309

Indian Policy-Holder Madras

NO.12.1.2

Vol-19,20

April To June-1954

JL
X81:m2,N54
N54.19 & 20
160106

9th Insurance Conference Number

INDIAN Policy-Holder MADRAS

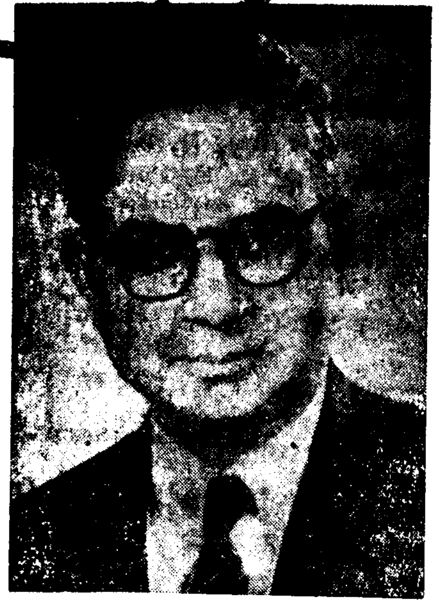
470

809

470

VOL. XIX
No. 12

MAY 1954



Shri K. BALASUBRAHMANYAM,
B. Com., A.I.A.,
Elected President of the Indian Life Assurance Offices Association for 1954—55

UNITED INDIA
A house of:
STRENGTH
SECURITY
SERVICE
Transacts:
FIRE — MARINE — MOTOR
and other classes of miscellaneous
ACCIDENT INSURANCE BUSINESS

UNITED INDIA FIRE & GENERAL
INSURANCE CO., LTD.,
"United India Life Building"
Esplanade, Madras.

Telegrams: UNIGEN   Telephone: 4241

Branches at:

BOMBAY, NEW DELHI, HUBLI, VIJAYAWADA, PENANG
CALCUTTA, LUCKNOW, UJJAIN, COLOMBO
COIMBATORE, PATNA, BANGALORE, SINGAPORE

London Representatives:—
MUIR BEDDALL & COMPANY, LIMITED.

M. D. SMART, Dy. General Manager.
N. RAMA RAU, General Manager.

THE INDIAN POLICY-HOLDER

(A MONTHLY JOURNAL ON INSURANCE)

SUBSCRIPTION INDIAN
Yearly ... Rs. 5/-
Single Copy ... As. 8/-

Managing Editor:
R. RAGHUPATHY.

SUBSCRIPTION FOREIGN
Yearly ... Rs. 7-0-0
Single Copy „ 0-10-0

Editorial & Publishing Offices
No. 49, SARANGAPANI SANNATHI STREET, KUMBAKONAM, (S. INDIA.)

★ KUMBAKONAM, (S. INDIA), APRIL 1954 ★

OFFICE OF THE REGISTRAR OF BOOKS
8 MAY 1954

CONTENTS

CONTENTS—(*Continued*)

160106
-600 008.

DENA INSURANCE
DEVKARAN NANJEE INSURANCE CO. LTD.

SUPPORT SWADESHI
"The Keynote of our Swaraj is in placing all our Insurance Business with our Indian Companies—"
MAHATMA GANDHI

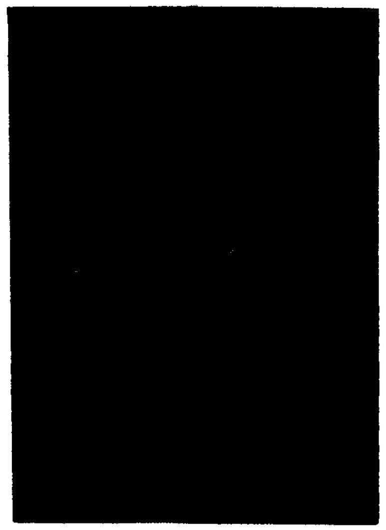
Paid-up Capital	...	...	Rs. 10 lakhs
Business-in-force	...	...	Rs. 2½ Crores
Life Fund	...	...	Rs. 50 Lakhs
Total assets	...	...	Rs. 75 Lakhs

Bonus
Whole Life Rs. 9/-
Endowment Rs. 7/-

Excellent opportunities for influential & hard-working Agents, Special Agents, Organisers and Inspectors

LIFE * FIRE * ACCIDENT

309



Shri S. D. Srinivasan, M.A., F.I.A.,
Retiring President,
I. L. A. O. Association.

Shri S. K. Desai, B.A., LL.B.,
Hon. Secretary.
I. L. A. O. Association 1954-55.

Shri G. H Thakore, M.A., (Cantab)
Dy. President.
I. L. A. O. Association 1954-55.

ORIENTAL

(India's Leading Insurance Combine)

**FOR LIFE, FIRE, MARINE AND ACCIDENT
including Specialized BOILER EXPLOSION AND
MACHINERY BREAKDOWN COVERS.**

Life Business in Force:

OVER Rs. 200 CRORES

CURRENT RATES OF BONUS:

**Rs. 15 Whole Life, Rs. 12 Endowment
per thousand per annum**

If you would like to know how you can participate in the profits of both the Oriental Life and the Oriental Fire and General, please write to P. O. Box No. 148, Bombay.

ORIENTAL GOVERNMENT SECURITY LIFE ASSCE. Co. Ltd.
ORIENTAL FIRE & GENERAL INSURANCE Co., Ltd.
Head Office: ORIENTAL BLDGS., BOMBAY.1.

THE INDIAN POLICY-HOLDER

VOL XIX APRIL 1954 NO. 12

Insurers Confer — Importance of unity among them stressed

ONE of the points that was considered as of utmost importance requiring immediate attention at the 9th Indian Insurance Conference held at Bombay during the month was "Unity" among the managements of Insurance Institutions functioning in India. Indeed it is a sad reflection on the part of those whose actions, whatever their justifications be, tended to dispirit the Insurers in general and thwart the efforts of so many for so many years for promoting "Unity". Sir Cowasjee Jehangir, Bart., G.B.E., K.C.I.E., J.P., an outstanding personality in politics, commerce and industry, and one who is closely associated with the business and legislation of Insurance in the Country, in his inaugural address did not like to indulge, perhaps contrary to the expectations of a gentleman chosen to inaugurate an Insurance Conference, in platitudes about the advantages of Life assurance to the individual and to the country at large, or the progress that has been made by Insurers in the past, but laid stress on the necessity of Insurers imposing upon themselves certain obligations, an important one of which being "that Insurers should take concerted and not unilateral action with respect to all vital matters." Mr. S. D. Srinivasan, M.A., F.I.A., President, Indian Life Assurance Offices Association, in his address at the 26th Annual General Meeting, recounting the various achievements of the Association in the past also made a fervent appeal for co-operation from all Members. To quote his own words "The future lies in our hands. We can make or mar it. If some of our representations did not get their due consideration from the Government, it was because of the fact that the Association did not always succeed in putting a solid front. ...... If service to Indian Insurance must be our real badge, individual members must cease to be selfish for their own narrow gains. They must be prepared to serve themselves by serving insurance as a whole"..................You will appreciate that, if we do not act jointly, any representation which the Association may make will not command the attention it should. You will also realise how essential it

160106

FOR SAFETY, SECURITY & LOW PREMIUM

INSURE WITH

THE NEW ASIATIC

INSURANCE COMPANY LTD.,

Head Office: NEW DELHI

Chairman: **L. N. BIRLA.**

Transacts

LIFE, FIRE, MOTOR, MARINE, ETC, INSURANCE

The Tabular rates of Premium on Endowment Policies have further been reduced.

For particulars apply to:

A. SUBBIAH

Manager, Southern Circle,

289, Lingha Chetty Street,

MADRAS-1.

is for the prestige of the Association that we should act unitedly in all major matters affecting insurance in India. That would give more power to our elbow and this will ensure the future stature of the Association. Otherwise — well, I leave you to answer that question." Public confidence in the Indian Insurance Companies was at a great discount in the past only for want of this "unity" among themselves. Especially in the years prior to the formation of the Indian Life Offices' Association and for a considerable time even after that, the attitude of the public towards Indian Insurers was one of contempt. It was so because majority of them, as Sir Cowasjee pointed out, desired to dash forward at a fast speed before consolidating their position and in the race many collapsed and so many others found themselves on the verge of insolvency. Unscrupulous managements totally ignorant of the rudiments of Insurance principles and practice squandered the poor voiceless policyholders' funds. The phase had a gradual change only when top ranking Insurers exerted pressure on others by their joint efforts through the Indian Life Assurance Offices' Association and after the Indian Insurance Act, 1938 came into operation with all its rigours. The public has in the recent past realised to a great extent their duty to patronise Indian Insurers and are hopeful of their interests being safe With all this, Insurers even today do not seem to realise that their strength lies in unity. They are in a frenzy to boost new business. As sir Cowasjee aptly put it, the business of Life Assurance is peculiar in that it grows very slowly, but the slow onward march it takes is on solid foundations. If, disregarding this essential characteristic of the business, any unit tries to walk faster, much faster than the steady growth of business will warrant, the unit will meet with nothing but disaster. That is exactly what is now happening. Out of the new business canvassed every year, a major portion lapses. Though Rs. 146 Crores of new business were effected in India in 1952, Mr. S. D. Srinivasan points out in his address that only Rs. 43 crores remained in force. The lapses in 1952 have been abnormal According to him nearly 40 % of the business lapses before the policy acquires surrender value, and if the heavy initial expense incurred in the acquisition of new business is considered, occurrence of such a large volume of early lapses *makes the position of the companies difficult.* The question of want of unity has come to the fore for discussion as a result of unilateral decision on the part of one or two big Insurers to reduce considerably the rates of premium, justifying their action on the plea that conditions have very much improved during the last few years and are favourable now for so doing. They contend and their contention is backed up by facts also, that the mortality rate is now very favourable, that the net interest earning on funds has increased considerably and that expenses, if confined within the limits prescribed by the Insurance Rules, will bear a reasonable proportion to the premium income. But such of those companies and particularly small and young ones who, even with the present high premium rates, find it practically very difficult to comply with the provisions of the Insurance Act and Rules and face the competition coming from well-established and big Companies, will be hard hit. In

THE
EMPIRE OF INDIA
LIFE ASSURANCE CO., LTD.,
(Established: 1897)
Head Office:- **Empire House, Hornby Road, BOMBAY.**

HIGH LIGHTS FROM
1952 Annual Report

Total Business in force	...	29,60,56,165.
Total Assets ...	...	11,52,70,583.
Total Claims paid ...	...	13,24,80,080.

VALUATION REPORT AS AT 31—12—1951
Bonus per 1000 per Annum
Rs. 10 Whole Life Assurance
Rs. 8 Endowment Assurance

Administrator:
Dewan Bahadur R. VARADACHARI

A Company to Represent and Insure with

BRANCHES ALL OVER INDIA.

the situation now created, irrespective of its financial position, every company will have to reduce its premiums to be on a par with those who have given the lead. Otherwise it will be next to impossibility to secure new business. At the same time, at a lower rate of premiums they cannot maintain for long a satisfactory financial position. This peculiar position that has now arisen is the cause for criticism from many quarters and a call for "Unity" among Insurers is given. At the present stage, it would be much better appreciated all over, if the same call for "Unity" is raised for the purpose of disinflating new business. Much of the ills that Indian Insurers suffer from spring from the drive to secure more new business. Expansion must be natural and automatic, but not artificial. Just because Insurance has not made much headway in India as it has done in America, Canada or the United Kingdom, and the per capita insurance is only Rs. 26 in our Country, it would be fantastic to think that the position could be reversed overnight as if with a magic wand by pressure on the field force. Insurance Companies took advantage of the War boom to increase their new business figures, little considering the huge lapsation that took place side by side. That period has now definitely gone but still Insurers want to maintain or show an increase in the new business. In the competition obtaining at present, that aspiration is doubtful of success and it is only to give fillip to the fieldworkers one big insurer attempted to score a march over its senior by bringing in a reduction in the rates of premium. And to put a check on that attempt others have followed by announcing lower rates of premia. Where this rate war is going to land many of the not very favourably placed Institutions, even some of the experienced Actuaries are puzzled, unable to assess properly the future. Much can be said both for reducing the premium rates and maintaining them as they were. After all, Insurance is a business on assumptions. Nobody can foretell exactly what is going to happen. If the present rates are really high, the excess can be returned to the policyholders by way of bonuses. If the future proves unfavourable the excess in the rates of premium will act as a cushion. But the lowering of the rates should be done only after mature consideration. It should not be the concern of any one single insurer to say that it is in a favourable position, and on that pretext reduce the rates solely with a view to secure business more easily, than others in the field. Dispassionately considered, frankly one must admit that the present rates of premia are very high indeed compared to the low rates of bonuses paid. Life Insurance in our Country costs more comparatively and which, middle and working classes cannot afford with their meagre income and poor saving capacity. Thrift and saving have to be inculcated in the minds of our masses and an appeal to them to resort to insurance will be effective only if the rates of premium are favourable. If Insurance in India should thrive well, Unity among Insurers is necessary in all phases of the business. At times even in details of working. Otherwise the future would prove illusory, without any tangible improvement.

