Sachin Bagchi.

We understand Mr. Sachin Bagchi who was office Manager of "Bombay Mutual" at Calcutta has been appointed by the General Assurance Society, Ltd., as Life Manager.

Obituary

We regret to announce the death recently of Sir Hari Sankar Paul, a well-known business man and a former Mayor of Calcutta. He was connected with the National Insurance Co., Ltd., as a Director and as a mark of respect to the deceased the offices of the National Insurance Co., Ltd., were closed on June 19.

Actuaries' Club, Delhi.

With a view to provide an organisation for the members, to further the interests of the Actuarial Profession and to render facilities to persons desirous of entering the profession, Actuaries' Club has been formed in Delhi.

Membership of the Club is open to Fellows, Associates and other Members of the Institute of Actuaries, London or Faculty of Actuaries in Scotland.

The following have been elected the office bearers of the Club:-

1. Shri K. L. Gupta, President.
2. Shri C. M. Sarma, Secretary & Treasurer.
3. Shri C. S. Anantapadmanabhan
4. Shri S. P. Jain.

Members of the Council.

The office of the Club is situated in the New Asiatic Building, Connaught Circus, New Delhi.

Registered No. M. 3297

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