THE

South India Co-operative
Insurance Society Limited,
5-6, Mount Road, Madras-2.

DO You Know

Life Insurance has become cheaper now. Improved mortality and increased interest yield have made it possible.

Why wait till tomorrow

Secure Insurance protection today and ensure a carefree future.

South India Co-operative Insurance Society offers all that is best in Life Insurance

At Reduced Premiums.

Policies issued from Rs. 100 onwards.
Profits entirely belong to Policyholders.

Bonus— 1952 Valuation
Rs. 12 and Rs. 10 on Whole Life and Endowment per Rs. 1000 per annum.

INDIAN LIFE ASSURANCE OFFICES ASSOCIATION
ANNUAL GENERAL MEETING.

Mr. S. D. Srinivasan, President of the Indian Life Assurance Offices Association in his presidential address to the annual meeting of the Association on 1st April 1954 appealed "in the name of Indian Insurance" to those insurers who have reduced their rate of premium to revise their decision.

Addressing the 26th annual general meeting of the Association at Bombay Mr. Srinivasan said: "While none will deny the individual insurer his basic right to do what he considers best for his own purpose, it would be wrong to injure the intrinsic strength of insurance in the country. Some of the big insurers may have the strength to pull down the premium rates. But, have they paused to consider what effect such reduction in rates will have on the medium-sized and smaller companies? The latter would be forced to join the rate-war whether they like it or not, and, in all probability, they will be on the casualty list. This could bring no benefit to our insurance. It is going to be positively harmful."

Mr. Srinivasan conceded that companies having international status have to compete with foreign insurers "whose premium rates are lower than ours." He added, "Anything that can be done to make insurance cheaper will have the approval of the public." But, at the same time, "our action should not be such as may lead to an earthquake in Indian insurance

If the companies that had lowered premia rates did not review their decision, "the only remedy", Mr. Srinivasan could see at present "is for the executive committee of the Life Insurance Council to recommend to the Government of India the basis of minimum premium so that the latter may declare that no insurance company can quote a premium lower than the minimum arrived at on above basis".

Mr. Srinivasan said that the growth and development of Indian insurance during the last 26 years were "illuminatingly illustrated" by the fact that new business of Indian insurers in India which was only Rs. 15 crores in 1928 had shot upto Rs. 129 crores in 1952. During the same time, the total assets of Indian insurers had appreciated from Rs. 23 crores to Rs. 293 crores.

He drew attention to the "competition of the Government-sponsored postal insurance and its threatened invasion of the private sector". That was "not the only gun trained against us". There were "small States which also aspire to run their own insurance business".

The greatest change that had come about in the outlook of Indian insurers recently was that while "profits are still regarded as perfectly respectable," insurers had begun to realise "the presence of certain social responsibilities in business."

The meeting observed two minutes' silence as a token of respect to the memory of the late Mr. M. Ct M. Chidambaram Chettiar, a former Deputy President of the Association and the late Mr. S. P. Bose, a former President.

NEW HEIGHT IN PROGRESS

From Height to Height and From Strength to Strength the Hindusthan Marches ahead every year.

1953 NEW BUSINESS COMPLETION EXCEEDS 18 Crores 80 Lakhs.

This is a living demonstration of continued public confidence.

The Society has also pleasure in announcing the reduction in rate of premiums from April '54.

For particulars please apply to:

HINDUSTHAN

Co-operative Insurance Society, Ltd.,

(CALCUTTA)

Madras Branch: **"Hindusthan Buildings"**
107, Armenian Street, Madras-1.

NINTH INSURANCE CONFERENCE

THE Ninth Insurance Conference was held under the auspices of the Indian Life Assurance Offices Association at Bombay on Friday, the 2nd April 1954, in the Indian Merchants' Chamber Hall, opposite churchgate Station. Sir Cowasji Jehangir Bart, G.B.E., K.C.I.E., J.P., inaugurated the Function.

Shri Tulsidas Kilachand and Rao Bahadur U. S. Desai also addressed the Conference.

Shri S. D. Srinivasan, M.A., F.I.A., the retiring President of the Indian Life Assurance Offices Association, in the course of his address of welcome to Sir Cowasji Jehangir and other members to the Conference made a brief survey of the progress of Insurance Business in India. He observed:—

In the early days of the development of Insurance business in this country, Indian Insurance companies felt more the need for cultivating public opinion and building up contacts with the general public with a view to create in them interest in insurance business. They conceived the idea of holding periodical conferences in various parts of the country in order to focus public attention on certain insurance problems as well as to have closer contacts with the public. The First Insurance Conference was held in Bombay in April 1928 under the Presidency of Sir N. B. Saklatvala. The next three Conferences were held in the years 1934, 1935 and 1937 in Lahore, Bombay and Calcutta respectively and they were presided over by Acharya Sir P. C. Ray, Sir Chimanlal Setalvad and Shri Walchand Hirachand. No Conference was held thereafter for nearly 13 years. In 1950, our Indian Life Assurance Offices Association decided that the Insurance Conference should be held every year at the time of the Annual General Meeting of the Association. Accordingly we held the last four annual conferences in Bombay, Calcutta, Madras and Delhi respectively. Thus the Conference has now become an annual feature and it is held under the auspices of the Indian Life Assurance Offices Association. Every one of these Conferences had been well attended and lasted about two days. Papers an subjects connected with Life Insurance were read and the discussions at these Conferences were interesting, instructive and helpful.

A study of the Proceedings of the past conferences reveals a gradual change in the objective. At the time when the First Conference was held in April 1928 Indian insurance companies were more concerned with popularising the idea of Indian insurance against heavy odds. They were more preoccupied with finding a place for indigenous insurance on our own soil. Appeals were also made to the Government for grant of some reasonable and moderate form of protection to Indian insurance companies from foreign competition. With the support extended by our countrymen, Indian companies developed their business by obtaining increasing share of the available business. The problem now before us however is to further popularise insurance with the public and to make them wise about the benefits of insurance. We have now to bring home to the public through these conferences the necessity and utility of life insurance for the security and protection of the family. We have to focus attention on the social and economic value of life insurance and on the part played by the accumulation of insurance funds in the economic development of the country. The Association is thus doing a valuable work in bringing the people closer to insurance and in giving more attention to the development of public relations. It is hoped that this Conference will advance these objects in a good measure.

There has been a fairly rapid development of Life Insurance business in this country, since we held our First Conference in the year 1928 about twentysix years back. Many factors have contributed to this growth, the most important being the public appreciation of the social and economic value of life insurance. The Insurers have also played a very important part by their improved and extended sales methods. As a result new business of Rs. 146 crores were underwritten in this country in the year 1952, both by the Indian and Non-Indian Insurers, of which the share of Indian Insurers is about 89 %. The total life Insurance business in force as at the end of 1952 was Rs. 916 crores under 39,25,000 policies with an annual premium income of Rs. 45 crores of which Indian Insurers shared about 86 %;

The figures I had just now quoted are no doubt impressive. Comparion of these figures with those for the year 1928, when the First Insurance Conference was held, indicates the phenomenal strides we have made. But when we compare the figure of per capita insurance in this country with those of other advanced countries, we feel that we are very much behind. It is estimated that at present per capita insurance in India is Rs. 26 while that for United States of America is Rs. 7000 and United Kingdom Rs. 1600. In such a comparison we should no doubt take into account the per capita income of the respective countries. At the end of the year 1952, 39 lakhs of policies were in force in India assuring Rs. 916 crores. Allowing for the fact that the same life had been insured under more than one policy, we can state that only 30 lakhs of families in India have been given life insurance protection for Rs. 3000 per family on an

average. Again the amount paid by way of life insurance premium in the year 1952 was about Rs. 45 crores which is less than ½ percent of the estimated national income. These figures indicate that we have touched only the fringe of the problem. The per capita insurance may be relatively small and it is bound to be so for some years to come. But this is multiplied by the population to give the volume of business. This multiplicant is big and should afford a means for further expansion. There is thus great scope before us for expansion and for greater and useful service. Insurance increases with the development of industries and increase of national income. Industries require capital for expansion. Insurance pools capital resources and lends them to industries for development. Thus the growth of industries and development of insurance are inter-dependent and go together. Our business has thus an important role to play in the current National plan conceived for social and economic development and I am confident it is playing its part.

While we are all optimistic that we have before us a tremendous opportunity for expansion we are equally alive to the evil of heavy lapses in our business that retards our growth. Though Rs. 146 crores of new business were effected in India in 1952, the increase of business in force at the end of that year was only Rs. 43 crores. The lapses in 1952 appear to have been abnormal even after allowing for exits due to claims, surrenders and paid-ups. It is estimated that nearly 40 % of the business lapses before the policy acquires surrender value. Looking to the heavy initial expenses incurred in acquisition of new business, occurence of such a large volume of early lapses makes the position of the companies difficult. Further it is a loss to the community in that the effort put in to secure such new business that does not remain, becomes a waste.

Both the insurer and the insured are obviously responsible for this in varying degrees. The remedy is to train our field workers to care more for quality of business than quantity They should be told to see that policies are taken for amounts which are within the resources of the policyholders and of types that suit their needs and help them to maintain their policies by continuous service and attention.

This takes me on to the allied topic of educating the agents and the workers to realise their responsibilities to the insurers on the one hand and the assured on the other to the lasting good of all concerned and in the process eradicate the evil of avoidable lapses. A trained and informed field worker fully alive to his responsibilities is ultimately the answer to the problem of lapsation. Selection of the proper type is a long drawn process and the association is working on an aptitude test for the field workers and I can assure you that the companies are moving steadily in this direction utilising the assistance this association is able to render in this regard.

Sir Cowasji Jehangir, Bart, G.B.E., K.C.I.E., J.P., **delivering the inaugural address said:—**

Your Association has been in existence since 1928. The main object of an Association like yours is to obtain facilities for consultation and deliberation amongst yourselves and for united action for rendering the best form of service to the public and secondly for protecting yourselves against unfair demands made either by the public or by Government, for instance an unfair basis of taxation etc. When an Association like yours is formed for the mutual benefit of all its members, the members must impose upon themselves certain obligations and one important feature is that they should take concerted and not unilateral action with respect to all vital matters. Competition there is bound to be, and healthy competition increases the efficiency of the unit and enables it to render greater service to its clients but united action is essential and will be to the benefit and advantage of all.

Speaking as I am before the representatives of the Insurance World of India, I do not propose to indulge in any platitudes or to give expression to truisms so often repeated about the advantages of life assurance to the individual and to the country at large, but we who are so intimately interested in the business must acknowledge with some gratification the progress of Indian Insurance since you first formed your Association and, I am sure, all of you gentlemen have heard with the greatest interest the survey you Mr. President have made of the upward trend in its progress.

The business of Life Assurance has this peculiarity that it grows very slowly but the slow onward march it takes is on solid foundations. If disregarding this essential characteristic of the business any unit tries to walk faster, much faster than the steady growth of business will warrant, the unit will meet with nothing but disaster.

It was this desire to dash forward at a fast speed, before the company's position was consolidated, that has led some to liquidations in the past and more than that for the growth of undesirable featur-es in the business of life insurance. These un-desirable features led firstly to the floatation of a mushroom type of company, secondly to investments of a type which was entirely unsuitable and undesirable from the point of view of a life assurance company and thirdly to interlocking between insurance companies and banks. Due to the results of the Second World War, some speculators went in for the purchase of shares of insurance companies at exhorbitant prices with the ultimate idea of recouping the high price paid by manipulation of Life Assurance Funds to the detriment of the interests of policy-holders. This came to the notice of Government in the years 1944 and 1945 with the result that a Committee was appointed to enquire into the position of life insurance and I had the honour of serving as Chairman of that Committee. Some startling revelations were made. Investing Life Funds to finance other classes of industries in which the management was interested was the most common feature. Financial interlocking between banks and insurance companies was the next. There were also cases of triple

alliance between banks, insurance companies and investment trusts. The limit of unorthodox employment of Life Funds was reached when in one case they were utilised to finance a padlock business. Without straining this unpalatable subject further, I venture to suggest that the management of a Life insurance company should be considered as a sacred trust committed to your charge. Act as if a Trust has been created although in reality there may be none. You are in the management of a business which is essentially meant to come to the rescue of poor people who have their trust in you fully relying that you would come to their help in their hour of dire need. You must remember that in the case of a life insurance company investment and conservation of fund call for as much caution and investigation as management of the business in other directions. Trying experiments in the investment of funds of a life insurance company is criminal. You are not playing about only with the shareholders' money but you are experimenting with the life savings of the poorest in your country.

The amending Act was passed in 1950 based on the recommendations of the Committee I have mentioned and it is hoped that the provisions of the Act will substantially, if not altogether, eliminate these undesirable features. I may also refer to the provisions introduced by the amending Act relating to (a) appointment of Administrators in the case of companies where managements are believed to be acting in a manner prejudicial to the interests of the policyholders, so that the position may be retrieved as far as possible, (b) statutory limitation of expenses which will act as a curb on extravagant managements, and (c) constitution of the Insurance Association of India consisting of Insurance Companies transacting business in the country, the Life Insurance Council and the General Insurance Council and the Executive Committee thereof, the primary function of the last mentioned bodies of which is to aid, advise and assist insurers in the matter of setting up standards of conduct and sound practice and in the matter of rendering service to policyholders. I am one of those who believe that the best results in the direction of raising the tone of any business could be achieved by associating the members of the business itself in the task and thereby making them develop the traits of self-help and self-policing.

You have referred, Mr. President, in the course of your address, to the *low per capita* insurance in India. No doubt much headway has yet to be made but in this context the recent shift in income from the middle class to the working class imposes on insurance companies a new responsibility, viz., to put forth special efforts for making the working class insurance-conscious and inculcate in them the habit of thrift and saving. Whether and, if so, how soon the middle class which so far had been the backbone of Indian Insurance clientele will be able to rehabilitate itself and regain its pre-war economic strength is more than I can say, but insurance companies would do well to pay greater attention than they are doing now to build up clientele among the working class section of the population.

This brings me to the subject of the Estate Duty Act which was recently placed on the Statute Book and which opens up a new vista for the development of life assurance, since one cannot think of a better method of providing for payment of Estate Duty than by taking out an insurance policy for the purpose. The relief from Estate Duty allowed by the Act in respect of insurance policies taken out for the purpose of paying Estate Duty or for the marriage of dependant female relatives etc. and the exemption of policies taken out under the married Women's Property Act from aggregation with the other property left by the deceased person are bound to enhance the attractiveness of life assurance policies and I expect that in future years quite a number of individuals will be effecting insurance policies in order to avail themselves of the above reliefs.

The high lapses of recent years, to my mind, must be due partly also to the sharp reduction in income of many individuals since the termination of World War II, and to the fact that the cost of living has not yet gone down to the extent one would have expected even after 8 years since the War terminated. Proper selection and training of Agents would no doubt check the evil of excessive lapsation to some extent but so long as there is a large predominance of part-time agents who do not take sustained interest in their work over long periods, a considerable part of the value of selection and training will be lost to the companies.

Mr. President and gentlemen, I am glad that the representatives of a number of insurance companies in the country have assembled here today with a view to exchanging notes on matters of common interest affecting your business. You have my best wishes for the success of your deliberations and I have no doubt that such periodical meetings would serve to enable the different members of your fraternity to understand and appreciate the problems which each one may be faced with and to evolve a common line of action conducive to the healthy growth of your business.

In conclusion I will quote a few wise words about life insurance business.

"Give this business, which from its very nature grows at a slow and steady rate, time to develop and get strength year after year on its onward march. Don't be impatient for its becoming a big one in a short time; in other words, don't make the business run before it can stand on its legs and learn to walk."

For
Life • Fire • Marine • Accident
GENERAL ASSURANCE
SOCIETY LTD.,
H. O. AJMER.
Branches all over India
New life business completed in 1953
exceeds Rs. 2,00,00,000/-
BONUS
Rs. 10/- & Rs. 5/- on Endowment Assurance
Rs. 8/- & Rs. 5/- on Whole life Assurance
per Rs. 1000/- per year.
Our
ESTATE DUTY POLICY offers
unique facilities at a very low
premium.
— Calcutta Office —
8, Dalhousie Square East.

Rao Bahadur U. S. Desai, M. A., Chairman, Bombay Mutual Life Assurance Society Ltd., speaking on the occasion said:—

I have been connected with life insurance since 1926 and have been impressed by the great strides life insurance has made during these years. I realised that life insurance played an important part in social welfare. It is one of the best social services one can render earning at the same time a decent livelihood. This is not the place at which to enlarge on the advantages of life insurance, but I would like to stress the part Insurance Companies play in the national economy. Savings of the people collected by them are canalised to help the Government; Local Bodies and industries thus stimulating the forces which raise the standard of living of the people and improve their health and expectation of life. In spite of the spectacular results achieved by you in recent years, only the frings has been touched. The field is vast even in the urban areas. The villages have not been touched. Even in a City like Bombay which proudly calls itself Urbs prima in India, there are people and a lot of them who have not realised the usefulness of insurance.

Sometime back, a businessman came to me. He had a policy for a substantial amount in the Company with which I am connected. He showed me by figures most elaborately worked out that he was a loser not only of interest but of some percentage of capital also. I am not quite sure whether he was satisfied when I told him that the only way of making a profit in life or fire insurance was to commit suicide 13 months after the beginning of the risk or to set fire to the property. It will be seen that it is necessary to educate not only the Agent but also the people at large by wide and intelligent publicity of what you are offering to them and at what reasonable cost.

Various State Governments are encouraging City and Town Municipalities to improve their Water supply by giving grants and guaranteeing capital and interest on loans advanced by them. It should be the duty of Insurance Companies to help Municipalities to raise such Loans thereby helping themselves directly by the improvement in the health of the people due to better and purer water supply.

You will perhaps be tackling the hardy annual of rebating and other evils which are eating into the vitals of Insurance. Everyone agrees in principle and many persist in the old practice. I think that no legislation can make people moral in this or in any other field. We have to strive and strive hard to eradicate this evil.

During the last few years there has been a shift in the distribution of purchasing power. It is now the industrial labourer and the agriculturist who are gradually coming into their own and handling more money than they ever did before. It now behoves you to turn your attention to these fields more and more and educate these classes and convince them about the desirability of investing their savings in Insurance. You must remember that in spite of the various benefits accruing from Insurance, Insurance is not bought, but it is sold even in the advanced countries like the U. K.

Your association has been asking the Nationals to buy their cover from Indian Companies and rightly. But this Indianisation of insurance cannot be said to be complete as long as reinsurance is placed with foreign companies.

To my mind, the most urgent need is to have a Re-Insurance Corporation both for Life and General business. You have to deliberate and decide how best this problem can be solved.

I would like to make another suggestion. This Association should have a research section so that the experience of all the Companies could be pooled and the results tabulated and mortality and other tables prepared for Indian lives.

I find that in one of your earlier conferences, the question of sub-standard lives was considered. Here is a class of people who are perhaps in greater need of a cover than others. There are some foreign companies who specialise in this field. If we can arrange to retain this business in this Country, then with the Re-insurance Corporation suggested above, we can truly say that insurance is fully Indianised. When I say 'fully', I do not take into consideration the palate of the tea-tester, the olfactory organ of the perfumers; the birth of twins, the fingers of pianists; the legs of the Ballerina and the ankles of the movie beauty. We may leave them at least for many years to Lloyds of London.

Recently, the lowering of premiums by some companies is agitating your minds. The reasons advanced for this step are

1. favourable mortality experience;
2. improved interest yield; and
3. stabilisation of expense ratio.

There can be no two opinions about the desirability of offering insurance at the cheapest rate possible. You have to give serious consideration to this problem. I expect most of you will agree that the reasons advanced are sound. On the other hand, London is expecting a lowering of the Bank Rate. One would not be surprised if India follows suit. You have also to bear in mind that the All India Insurance Employees' Union has been agitating for a tribunal to consider their demands. A downward change in the Bank Rate and the employees' demands if granted may worsen the yield and the expense ratio. It is up to you to weigh all these points.

Gentlemen— Yours is a noble avocation. Since creation, man has been waging a war on nature and has to his credit many victories. But till today जातस्य हि ध्रुवो मृत्युः stands. Man has, therefore, created insurance from humble beginnings like provision for burial expenses. To-day, you offer at reasonable cost provision for daughter's marriage expenses inclusive of dowry; Son's expenses of higher education plus a tidy sum when he comes of age to give him a start in life; provision for a man's dependents if he dies early; a pension if he turns out to be a Methusela help the millionaire's heirs to pay without tears and Sir Chintaman to receive, Estate Duty. With such all-round provision offered by you, all your patrons can exclaim 'Oh Death, Where is thy sting."

Shri Tulsidas Kilachand, M.P., addressing on the occasion said:—

Shri Srinivasan in his speech has pointed out that the business of life insurance in the country is expanding, yet it has not increased to the extent desired, and as pointed out by Sir Cowasjee Jehangir, our Life Insurance per capita is very low. The Year Book for the year 1953, which has been recently published, gives a detailed account of the working of Life Offices transacting business in India. According to this publication, Life Business is stabilising itself after the set-back it had received as a result of the Partition. The prospects for new business seem to be bright with the implementation of the Five-Year Plan, industralisation of the country, and agrarian improvement, as a result of the various River Valley and Community Development Projects. The average National Income is expected to go up with the development of these various schemes, and one can, therefore, reasonably hope that Life Business will also expand to some extent with the improvement in the standard of living of the people.

Here, Sir, I do appreciate what Sir Cowasjee said with regard to savings of the middle-class people, and there is considerable strength in what he says about the plight of this class. I know that Government is fully aware of this situation, but as long as the cost of living index does not go down, it is not possible, to increase the savings of the middle-class population. Still, I think, Insurance Companies have an important role to play in this set-up. In their day-to-day activities, they are inducing people to save, and they are canalising these savings in financing the various Government projects, and the industrial development of the country. I consider life insurance as a sound and very big movement of small savings, by which not only the Government prejects but also Indian Industries are financed. It should, therefore, definitely have to play an important part in the future set up of the country.

How important the functions of an Insurance Office are can be judged if the question is viewed in the context of the establishment of a Welfare State. We all expect life insurance to play a dominant part in the establishment of such a State. We have already marched in that direction by setting up various amenities for Industrial Labour, such as Provident Fund, Housing etc. However, our efforts are impeded by illiteracy, poverty, over-population and similar factors with which we have to contend in our efforts to achieve our ideal Insurance Offices are engaged in affording protection to their clients, and to that extent the policyholders do not become a drag on the efforts of the State in establishing a Welfare State. Life Companies should therefore enter into every town and village carrying the message of insurance in order to give maximum benefit to as many people as possible with a view to ameliorate their economic condition and, in particular, afford protection to Industrial and Agrarian workers with a view to improve their efficiency in the service of the Nation.

However, in the pursuit of the new business, one has to give particular attention to quality rather than quantity. I agree with Shri Srinivasan that we have *to see more to the quality rather than to the quantity.* I cannot help stating at this stage that there appears to be a tendency for advertising big figures on the part of many companies, although I am sure they do realise that forced business will surely increase lapsation. Here also, I would again refer to the Blue Book where the percentage of lapses in respect of business in India is published. Many companies show increasing business year after year but the lapse ratio is so high that the total business does not go up in the same proportion. I have a feeling that sufficient importance is not being given to this aspect viz., that it is in the interest of Life Offices to give as much attention to the conservation of existing business as to securing of new business. I need not state that lapses are a national waste of energy and funds, and every effort must be made to see that lapses are kept to the minimum.

In my opinion one of the methods of keeping the lapse ratio down is by having right type of representatives for convassing our business. At the moment we have an army of insurance agents and any one who applies for a Government licence is able to secure one authorising him to canvass business. The result is that they come into the field and canvass business haphazardly without looking to the requirements of their clients and in consequence, the primary purpose for which Life Insurance Offices profess to exist, viz., to serve to the Insurance needs of their policyholders is not achieved in many cases. Rebating is forbidden by law, but every one knows that in most cases, rebating is the only motivating factor exploited by such agents for convassing business.

Moreover, year after year fresh licences are taken and many existing ones are not renewed, which indicates that the majority of the Insurance Agents is a kind of floating population and to the extent licences lapse, it proves that they have either not taken up their jobs seriously or they are there to regularising rebating. Here again I would like to refer to the Report of the Controller of Insurance in the Insurance Year Book 1953 giving details regarding the number of licences issued during the last five years-1948 to to 1952 with an analysis of "Fresh" and "Renewal" licences, from which it is clear that Insurance Agencies are taken out to facilitate indirect rebating.

I have a feeling that the Offices have not given sufficient attention to the important problem of training of agents. I think that the time has come when the principle of rationalisation has to be applied by Insurance Companies in the selection of the Agency Force. Taking up an agency should not be as easy a matter as at present. Certain specific qualifications must be prescribed which should enable offices to select the various categories of field workers, through whom insurance business should be secured. In my opinion, some scheme of educating them and fitting them for the task which they are expected to undertake, would be the right move. If only those who possess prescribed qualifications are given licences, it would compel those persons who would think of taking insurance as a career to educate themselves adequately for the purpose and they only

(Continued on page 73)

Reduction in Life Insurance Premiums.

BY SHRI J. R. RANA, M.A., F.I.A.,
Actuary, United India Life Assurance Co., Ltd.

THE Life Insurance World experienced something like a shock when in the first week of March revised premium rates, reduced moderately in the Endowment Assurance section and drastically in the Whole Life section were floated in the market by a leading Insurance Company. This was accompanied by rumblings of the coming reduction to the same extent by the biggest Insurance Company in India. By 6th March 1954 two giants among Insurance Companies had already reduced their rates and there was no other alternative left for other Insurance Companies except to follow suit. The Indian Life Assurance Offices Association was naturally agitated over this development and that body has left no stone unturned to restore the *status-quo.* Meetings were held by member companies, representations were made to the Government and prolonged consultations were held. But all these appeared like a post-mortem or locking the stable after the horse was stolen. The first flush of anger and resentment gave place to frustration and the outgoing President of the Indian Life Offices Association, Shri S. D. Srinivasan has faithfully reflected this mood in his presidential address to the Association.

A Committee is set up by the Executive Committee of Life Council to go into this question and from the personnel of the Committee one can be sure that their report will be well-reasoned, cogent, convincing and conclusive. It is not known whether the Committee would call for any evidence or will hold discussions with other members. Nor is it known whether its report will be a published document. Even if it is a published document its appearance will take some time and in the meanwhile I venture in my own humble way and with all the humility I can command to pour oil on the troubled waters of Indian Life Assurance.

The following according to me are the reasons in favour of reduction in premium rates.

1. It is admitted by the Companies that there is an improvement in mortality of the lives assured all over the World including our own country. As time passes further improvements will take place and therefore the standard hitherto followed by Indian Life Assurance Companies, viz., Oriental's 1925-35 experience is very much out of date. Leading Companies have been able to verify this improvement in mortality from their own experience and it is expected that when the combined mortality experience for all the Indian Companies for the years 1953 onwards is published the new rates of mortality in such a table would be considerably lower than the corresponding rates of the standard table in current use.

2. The cheap money policy of the Government would appear to have come to

an end and in its place an era of high interest rates has set in. Even if there is no further increase in the rate of interest it is felt by competent authorities that the rates would not be anything like the low rates during the war period. Life Insurance Companies have already suffered on account of the rise in interest through heavy depreciation in their assets and most of them have adjusted their valuation standards accordingly. Also the relief from the incometax is higher now.

3. With the statutory restrictions on expenses the future expense ratios will not be as evasive and difficult to assess as the past ones. Some sort of stability is imparted to these ratios.

4. If all the above factors are recognised and premiums calculated afresh the new premium would be lower by about 6 to 8 per cent. in the Endowment Section and 10 to 15 per cent. in the Whole Life section. But it is also possible to argue that even if improvements in mortality, interest and expenses have taken place they can be reflected in the bonus declaration and therefore to preserve equity only the non-profit premiums should have been reduced. I would personally have preferred this course of action because in that case a dislocation that normally arises following a reduction in premiums would have been confined to a much smaller section of non-profit business. The overwhelming portion, i.e. with profits section would have remained in an undisturbed condition. Moreover such a course would have protected the companies even if there was deterioration in the interest earning or expense ratios or in both.

People who talk of prior consultation and united action are overlooking the consequences, of such steps on the insurance business. If it was widely known that life offices were contemplating reduction in premiums who would think of insuring till the reduction had actually materialised. New business would have been at a stand-still. There is therefore not much force in the suggestion for united action. Another line of argument is that this reduction will hit the smaller companies very badly. In other words if these reductions are not there they would have been able to carry on and build up their resources from excess premiums received. I will quote some figures to disprove this statement. In the Year Book for 1952, relating to the accounts and valuations upto 31st December 1951 there is a statement showing the new valuations of 68 companies. Out of these companies only 31 have shown surpluses and distributed them among their policyholders. The remaining 37 did not give any bonus to policyholders. Thus more than half the number of Companies gave no bonus after their latest valuations. In the 1953 year book similarly dealing with 74 new valuations only 35 had distributable surpluses. Here also the percentage of companies not giving any bonus to the policyholders is more than 50 and these companies had higher premium rates for nearly five years. The figures speak for themselves and I won't add anything more in refutation of the plea for small companies. Higher premium should not mean greater freedom to fritter away policyholders' money.

It would be in the fitness of things if Insurance Companies realise the true position obtaining nowadays and adopt timely measures of rationalisation wherever possible.

Bonus earning capacity in relation to premium structure and valuation reserves

By Shri A. S. GUPTA, M.A., F.I.A.,
Actuary, Asian Assurance Co., Ltd.

BONUS actually being paid by Insurance Company is of as much consequence to a life policyholder as the probable future bonuses that may be declared from time to time. The former is known to all the persons who cared to find it out and therefore more emphasis is given to the present bonus that the company is paying. The latter is uncertain, being dependent on so many factors some controlled, others beyond the control of the persons directly looking after the insurance institutions. In the former category may be included the level of expenses, investments, underwriting, the attitude towards the release of surplus and the conservative attitude or otherwise of the persons directly or indirectly connected with the management and valuation of the company. There is a certain extent of limitation in the controllability of each factor. In the latter category may be included the market value of the assets, the availability of good investments, rate of interest, etc. Here also any fluctuation in some factor may be subject to controllability to some extent. Still it should be possible in respect of any particular company to form an idea of the future rate of bonus which depends among other things on the bonus earning capacity of the premiums, which in its turn is dependent upon (1) the difference in the actual experience and that expected on the basis of the assumptions in the premium calculation and in the valuation and (2) the difference in the with and without profit rates of premium which is primarily meant for the allotment of bonus to participating policyholders and secondarily to meet adverse fluctuations. It is the object of this paper to discuss in general terms the bonus earning capacity of life assurance offices. Reference has been made to the actual experience and the premiums of some of these offices and for obvious reasons the name of the office has not been specified. The investigation is based on the actual facts and figures and the letters A, B, C, D etc. used to distinguish the data of life offices relate to different life offices at different places.

It must have been noticed by well-informed persons, that in spite of the change in the value of assets in 1950-51 consequent on the changes in the market conditions and the bank rate, the valuations made at the end of 1951 and subsequently, enabled the companies to improve upon the previous bonus rate, failing which the companies at least maintained the rate at which bonus was declared previously. It might have also been noted by some that in spite of a substantial depreciation in their investment some companies have either maintained their rates of bonus or even improved over their previous figures without relaxing their valuation basis to any extent and some others have done so without relaxing their valuation bases to an extent as to reduce their liability to the extent of the depreciation. I have collected some figures regarding four companies of undoubted repute and it would be interesting to go through them carefully. These companies had a valuation on or after 31st December 1951 and the bonuses declared by them as a result of this valuation were on a higher scale. The figures relate to the total amount of strain which these life offices suffered on account of the depreciation of their investments since the last valuation previous to 31st December 1951 and which had to be provided for out of the surplus of the inter-valuationary period, and the total surplus distributed amongst policyholders and shareholders. In arriving at these figures the excess of market value over the book value at the date of the last valuation previous to 1951 has been added to the total depreciation provided for or written off through the Revenue Account during the inter-valuationary period and the liability either actually released on account of change in the valuation rate of interest or an estimated amount of the same where the actual figure has not been published has been deducted. The deduction has been made as the strain due to depreciation has been off-set due to an increase in the rate of interest in the valuation which became possible due to higher interest yield consequent to depreciation. The excess of Market value over Book value of the assets at the time of last valuation prior to 1951 has been added as but for this hidden reserve the then existing margin in the values in the Balance Sheet, increased depreciation to this extent would have been required to be written off through the Revenue Account during the inter-valuationary period. Any investment reserve fund or any other fund existing at the time of the valuation before 1951 and which was subsequently utilised in writing off the depreciation has also been added to the extent of the reserve utilised for writing off the depreciation. Thus I have arrived at the following figures, which I have termed as the depreciation strain suffered by the life offices at the time of their valuation as on 31st December 1951 or after and amount of surplus distributed amongst policyholders and shareholders.

		Depreciation strain	Amount of surplus distributed amogst policyholders and shareholders on the basis of the valuation on or after 31-12-1951.
Life Office	A	5,84,90,000	3,57,85,000
	B	67,08,000	42,73,000
	C	53,57,000	41,67,000
	D	39,31,000	26,04,000

From the above therefore it would appear that but for the depreciation suffered by these life offices the bonus and dividend which could have been declared to the policyholders and shareholders respectively would have been at more than double the rates at which these were already declared. It is a different thing if in that case the Actuary and the Directors would have considered it prudent to reserve a portion of the total surplus in order to further strengthen the company's financial affairs. I have no doubt that the examination of the valuation report of other companies with sound management would also reflect a similar position.

Most of the sound life offices have declared bonuses at the rates of not less than 9 and 11 in their last valuation and the above would appear to indicate that the bonuses to be expected in future in a period of no wide changes in mortality, rate of interest and expense should be at the rates of 20 and 25. In this connection account has to be taken of the fact that the moneys received by the life offices in respect of new business would be available for investment at a higher rate of interest, the rate of expenses are undergoing cuts, drastic in many cases, in view of the control on expenses laid down in the Amendment Act and the mortality is ever on the side of improvement. In regard to the first it may be stated that the increase in the rate of interest in respect of future moneys available in respect of existing business has already been taken into consideration wherever the rate of interest assumed in the last valuation has been increased. Regarding the last it may be recorded that the last few years have been singularly free from calamities, like epidemics, which may result in a large number of unusual deaths amongst lives assured and thus result into a strain on account of increased mortality.

Having gone through the valuation reports and balance sheets of a few companies of good standing and undisputed repute a little minutely, the next question is how much of this surplus comes out of the difference in the with and without profit rates of premiums. So far as I am aware the loading in the premiums for bonus in case of these companies is nowhere far more than 8 and 10 and in most of the cases it is less. Keeping in mind the fact that the Endowment Assurances form the predominant portion of the Indian business of a life insurer, it would appear that much more than half of the profit of a life office in India should come out of the various safety margins in the assumptions in the premium calculations and profits which are termed as miscellaneous profits. It may therefore be interesting to examine the actual assumptions in the premium calculations and the experience in respect of the same. In the Table No. 1 at the end of the paper I have given the interest yield, interest rate used in premiums and last valuation of a number of leading offices in India during the last 13 years.

A perusal of this table clearly shows that the minimum rate of interest which has been earned by any of these insurers during this period, which witnessed almost the lowest rate of interest in case of the period of existence of most of the Indian life offices is 2·68 %. I may mention here that in case of this life office which earned 2,68 % on its investments, there is a restriction laid down in its articles of association regarding investments and therefore it is natural in its case that it may earn interest at a lower rate as compared to other life offices. It should be noted that there is a clear margin of at least ¼ % in the minimum rate of interest earned by a life office during the last 13 years and the interest basis in calculation of its premiums and the margin on the average for these 13 years is very much more in most of the cases. A life policy is a long term contract and it has to be kept in mind that the middle forties experienced an unusually low rate of interest never experienced before for any long periods. Of course there is the much argued zero rate of interest also. Anyway whatever the difference on the average between the actual rate earned and assumed in the premium calculations, it would naturally be released slowly and unevenly in the form of profits. If this profit is not spent by the company in any other way, it would emerge as a valuation surplus and the participating policyholders get not only their portion of this margin, but that of non-participating policyholders also. It appears that in calculating premiums it has been made sure that non-participating business may contribute towards the surplus, but never mean a strain on the company for *any* period so far as the rate of interest is concerned. Contribution to bonus under this head also varies according to the proportion of with and without profit business on the books of the company at a particular time and the average term of each policy.

While it is difficult to generalise a difference of ¼ % rate of interest in actual experience and the assumption for calculation purposes should mean a bonus of about 1-1/3 %, per annum over the whole participating business. This takes into account the excess interest earned on participating business only.

The other constituent entering in the premium calculations is the mortality. Almost all the Indian Life Offices use Oriental (1925-35) ultimate mortality for the purposes of life assurance business. As is evident this table is based on the mortality experience of the "Oriental" during the period 1925-35. It is a well known fact that mortality experience has improved considerably and the "Oriental" itself is now experiencing about 43 % of the mortality expected on the basis of this table. The other life offices are not so fortunate. Nevertheless, it is rare to find the mortality experience of any good life office exceeding 60 % of the mortality expected on the basis of this table and in most cases it is much lower. The table would therefore appear obsolete and out of date for the current purposes. In the absence of a more uptodate table recourse has to be taken to this table and the assurance premiums are invariably based on this table without any adjustments. Consequently, there is a very good margin in this regard also and the profits from this source may roughly be assumed to be about 50 % of the amount being paid by the life office by way of death claims annually on the average. This is a very rough measure as profit from mortality is based on many complex factors. It would appear that about 4 to 5 per thousand bonus alone is being contributed by mortality. This again would be different for different life offices as it depends on so many complex factors.

The third constituent entering directly in the premium calculations is the provision for expenses. Different life offices have made provision for the same in different ways. Nevertheless the principle adopted is the same and there is difference only in the provisions made by way of proportions to premiums and proportion to sum assured. I have taken the Whole Life and Endowment business of a number of leading life offices and tried to calculate the provision made in the premiums for renewal expenses, if the total provision so made is converted into percentage to premium instead of percentage to premium and also to sum assured. The Table No. 2 at the end of the paper gives the provision so made if calculated as percentage to premium only and the actual

renewal expense ratio of the office under Rule 25(b) of the Insurance Rules.

It may be noted that provision for expenses made for very short term policies and under other plans may, if any thing, be lower than the provision actually made for longer terms in case of Endowment and Whole Life Assurance Plans.

In the above calculations, the same expenses have been assured in case of short term policies in calculating the Expense provision in the premium calculations, thus increasing the figure to a small extent. If other plans where the provision in premiums is lower than that in the case of Endowment Assurance are included, the difference brought out would be still larger.

In calculating the Renewal Expense ratio under Rule 25(b), a deduction of 90 % of the premiums is made for first year's expenses for policies taken for terms longer than 11 and a lower provision is made for shorter terms. It would therefore appear that the provision made for first year's expenses in the premiums is generally sufficient to meet the deduction made for this purpose under Rule 25(b), the provision made for renewal expenses in the premiums falls generally short of the actual experience. It is also clear that the excess of provision made for first year's expenses is not sufficient to offset the higher renewal expense ratio. Thus it cannot be argued that but for the lower allowance for first year's expenses under Rule 25(b), the provision made in the premiums for renewal expenses would have been brought out sufficient.

Thus having found out that the provision for expenses, first year's as well as renewal, is not sufficient looking to the level of expenses, it remains to ascertain whether the provision for renewal expenses is less or that for first year's expenses is less. I am not going into the details of this problem as this is covered by a separate subject for discussion and I am sure that some body must have discussed this problem while writing on that subject. However, I may state my conclusion in this connection, and that is that the provision made for first year's expenses is generally substantially lower than the level of these expenses, deduction of 90 % as first year's expenses is not in line with the actual experience, and that the provision for renewal expenses in the premiums is sufficient in the majority of cases. The provision for expenses in the premiums being less than what it ought to be, it necessarily leaves a strain on the other sources of profits and decreases the profits eventually. Higher the proportion of new business to existing business, greater the strain.

Theoretically it can be argued that it is not necessary that the assumptions made in premium calculations in regard to mortality, expenses and interest should separately represent the actual or expected experience, and if these collectively do so it is sufficient While I admit the theoretical part of it in so far as the sufficiency of premiums is concerned, I feel it is more desirable from equity and accuracy point of view to assume each constituent element in such a way as to represent the likely experience in regard to that element.

So far we have discussed the premium bases and the bonus earning capacity of each element. There are some other sources of profits which do not enter directly in premium calculation generally. These are profits from surrenders, paidups and lapses (sometime the contribution is negative), profit or loss from investments, bad debts, etc. While the profit from surrenders may be substantial depending upon the level of surrender values granted, the profit from paidups is usually very small and that from lapses may generally be negative in view of the heavy procuration expenses. Profit from investments should not ordinarily be allowed to be distributed and should be reserved for meeting losses from the same source.

It is well known that it is not the actual profit which is brought out by a valuation, but it is only a valuation surplus which is brought out in the valuation Balance Sheet. Whereas premium bases have a direct bearing on the profits of the Company, the valuation bases play a very important part in the emergence of surplus available for distribution from time to time. It must be understood that the premium bases determine the profits of the company and the valuation bases do not enter in the profits of the life office at all. The valuation bases only regulate the emergence of surplus as distinct from profits.

After what has been stated about the discussion of valuation bases in relation to bonus earning capacity assumes importance in so far as these bases differ from the premium bases. As matters stand today in India almost all leading life offices are using the same mortality table for premiums and valuation without any difference in rating. The remarks in this connection made earlier do not therefore need any modification. In so far as the interest basis is concerned, the basis is different for the two purposes and now after the change of the bank rate in November 1951, there is a substantial difference in the two rates of interest. As is well known, after revision of the bank rate in 1951, many of the life offices increased their rate of interest used for the valuation in order to offset the depreciation suffered by them in their investments as a consequence of the revision of the bank rate. Thus part of this source of profits, i.e., the difference in the rate of interest earned and assumed in the premium calculations has been nullified on account of the depreciation. Consequently for the existing business what assumes more importance now is the difference in the rate of interest earned and the valuation rate of interest. In case of business to be placed on the books of the company in future, the difference in the rate of interest earned and that used for premium calculations is still the effective source of profit to the company, though this profit may not be wholly distributed by the life office to those contributing it. This is because the difference between the actual rate of interest earned and the premium basis in this regard is generally higher than the difference in the actual rate earned and the valuation basis and the future business would not be kept separate from the existing business. The extent by which the former is higher than the latter varies with life offices and it is anywhere between ¼% to ¾%. The difference in the actual rate earned and assumed for valuation also varies to a great extent in case of different life offices as is evident from Table No. 1 given later and therefore profit from this source also varies with different life offices.

As stated earlier the provision for first year's expenses and renewal expenses in the premiums is less than what is actually the experience of most of the life offices. This in itself means that the life offices are drawing on their other sources of profits in order to meet the excess of expenses over the actual provision. However, as the provision in the valuation in most of the cases is based on the actual experience and not on the provision made in the premiums, the overall expenses provision in the valuation is invariably more than the actual experience. It would no doubt be noted that in many cases the provision in the valuation for expenses for without profit policies is not more than the actual experience and hence the difference in the provision for expenses in the valuation cannot be said to be wholly for bonus purposes and part of it must necessarily be for expenses.

Any saving in expenses in relation to the provision made in the valuation in any year in respect of the business existing at the beginning of the year will be thrown up as surplus for the year in respect of that business. The difference in the actual renewal expenses and the overall provision made in the valuation would be available for distribution to with profit policyholders. With the renewal expenses has to be taken the strain of expenses in respect of new business. Since the saving in expenses relates to the total business and the surplus is distributed amongst the participating policyholders only, it is not possible to relate the saving account of expenses to the bonus that may be declared out of the surplus on this account only, as it depends on the proportion of participating and non-participating business also in addition to other factors.

The result on the surplus of the difference in the rate of interest and expenses provision made in premium calculations and valuation is quite complex. Whereas a higher rate of interest used in a gross premium valuation which is invariably used in India is to reduce the reserves required to meet policy liabilities, provision of a higher renewal expense ratio increases the reserves. Wherever the actual renewal expenses provided for without profit policies in the valuation is in excess of the provision made in the premiums, the result of using a higher rate of interest is nullified to some extent. Where this is not so and the mortality table is the same, the reserves are considerably lower.

The net effect of these two factors would naturally depend on the extent of difference in the premium bases and the valuation bases and would be different for different ages and different terms even in case of the same plan of assurance. It was stated above that I feel that the provision in the premiums made for first year's expenses was less than what it ought to be and the life offices generally spent more than what was provided in the premiums. This fact coupled with the fact that the renewal expense provision in the premiums is lower than what has been provided in the valuation by most of the life offices in India, would have created a good deal of new business strain in the valuation, had the rate of interest used in the valuation been the same as in the calculation of premiums and the bonus loading in the premiums was wholly reserved for distributing bonus. As stated above the valuation rate of interest is generally higher and the whole bonus loading is not reserved with the result that in the first year the reserves which are required to be set up are very much lower and in many cases even negative.

Thus the new business strain is actually hardly felt. This very fact however goes to limit the life offices fully enjoying the difference between the rate of interest used in premium calculations and what is actually earned. What the life offices actually get as profit under the head interest is the difference in the rate of interest earned and assumed in the valuation and *not* the difference in the rate of interest earned and assumed in the premium calculations. Some amount of surplus under this head is also realised subsequently under the head realisation of negative values. (As stated above by using a higher rate of interest in the valuation some policies give out negative reserves on account of the value of Sum Assured and bonuses being jess than the value of "net premiums". These negative reserves are eliminated in the valuation by adding an equal amount to the liabilities. As and when further premiums are paid and the reserves become positive, the separate provision made for negative reserves is no more required and is released).

In conclusion it may be stated that the premium bases determine the profits which a life office would make out of the margins between the bases assumed and the actual experience. However, as soon as a policy is included in the valuation, the surplus which would emerge subsequently would be determined by the valuation bases and the actual experience, and a capitalised amount, either by way of new business strain or a capitalised profit, would enter the valuation liability dependent upon the differences between the premium and valuation bases. Whereas the total profit or loss suffered by placing a particular policy on the books of a life office is dependent upon the premium bases and the actual experience and the valuation bases have nothing to do with the total profit, emergence of surplus from time to time is governed by the valuation bases, and the difference between the two is capitalised in the valuation in which it first entered.

TABLE No. 1

Interest.

	A	B	C	D	E	F	G
1940	4.43	3 62	4.28	4.34	4.00	4.37	4.50
1941	4,18	4.07	3 99	4.10	3.95	—	4.52
1942	4.19	3.92	3.56	3.87	3.81	4.06	3 53
1943	4.07	3 93	3.53	3.68	3 79	4 48	4.47
1944	3.90	3.81	3.46	3.40	3.48	3.31	4.21
1945	3 61	3.65	3.64	3.20	3.04	3.98	3.75
1946	3.22	3.59	3.18	2.99	2 84	2.83	3.86
1947	3.20	2 91	3 22	2.74	2.80	3 34	3.62
1948	3.52	2.77	3.16	2.69	2.89	3.00	3.25
1949	3.69	3.50	3.07	2 68	2.87	3 18	3.62
1950	3.63	3.05	3.48	2 90	3.08	3.48	3.61
1951	3.83	3.98	4.14	3.43	3.33	3.78	3.40
1952	3.50	4.60	4.36	3.58	3.61	3.72	3.40
Average yield	3.77	3.60	3.62	3.35	3.35	3.63	3.83
Interest-assumed:							
(i) in premium calculations	Premiums of most of the Indian Life Offices are based on 2½% rate of interest with a variation of ¼% in extreme cases.						
(ii) in the last valuation:	3.00	2.75	3 00	2.62	2.75	3.00	2.75

TABLE No. 2

Life Office	*Expense provision in the premiums for First Year	*Expense provision in the premiums for Renewal	Arithmetic average of the Renewal Expense Ratios under Rule 25(b) of Insurance Rules for the last five years.
A	94	11	14
B	93	13	13
C	96	14	15
D	84	15	15
E	88	12	20
F	118	13	18

*This does not make any allowance for large sum assured rebates and annual rebates which the life offices invariably allow.

Paper read at the 9th Indian Insurance Conference.

The Value of Life Assurance to the Community

BY SHRI. P. A. S. MANI, Publicity Superintendent,
Oriental Government Security Life Assurance Co., Ltd.

THE strength and the dignity of a community are measured by the resources and the character of its members. A weakness in a individual is bound to weaken the strength of the community, drain it resources and stain its character. Although by confining its operations essentially among individual citizens, Life Insurance primarily aims at improving their resources and strengthening their character, it indirectly imparts strength and dignity to the community and directly helps to sustain that strength and dignity. In speaking about the value of Life Insurance to the community, therefore, I shall endeavour to show how Life Insurance benefits the individual and how those benefits strengthen the very structure of the community. And as we are interested especially in the destinies of our nation, I shall confine my remarks to conditions as they exist in India today.

"It is impossible to conceive of our civilization in all its vigour and progressive power without this principle (of insurance) which unites the fundamental law of practial economics that 'he best serves humanity who best serves himself', with the golden rule of religion, 'bear ye one another's burden'." (Encyclopaedia Britannica).

Collective Co-operation

The principle behind the Bibilical saying "Bear ye one another's burden" or, collective co-operation as it may be called, is the basis of all human progress and stems out of self-preservation, which is the strongest of all human instincts. Primitive men, in their quest for meat, mate and shelter, were driven by self-preservation to group themselves into tribes in their fight for conquest or survival against the attacks of other tribes which were inimical. This then is insurance in its most primitive form. Tribal law and custom expected or exacted contributions of loyalty and man-power to a common pool as a sort of premium for the protection of individual members from the dangers to which they were exposed.

A study of human progress reveals that in the application of collective co-operation over the ages, the techniques employed closely followed the growth of social concepts on the one hand, and the development of moral standards on the other. Welford gives a graphic description of a system of collective co-operation in ancient China which met the social needs and moral standards of those times admirably. The Anglo-Saxon Guilds of the Middle Ages played a similar part. The Joint Family System of India ensured security through collective co-operation with the family as the basic unit. Modern Life Insurance applies the principle of collective co-operation to meet the financial needs of individual and has made a signal contribution towards modern civilization. It owes its remarkable progress to the development of actuarial science and the recognition of the principles of moral equity and utmost good faith.

Moral Equity and utmost Good Faith

I can think of very few fields of business activity where the highest standards of moral equity and utmost good faith have been enunciated as the basic principle of operations, and given the force of scientific and legal sanction. It the fixation and application of premium rates, in the selection and acceptance of lives, in the safeguarding and the servicing of policies, in the calculation and distribution of profits, in the computation and settlement of liabilities—in fact, in every facet of its operations, it is equity and good faith and they alone that govern the actions of the Life Insurance man. Without equity and good faith, Life Insurance might have degenerated into a gamble.

In upholding the highest standards of moral equity and good faith, Life Insurance unfolds a way of life which affects the insuring public in several directions. In the first place, it forces a man to recognise the responsibilities of living. Secondly, it teaches him the great democratic principle that he who aspires to a benefit must pay for it. Thirdly, it provides an object lesson in justice and fairness by upholding the rule that he need pay only what is dictated by the benefits he wishes for himself and risks to which he is exposed, no more, no less. Fourthly, it demonstrates that honesty and good faith can be applied successfully to business transactions. There is quiet dignity in recognising the responsibilities of living and in meeting those responsibilities by one's own efforts in the most equitable way open to him. There is a feeling of accomplishment and righteousness in the very thought. Life Insurance upholds and sustains the self-respect of a man. It often changes his entire outlook on life. It gives him a chance to develop his personality. That, to my mind, is one of the greatest contributions of Life Insurance to human progress.

Savings — their need

That the birth of the middle class and the first signs of the disintegration of the joint family system coincided with the establishment of organised Life Insurance in India was more an accident than a design. But it was no accident that the progress of Life Insurance followed the increase in the middle class population and the decline of the joint family system, for Life Insurance gave the financial security to an individual that was once assured under the joint family system. Although the moral ties which bind the members of a joint family together may never be broken, the economic ties behind the concept are fast disappearing and, with the complete abolition of zamindari, the full implementation of the contemplated changes in the land tenure system and the strict levy of Estate Duty, and individual member of a community may have to depend in the future entirely upon his own resources to ensure a secured life.

Of the three well-defined stages into which the financial life of the average man can be divided, the first, extending roughly up to age 20, finds him as a dependent 'learner', the second, say up to the age 55 or 60 on the outside, as an independent 'earner' and the third, as a retired 'dependent'. He has thus a span of about 35—40 years in which to build up a strong financial foundation, not only for himself but also for the family which he begins to acquire at some stage of his 'earning' period. At first his income is necessarily small, but becomes larger with the passing of years and reaches its peak somewhere around the age of 40-45 if his profession demands physical exertion, or beyond the age of 50 if he engages himself in an intellectual pursuit. As his income increases, so do his liabilities towards his family.

Economists aver that labour and investments are the only two sources of income for a man. If labour income stops, investment income must step in. There is no possible alternative, except perhaps charity. As Sir William Beveridge, the famous author of the Social Security Plan for Great Britain, says "A condition of security is that the individual should be sure of an income when he cannot work ......due to sickness, accident, old age or unemployment. We need to provide against interruption of earning power." The ties of the average man to his family are so strong and the interruption of his earning power by old age or death so sure that, try as he might to drown all thoughts about his problems of the future in the pressure and the pleasure of the moment, he may never succeed in banishing them altogether. He has, therefore, no possible escape from setting apart a part of his current earnings to build up a reserve for the time he must cease to earn. That is a fixed, certain, inescapable principle that applies to all human beings, from the poorest day-labourer to the richest individual.

But the principle leads to a paradox. The average man is, on the one hand, taught to develop a personality strong enough to withstand adversities fairly and squarely and, on the other, he is face to face with opportunities for enjoying a few more pleasures and possessing a few more luxuries, after meeting the necessities of life. In the circumstances, recognition of the possible risks of the future would hardly provide sufficient motivation for him to save, or, even if it does, to ensure that the money he *intends* to save accumulates into a reserve. It is here that Life Insurance comes to his aid. By curtailing or, in the earlier stages, even terminating the benefits if the periodical deposits are stopped, and by imposing restrictions on the withdrawal of the deposits already made, Life Insurance creates an obligation to keep up a policy once it has been effected, and this exerts a gentle pressure to foster the habit of thrift and may be, develop a passion for regular saving for the future. I can say with little or no fear of contradiction that, but for the element of compulsion inherent in the system, a large majority of the policyholders on our books would hardly have saved any money at all.

Estimates place the average size of a Savings Bank Account in America at $50 and the average life, 16 months. How much less would the average size and the average life be in a very poor country like India! A very rough idea may be had from the table on page 32.

During this twelve-month period, therefore, Rs. 111·78 Crores were deposited in

Post Office Savings Banks, but resulted in a net increase in outstandings of only Rs. 11·76 Crores, and the balance of Rs. 100·02 Crores or 89·5 % of the deposits were withdrawn. Without suggesting that all the withdrawals were from the amounts deposited during the year or by persons who deposited them, the figures prove I think conclusively that even this most attractive channel for the investment of small savings is nothing better than a 'put and take' affair, and that the very case with which deposits and withdrawals can be effected offers a temptation to use it as a safe but temporary medium for saving. This alone should prove the unchallenged superiority of life insurance as a safe and permanent medium for saving for the common man.

Monthly receipts and outstandings at the Post Office Savings Banks in India for the twelve months ending August 1953.
(Lakhs of Rupees)

		Monthly Receipts	Outstandings at the end of the month	Net addition to outstandings every month	Withdrawals (1) — (3)	Withdrawals as percentage of deposits $\frac{(4) \times 100}{(1)}$
		(1)	(2)	(3)	(4)	(5)
July	1952	—	82,54	—	—	—
August	,,	8,61	83,76	1,22	739	85·8
Sept.	,,	8,79	84,91	1,15	764	86·9
Oct.	,,	8,36	85,25	34	802	95·9
Nov.	,,	8,03	85,54	29	774	96·4
Dec.	,,	8,45	85,95	41	804	95·1
Jan.	1953	8,38	86,09	14	824	98·3
Feb.	,,	8,36	86,36	27	809	96·8
March	,,	13,75	91,01	4,65	910	66·2
April	,,	9,66	93,01	2.00	766	79·3
May	,,	9,55	93,80	79	876	91·7
June	,,	9,43	93,80	—	943	100·0
July	,,	10,26	95,23	1,43	883	86·1
August	,,	8,76	96,67	1,44	732	83·6

(*Source: Commerce, Bombay*)

Death Protection

The problem of building up a reserve for the future is further complicated by the uncertainty of life. Let us look at a very much abridged life-table prepared to shed light on the subject:

Age	Number of living	Death in five years	Quinquennial age group
20	1,000	21	20-24
25	979	21	25-29
30	958	24	30-34
35	934	29	35-39
40	905	40	40-44
45	865	60	45-49
50	805	87	50-54
55	718	115	55-59
60	603	135	60-64
65	468	141	65-69
70	327	127	70-74
75	200	97	75-79
80	103	62	80-84
85	41	29	85-89
90	12	10	90-94
95	2	2	95 and over

(Prepared from the Oriental (1925-35) ultimate Table)

Here then we have a thousand young fellows on the threshold of life, all fit and upstanding, all with a reasonable standard of financial, physical and moral well-being. We see in the first twenty years nearly ten per cent of the people falling out—not a large number but enough to warn us about the uncertainly of life. In the next ten years a further ten per cent die and by the time they are 60, only about 60 % of the original 1000 remain. Sometime during middle age, the biological and other factors which sap the vitality of a man begin to manifest themselves.

The advancement of medicine and the extension of medical facilities would, no doubt, enable more people to live longer. But whether much improvement in mortality is possible in younger ages, say up to the 35-39 quinquennium age group is a moot point. And so, bearing in mind the trend of life and its increasing uncertainty with advancing age, and recognising the fact that there will always be some-one who will be the poorer by the death of a family member, whatever be his position in life, we are inevitably driven to the conclusion that he should insure his life as early as he can, as much as he can and while he can, and remain insured as long as he lives, if only to ensure that the liabilities he takes upon himself as an integral part of his life are met in full. That would undoubtedly suggest the whole life policy as the best scheme of insurance for the common man, but lest anyone effecting it should feel bitter at the thought of having lived up to a ripe old age for the benefit of the Insurance Company, we offer, and to a large majority of people who realise the importance of insurance throughout life, recommend, that most attractive form of life insurance for general purposes, the with profit whole life policy with terminable premiums.

Investment

This arrangement is often opposed by (1) some whose position in life during the 'earning period' does not ensure an adequate retirement income, (2) some who are anxious to have their savings in their hands in a concrete form—perhaps to fritter it away on some--unproductive, if not worthless, possession and (3) some who argue that they can do better with their money. To them we offer Endowment Assurances with pleasure to the first category of people and with reluctance to the second category, for we know that these policies give a man less cover than he could have had under Whole Life Policies and leave him uninsured when he still needs insurance, when in many cases he becomes ineligible for it and when, even if eligible, it will cost him more. To the third category, I would like to ask a few pertinent questions.

Even if a man is so foolish as to ignore the uncertainty of life, but is wise enough to realise the need for savings to solve the problems posed by his liabilities to a growing family and his own impending old age, and to withstand stoically the temptations of modern living, he must concede that the investment of his savings is as much important as their accumulation. Several channels, such as Real Estate, Business Enterprises, Stock Exchange Securities including Government Bonds and so on are no doubt open to him for the investment of his funds but, in considering all these and making a selection for himself, he must at least agree with Eddie Cantor when he said, in one of his serious moods, "All I ask is the return of my money, not a return on my money."

Security of the funds invested is, of course, the first consideration in investing the savings of a man; its convertibility in times of need runs a close second; a reasonable return on the money comes next; convenience of operations also counts. Let us examine Life Insurance policies in the light of these requirements:

To begin with, security. Sufficient

publicity has not been given to the fact that the Insurance Law as it stands today gives the insuring public a reasonable measure of security for the money they deposit and ensures the complete protection of their interests. Changing economic conditions can never change the face value of the policies as in the case of other securities. Secondly, convertibility. Much progress has already been made to secure the expeditious settlement of claims and competition between the Companies can confidently be relied upon to correct any existing shortcomings in this respect. Insurance Law and custom uphold the equitable right of policyholders to raise loans in times of need on the security of their policies expeditiously, conveniently, at a reasonable rate of interest and, what is more, without any publicity. Thirdly, interest. The accumulated reserves on the policies earn a constant rate of interest for every moment of time they remain with the Company. At the present rates of bonuses and premiums, a reasonable return on the investment is assured, bearing in mind the additional benefit of making up the loss in earning power in the event of early death which Life Insurance alone takes upon itself. Lastly, convenience of operations. Not only do Life Offices vie with each other to make the relations with policyholders more and more happy, but their salesmen go round and persuade, induce, beg and sometimes pester the public to take up and keep up life policies. More, all Offices now offer payment of policy moneys in convenient instalments as and when needed by the beneficiaries in order to prevent their dissipation, and for every moment of time allow interest on the money remaining in their hands, under such an arrangement.

In short, where else, I ask you, can a man conveniently invest the small amounts payable as premiums, and ensure that not only these payments but also the interest on them, will remain secure, bear interest at a constant rate, for every moment of time, entail neither expense over investment or conversion nor depreciation in face value and faithfully meet his needs whenever they arise? Where else? In Stock Exchange Securities?—their values are subject to wide fluctuations actuated by forces beyond the control of the common man; the returns on them are erratic; their sale or mortgage is often difficult and always subject to loss. In business enterprises?—Changing economic conditions, adverse legislation, competition, taxation, inadequacy of capital, bad judgment are merely some of the causes that drive a business to the rocks. In real estate?—Apart from a home for the family to live in, real estate is a bad investment proposition except to a farmer and this view gets added support from existing and proposed land legislation. The truth of the matter is that, apart from Life Insurance, sound investment of funds demands careful selection of securities or of property, diversification, and intelligent and continuous supervision and so are suitable only for the investment of *surplus* capital as distinguished from funds required for use in times of need. To put it in another form, a man can afford to supply risk capital only from capital that can be risked. And so, inadequate as it is for affording adequate protection, and endowment assurance policy for a suitable term stands unchallenged as the best medium of investment for people in the lower and middle income groups and as the soundest basis for the estates of those with higher incomes.

Other advantages

So much for the creation of the family estate. For the wealthy man, preservation of the estate involves many problems, the chief of which revolves around taxation. That premium payments earn the right of tax deduction is merely one of the many advantages of Life Insurance. A judicious use of Life Insurance policies will enable a family to substantially reduce the duty payable on an estate on the death of the owner and, what is more, by preventing the disintegration of other property, Life Insurance is the best means of providing for payment of Estate Duty. Especially because no man can forecast with certainty the precise value of his estates or the duty payable on them on death until he is almost on his death-bed, the need for holding a part of his estates in the form of Life Insurance property becomes imperative. Further, studies instituted in America have proved that people who have retained their affluence over a period of years have all had a large share of their estates in the form of Life Insurance.

Of particular interest to business men, especially those who are in partnership with others, is the facility provided by Life Insurance for the smooth transfer of a deceased partner's interests to the surviving partner. People in other walks of life too would do well to study the implications of the unique advantage offered by Life Insurance for the transfer or liquidation of estates which entails no administrative expenses, no lawyer's charges, no court fees, no danger of contests by relatives, no publicity of any kind, and no loss in value.

Group Insurance

May I now say a few words regarding group insurance? That by long, continuous and loyal service, the workers and lower-grade staff employed by industrial and business houses earn the right to pensions, or the wherewithal to live comfortably on retirement has now been recognised as an equitable principle. The idea started with a few enlightened firms in the Western countries who, following the rule applicable to Government servants, instituted pension and superannuation funds as an inducement for employees to remain faithful to their service. As it gained wider acceptance, Life offices who, with their highly technical knowledge of, and experience in, operating annuities, are well equipped to handle such schemes, began to offer group pension schemes. Such schemes were almost invariably financed by the joint contributions of employers and employees.

As they gave little or no benefit in case of death at younger ages, old age pension schemes gave only limited relief to employees. Life Offices again rose to set matters right by offering group insurance schemes. These schemes are almost invariably on a term insurance basis (that is, offering death benefit only), cover an entire class or an overwhelming majority of the employees, without selection of lives by the Insurance Company and of the sum assured by individual employees and are generally paid for by the employers. Alternatively, some form of permanent insurance, either on the whole life or on the endowment insurance basis paid for by the joint contributions of employers and employees, is also offered when necessary. In several advanced countries, group pension schemes are now merged with Government Social Security plans, but group Life Insurance is gathering popularity and momentum at a rate faster than any other single scheme of insurance introduced by the offices in the past. In 1950 for example, out of $31,867,000,000 of new Life Insurance purchased in the United States, $ 18,995,000,000 were ordinary and $7,380,000,000 group, the corresponding figures for 1940 being $11,278,000,000, $7,097,000,000 and $863,000,000 or an increase of 183 % (total), 168 % (ordinary) and 755 % (group) during the period.

The position in India is peculiar. A glance at the life table would show that people die off very rapidly in the higher ages and that the number dying in the decennium immediately following the normal retiring age of 60 is the highest in the whole table. That would suggest that the introduction of old age pensions would only secure a small benefit to a large section of loyal employees. A lump sum payment towards which both the employers and the employees contribute, may appear to be a logical solution and this is exactly what is sought to be achieved by the existing Provident Fund Schemes. But this is by no means an ideal solution, for, in the first place, provident fund payments are exposed to the danger of dissipation upon receipt without meeting the need for which they are intended and secondly, they do not ensure adequate means of livelihood for the families of employees who die early.

Attempts are being made to solve the problem by utilising the whole or a part of employees' contributions—employers' contributions can, in no case, be touched under existing laws—towards the financing of insurance policies but I have often wondered whether this is an ideal solution, for the insurance requirements of the employees, at least in the younger ages, are out of proportion to what can be purchased under existing conditions by the amounts at the disposal of the employees. A solution will, no doubt be found eventually and when that time comes, it will be found that Life Insurance has again provided it.

In passing, it may be pertinent to refer to the social security benefits available in many countries. These schemes, embracing old age pensions, unemployment relief and sickness insurance including medical treatment and compensation for permanent or temporary disability due to accidents to industrial workers are now based upon the scientific principles developed as a result of sound Life Insurance practices, logically belong to the sphere of Government activity and, in the opinion of many enlightened men, are the only schemes that legitimately belong to that sphere.

Versatality of Life Insurance

Life Insurance lends itself admirably to meeting several other needs in the life of a man, such as, for example, providing adequate funds for the education or marriage of children, arranging for periodical payments of money to meet the financial needs of a young and growing family in case of the premature death of the bread winner, redeeming mortgages on house property, granting of annuities to single persons or groups, making up the loss suffered by a business house by the premature death of a key man, and so on. To catalogue all the different ways in which Life Insurance serves and can serve mankind would amount to cataloguing all the different financial situations in which mankind finds itself. Generally speaking, wherever a financial loss is apprehended, which can directly or indirectly be related to the uncertainty of life, we can safely depend upon the enlightened knowledge and wisdom of our actuaries to evolve a convenient scheme to make adequate provision for the loss and upon the offices to offer it in the best interest of the insuring public. From the cradle to the grave, it is Life Insurance and Life Insurance alone that can, with certainty, insure dignity and financial strength to a man and his family, despite the uncertainty of his life and the risks to which he is exposed.

If you can contemplate a large group of people, all clean and upstanding, all fully alive to the responsibilities they owe to themselves and their families and all fully covered to meet those responsibilities properly and with case, you have the picture of an ideal community and although, the ideal may never be reached, Life Insurance is the only institution which strives to reach it in an organised manner.

Problem of Poverty

Although rich in spiritual wealth, the masses in India have always remained poor materially. Even in the midst of immense natural resources and vigorous efforts to utilise them, poverty is still the most acute problem in India today, despite the considerable progress that has been achieved during the last twenty-five years in the development of industries, in the expansion of internal and international trade, in the construction of modern transport and communication systems, in the advancement of facilities for academic, technical anc vocational training and in the growth of cities and towns. No longer do a majority of the people live in ignorance and isolation or oblivious to development in the outside world. They are up and kicking determined to follow a new way of life and build up a solid foundation of security. But the problem posed by 'too many mouths to be fed and too little to feed them with' must be solved before the common man can have the right to this security. There is a social and an economic aspect to this problem unconnected with food shortage and land searcity.

I — Social Aspect

The social aspect centres round the moral obligation of many earning members to support other people in distress.

Out of a total population of 356 6 millions, says the Census Report, 295.0 millions (82.7 %) live in 5,58,089 villages and 61.6 millions (17.3 %) in 3,018 towns including 73 cities. 29 out of every 100 persons earn to support, besides themselves, 11 others partially and 60 wholly.

249.1 million people (representing 699 in a thousand) follow agriculture as a profession, and among them 29 out of every 100 persons earn and support, besides themselves, 12 others partially 59 wholly. Among the 107.5 millions, belonging to the non-agricultural section, 31 out of every 100 earn to support themselves besides 6 others partially and 63 wholly.

A superficial consideration may not reveal anything alarming in this picture, bearing in mind the strength of an average Indian family, which has been estimated at 5. But a little scrutiny will soon convince us that the situation is neither simple nor satisfying. Almost in every household throughout the length and breadth of India one or more persons other than a man and his wife and their children live to share the expenses but not the income.

Interesting data has been collected and presented by the Census Report to shed light on this subject.

TABLE I

Classification of Households.*

Small - less than 3 members;
Medium - 4, 5 or 6 members;
Large - 7, 8 or 9, members;
Very large - 10 or more

Type of households	Number of households in a Typical village	Typical town
Small	33	38
Medium	44	41
Large	17	16
Very large	6	5

*A household has been defined as a group of people who live together and take their food from a common kitchen.

TABLE II.

Classification of relationship between the members of a household.

Household relationship	Number in 100 households*	
A. Heads of household		
Male - (Married)	71	
Male - (Widowers)	19	
Females	10	
Wives of heads of households	71	171
B. Sons of heads of households	108	
Daughters of heads of households	81	189
C. Male relatives (other than sons)	48	
Female relatives (other than daughters	72	120
D. Unrelated persons: Males	4	
Females	3	7
		487

(Source: Census Report Part 1-A)

* **Taken proportionately from villages as well as towns. Out of 487 persons in 100 households, only 360 legitimately belong to them.** In other words, slightly over a third of the members of a household do not belong to it.

These people whom, for the sake of argument, I would like to call 'outsiders' with your permission, may be the parents or the parents-in-law of the bread-winner, the destitute family of a deceased brother or brother-in-law, or even a remote cousin of the husband or wife. Much as the head of a household would like to limit the spending of his or her income—especially because of its meagreness—to meeting the essential needs of his or her spouse and their children, the moral ties inherited from the joint family system, are so strong that he or she is forced to share the income with 'outsiders' with consequent unhappiness, bordering on misery, to all concerned. Much of this unhappiness and misery can be prevented and a more equitable standard of living maintained, if all people utilise the splendid advantages offered by Life Insurance to provide for the contingencies of life. No enquiries have, to my knowledge been instituted to determine how far dependency of destitute families or old people upon earning members and their families contributes to the poverty of the country, its low standard of living or the inequalities of wealth. Nevertheless, our observations should convince us that an earning member would have a much better chance to lead a more decent life in the absence of dependents who look to him for support. And the pity of it is that, in the name of religion, morality and ethics, people are eager to make liberal contributions to charities which support widows and orphans in distress and at the same time, lend little or no support to Life Insurance which alone provides the most ethical and moral means to avoid the distress of widows and orphans.

II — Economic Aspect

Now for the economic aspect. The 356.6 million people living in the Indian Union produced an estimated income of Rs. 9,000 crores in 1950-51, giving a per capita income of Rs. 252/- —a very nearly As. 10 per person per day—quite a miserable income by any standard. More people must therefore earn higher incomes to ensure a better standard of living. Obviously, the business of Life Insurance cannot directly hold out better prospects for more employment or higher incomes than in the sales side, for Life Insurance does not produce wealth directly and helps in its equitable distribution only indirectly. Nevertheless, Life Insurance is a potent force for the supply of funds, in ever increasing amounts, which can be utilised in schemes that bulid up national prosperity and provide broad avenues for more employment and higher incomes. What is more, the funds must be invested in channels that assure undiminished value for the capital, a fair and regular return, and increasing prosperity to the people for whose benefit they are kept in trust. Here then we have a delightfully, virtuous circle—a large number of conscientious, thrifty people contribute very small but regular amounts towards their future security; the Companies gather them and invest the accumulations in channels that enable more people to make these contributions, probably at a higher rate or savings; and the circle steadily increases in size.

Over a ten-year period ending with 1951 the Life insurance in force and the funds kept in trust by the Companies for meeting their liabilities to policyholders have shown considerable increases:—

Year	Life Insurance Funds (Rs. in crores)	Increase in Life Insurance Funds over the previous Year Amount (Rs. in crores)	Percentage
1941	98.9		
1942	108.4	9.5	5.6
1943	117.6	9.2	8.5
1944	129.6	12.0	10.2
1945	145.7	16.1	12.5
1946	157.1	11.4	7.8
1947	169.7	12.6	8.0
1948	191.2	21.5	12.7
1949	214.3	23.1	12.1
1950	224.1	9.8	4.6
1951	239.3	15.2	6.8

(Source: Indian Insurance Year Books)

The bulk of the assets of Life Offices, which, in the case of Indian Insurance Companies alone totalled Rs. 249.8 crores on 31st December 1951, is invested in Government of India Securities.

With the accounting system we have, the actual amount of funds supplied by Life Offices annually to finance nation-building activities cannot accurately be estimated, but it should be considerable. This is a steady and reliable source of supply for funds and, what is more significant, the bulk of the people from whom these funds are collected in very small amounts, would not have, but for Life Insurance, contributed any money at all towards national prosperity.

The Five-Year Plan envisages raising of the National Income to Rs. 10,000 crores by 1955-56 and of annual savings from

Rs. 450 crores in 1950-51 to Rs. 675 crores at the end of the Five-Year period. The immediate objectives of the Plan are increasing the agricultural and industrial productivity and reducing the inequalities of income among the different economic classes so as to progressively secure full employment, adequate income, education and security for all members of the committee and the immediate programme involves an outlay of Rs. 2,069 crores:—

Schemes on which the total outlay will be expended	Rs. crores.	Sources from which the total outlay is expected to be Derived	Rs. crores.
Agricultural and Community Development ...	361	Savings from current revenues of Central and State Govt (Including Railways) after meeting non-development expenditure. ...	738
Irrigation ...	168	Internal loan, small savings etc. ...	520
Multi-purpose irrigation and power projects ...	266	Deficit financing ...	290
Power ...	127	External assistance received ...	156
Transport & Communication ...	497	External assistance expected ...	365
Industry ...	173		
Social Services ...	340		
Rehabilitation ...	85		
Miscellaneous ...	52		
	2,069		2,069

(Source: First Five Year Plan)

Beyond paying up their taxes, directly and indirectly, like good citizens, the public are hardly in a position to make any positive contribution towards the raising of the first of the items on the resources side, but it is in their hands to increase or decrease the amount of Rs. 520 crores shown as the second item, representing loans, small savings, deposits and other miscellaneous sources. The yield from this source stood at Rs. 77 crores during 1950-51 and the Plan envisages an annual improvement on an average of the order of Rs. 43 crores per annum. One of the main and the most consistent and reliable contributors to the yield under this item are the Life Insurance Companies. If all things remain as they are, a good year may secure an annual contribution of Rs. 15-20 crores towards this item. If the progressive implementation of the Plan results in increasing the saving power, the amount would be appreciably increased. Even at the present level of saving power, a considerable increase is possible if facilities for medical examination and collection of premiums can be extended to the rural areas

Medical Research

There are two more directions in which Life Insurance makes substantial contribution to human progress. The first arises from the need for medical selection in covering the risk on the life of a man and for investigating the causes of death when claims are made. Life Offices are probably the only institutions that can supply accurate facts on the effect of physical conditions upon mortality. The statistics collected by the Companies have, in many countries, provided valuable data for medical researches. On the practical side, as a result of their investigations, Life Offices have been able to extend the benefits of insurance to substandard lives (who stand most in need of insurance) at equitable rates of premium and offer the facilities for insurance, on a limited scale, without medical examination.

Life Insurance Personnel

The second contribution to human progress is made by the personnel employed by Life Offices. Although a well-trained employee of a Life Office is expected to be a veritable store-house of knowledge, I shall confine my remarks to two professions; actuarial and agency.

Concerning the contribution to human progress made by actuaries I can do no better than quote the remarks of the most distinguished member of the profession in India, Shri L S. Vaidyanathan

"While actuarial training highly useful in the conduct of the affairs of Life Insurance business in all its aspects both under Government and private bodies and while the call on his professional abilities made by the business of Life Insurance is the primary incentive for any young man to undertake this arduous course, the usefulness of such training in other fields of activity has been well recognised in countries where this profession has made considerable headway. Broadly speaking, where a financial transaction depends upon the happening of a contingency, not necessarily associated with life only, to wit sickness and unemployment, the problem becomes actuarial".

Turning to the agency force, I must apologize for relegating them to the last place, for, in reality they take first place in any scheme of Life Insurance operations. A well-trained Life Insurance salesman is a real asset to a community. His knowledge of men and their affairs is profound; his abilities to make friends and influence people mark him out as a natural leader in social and civic affairs; his efforts in making people realise their responsibilies towards their dependents help to bring forth the natural good in men. In the modern world, he is the natural friend of man in every walk of life; without him the value of Life Insurance would be lost to the community. Let them grow in numbers and let their unceasing efforts help India to increase her per capita insurance from the present level of just over Rs. 22 to Rs. 220 or even Rs. 2200 in as short a time as possible.

Paper read at the 9th Indian Insurance Conference.

The BEST and the SAFEST for Representation & Insurance.

THE

NEPTUNE ASSURANCE Co., Ltd

Clock Insurance Schemes a Speciality,

Last Valuation Bonus: Rs. 10/-& Rs. 8/-per thousand per year Whole life & Endowment respectively.

LIFE FUND: Over Rs. 1 crore
ASSETS: Over Rs. 1¼ crore.

Apply for particulars to:-
104, Apollo Street.
Fort, Bombay.

58th: YEAR
IN
NATIONS' SERVICE

New Business completed in 1953 exceed Rs. 4.42 Crores.
Total Claims paid exceed ... ,, 6 ,,
Total Assets exceed ... ... ,, 7 ,,

BONUS PER THOUSAND
Whole Life ... ... Rs. 44/-
Endowment ... ... ,, 36/-
(On current Premium Rates for Quadrennium ending 1951)

We invite you to share in the increasing Prosperity of this
SOUND & PROGRESSIVE LIFE OFFICE

BHARAT
INSURANCE COMPANY, LTD.
10, Daryaganj, DELHI.
(Branches & Agencies all over India, Ceylon & Br. East Africa)

THE STERLING GENERAL
INSURANCE COMPANY, LTD.
(Head Office: NEW DELHI.)
Controlling Office for South India & Ceylon:
No. 19, Linghi Chetty Street, G. T. Madras 1.
Paid-up Capital: Rs. 12,50,000
Transacts:
LIFE, FIRE, MARINE, MOTOR, WORKMEN'S COMPENSATION, AVIATION, FIDELIY GUARANTEE, ALL RISKS ETC.
Branches in South India at:
COCHIN, COIMBATORE, BANGALORE, MANGALORE, MADURA, KUMBAKONAM, MADRAS, VIJAYAWADA AND COLOMBO.
The Leading Aviation Insurance Company of India.
Apply for particulars to:
K. S. RAMAMURTHI, M. A.,
Deputy General Manager.

Scientific Selection of Agents

By Shri J. A. MANSOOR, B. Com., F.I.A.,
Secretary, Bombay Mutual Life Assurance Society Ltd.

To develop a sound and healthy organisation in any business whether it is insurance, commercial, medical or for that matter even political, it is absolutely necessary that those responsible for the basic task of selling the product to the general public have in them certain essential qualities—loyalty, good salesmanship, satisfaction in their work and thorough knowledge of the product they are required to sell. Selection of good agents in insurance business therefore is an essential step in the scientific planning of the organisation.

It is however only the first step in building the organisation, and is not a problem that can be set apart and tackled independently. It is a cog in a mass of complicated machinery and will be of maximum use only if the other parts are designed and manufactured correctly. For instance, no amount of scientific thought to selection of agents will serve any useful purpose if proper training and guidance thereafter is not available. It may be necessary, therefore, to touch briefly upon problems other than that of agents' selection.

"Hit or Miss"

In India, unfortunately, factors have combined to push the importance of the subject into the background. Everyone agrees that it is an important subject to insurance business. It is, however, a long term project which requires immediate investment of thought, money and labour which will not pay any dividends for some years. The race for big figures and the unhealthy and cut-throat competition created thereby do not allow one to pause and take stock of the position. This type of competition invites blind appointment of any and every person who has local influence or some relatives to insure. No account is taken of the prospective agent's selling ability, or of his ability to be of useful service to the policyholder in future years. If one were to think for a moment, one would realise that ultimately it was the policyholder who was the decisive factor in the success or otherwise of life assurance business and therefore his needs were of paramount importance. If he were not satisfied, he would become bitter about this type of investment and particularly about the Company with whom he was "inviegled" to take a policy. This dissatisfaction would spread to his own particular circle of friends and relations. One bad agent, even a thoughtless one, can thus create an everwidening circle of bitterness. Which insurance executive has ever stopped to think that a satisfied policyholder is his best advertisement and a dissatisfied policyholder his greatest obstacle?—And if he has cared to think on these lines, has he troubled to go into the problem deeper, that with all the efficient organisation in his office, his pride in quick disposal of correspondence and settling of claims, yet one false move on the part of the canvassing agent will bring about to naught all the goodwill of the policy-holder which he has been trying to develop all the while?

Agent's Role

In a country like India, where so many people are not even literate, where there are lacs of villages and the big city seems so far away, it is the agent who has pride of place. He is the vital link between the Office and the policyholder. The Policy-holder is more often than not ignorant of what he is buying. The agent's duty is not only to get the first premium paid and see that every premium is paid thereafter, but to explain the policy conditions, the advantages of the insurance, the effects of not paying premiums in time. He is the friend and guide before selling a policy for he will endeavour to understand the economic position of the proponent, his ability to pay the premium, his need for a particular type of policy, of a yearly or quarterly mode of payment. He is also the friend and guide when the policyholder is in difficulties and cannot pay his premium; or when the policy-holder has died and the widow is unable to understand how to fill in the claim forms. He has a very big job all the time, from proposal to claim, and if he does his job well, he will always remain a credit to his institution; his company will get the immense benefit of a good name in his particular circle of influence. The need of appointing the right man for an agency is therefore paramount and if the insurance industry is to prosper in India, if insurance-consciousness is to develop among the people, farseeing insurance executives will have to introduce, however gradually, some proper plan of scientific selection of their Agents.

Preliminary Considerations:—

(1) Statistical Approach

The problem can be looked at in a number of different ways. To begin with, in any organisation, it is undesirable to have too many agents in a particular locality—the "optimum" number of agents depending on, in their order of importance: (1) Population (2) Economic position of the people (3) Different types of avocation (4) Different communities, castes etc, The problem when considered from this point of view borders on the statistical. The basic principle involved is that in a given area there should be a limited number of agents. Healthy competition between agents of different companies is very welcome, but competition between agents of the same company is bad, very bad indeed. It is a sorry spectacle to see two agents of the same Company trying for a particular business and the sordid offers of illegal rebates which are bound to be made by one or the other—it is degrading for the Company concerned. Whilst such type of conflict cannot be completely avoided, it should, however, be minimised and to this end statistical planning in recruitment of agents geographically, economically, socially and religiously is vital. As an example of such statistical analysis it may be assumed that it is the intention to enter into the insurance field of District A. Population, census and other statistical sources will provide data as to the number of towns and villages in the District, the population of each town and village and age-distribution thereof, the number and situation of banks, the number of persons engaged in the various forms of commerce and industry, the number of doctors, the average income of the population, the number and distribution of schools, different communities, castes, etc. whether other insurance companies have established themselves, and types of transport facilities available. Although exhaustive, this list is necessary, for each item to its own small exent will help give an idea of the socio-economic field that is to be tackled and prepare the ground to determine how best to tackle it. Knowing the population in a particular village alone will be of little help in the absence of knowledge of the economic set-up, literacy, etc. of the people. Where the people are more moneyed and more literate, there will be scope for a larger number of agents; where the population is largely agricultural, concentration of appointment of agents in that community will pay big dividends, and so on. This type of statistical analysis prepares the ground for scientific selection of agents, for the next problem of actual selection of agents can be dealt with only after having an idea of the exact type of men required—age distribution, business position, social position, etc. Unless this is done, much effort may be wasted in training up a large number of agents, of whom only one or two will turn out successful later.

(2) Training programme and plan of organisation

The next step before actually selecting the agent on the lines determined, is to have ready a complete training programme for the agent, after he is so selected. The type of training to be imparted to the agent will affect the choice of selecting a particular agent. For it might happen that the training programme of a particular Company is rather rigorous and in such a case, it would serve no useful purpose to appoint as an agent, a man whose capacities for such training are limited however right a choice he might appear from other points of view. It is therefore essential to study the training programme first before making a choice.

Of equal importance in affecting the choice of the agent, is the plan of organisation to be adopted in that locality. Is he to be a direct agent of the Company or is he to work with the help of a special agent or salaried field-worker? If it is the intention to have him as a direct agent, more emphasis will have to be laid on getting a man who is capable of independent thought, self-reliance and ambition.

(3) Personal qualities

Having studied the different factors which would affect the selection of the agent, and arrived at a fairly exact picture of the type of person required for a particular locality, the actual selection of the agent is the next step. Besides the requirements of special characteristics which may have come to light, there are certain basic qualities essential to the making of every good agent and other qualities which are perhaps not essential but certainly desirable.

A good agent must be loyal. He must be the type of person who will stay on. An agent who has worked continuously in one Company can face the insuring public with a clear conscience and a proud knowledge of the wonderful product he is selling, his Company's product. Besides he will create least disturbance in the organisation, helping to keep the turn-over of new appointments and new recruitment down. The efforts expended on his training will not be wasted. His loyalty will serve as a shining example to other agents and to the policyholders themselves. His first duty—service to his policyholders—will always be fulfilled. It is the disloyal agent who canvasses cases for one company, leaves and joins another insurance concern and then often approaches his old policyholders with wrong and harmful advice to make their old policies paid up, or surrender them, and take out fresh policies in the new concern. This is harmful and against the interests of the bewildered policyholder who does not know what to do and begins to doubt all insurance men and the very idea of insurance. Disloyalty is the breeding ground of lies and deceit and strikes at the very foundation of good organisation. Unfortunately in India, loyalty is at a discount. An agent, tired of one Company and wanting to join another but not willing to lose his renewal commissions, is allowed to work in the new Company through a benami agency, in the name of his wife, son, daughter or other relative or even in a fictitious name. More often than not he is encouraged to do this by the field officials themselves. Government has tried to do its bit to encourage loyalty through the Code of Conduct recently introduced but what price such efforts when agents are permitted to work in any name whatsoever? In this country, therefore, loyalty is the first essential requisite of a good agent.

A good agent must be literate and capable of fully understanding, with proper training, the intricacies, procedures, etc., which are necessarily involved in insurance underwriting. It is only when he can understand what he sells then he can sell it to others. Being fully conversant with the subject will give him self-confidence in counter-acting the thousand and one difficulties which he will meet in his prospecting. It is not necessary that he be a matriculate in a village, or graduate in a city as long as he is intelligent and capable of learning.

A good agent must have the ability of salesmanship. In his prospecting, he is bound to meet with many difficulties, but with patience, good manners and pleasing disposition, and ability to tackle a prospect at the proper time and place and in the proper way, many a sales-resistance would be overcome. A good salesman seldom fails.

A good agent must be a respectable man in his community, preferably with a number of dependents. Respectability is important more particularly in a country like India where the agent's role is very important, perhaps too important. In his centre of operations, his name is synonymous with that of the Company he is representing and an agent who is not well up in the regards of his community will be automatically bringing to possible disrepute the Company itself. Further, if he has a number of dependents, it is more probable, though not always so, that he is aware of his responsibilities and thus works harder in his business of canvassing and organisation.

Ambition, the will to succeed, the desire to advance steadily in the line and in due course improve his position and create his own organisation of agents, is a feature which should be looked for and developed, if found. Whilst it is not absolutely essential that every good agent possesses it, it is the feature that is the

backbone of good organisation for it is the granary from which the future big field appointments of the Company are drawn. Such persons, too, turn out very loyal to the Company for they realise that their future in insurance is bound with the Company they represent and hence they strive always to better themselves and put in more effort.

Finally, it is essential that the agent is fairly well off to start with or if he is not, that at least he has a job to give him some income until he develops his ability to sell insurance and gets the necessary training from the Company to do so. In India, agency remuneration takes the form of commission only and hence a new entrant in the field cannot be expected to live on his insurance earnings for the first few months when he is undergoing training, learning the ropes and canvassing his first cases. Unless the system of remunerating agents is changed and salaries are permitted to them, at least during the course of their training, this requirement for an agent is essential. Of course, companies who are prepared to spend money for preparatory training of their appointees prior to their officially taking up agencies, can do so within the terms of the present law but perhaps this is not feasible in view of the huge outlay it involves and the present small margins in expense provisions. Experiments, however, can and should be made in localised areas to select men for training as agents, during which they will be paid some living wages. Thereafter they can be appointed as full fledged agents with consequent stoppage of salary. If this experiment is found successful, it can gradually be spread; thus is paved the way to sound organisation.

How to proceed

In the city, applications for agency can be advertised in the daily newspapers, or circulars issued to college students or efforts made to suggest persons for agency by the existing field staff. Out of the number of applicants for the post, the problem is to make a small choice. The first step therefore would be to ask the applicants to fill in a detailed questionnaire. This questionnaire will take the following form.—

(a) Name of applicant (b) Educational qualifications (c) Date of birth (d) Number and particulars of dependents (e) Present occupation, if any (f) whether the applicant has worked directly or indirectly in any other life assurance Company and if so, full details of appointment, business and severance with that Company (g) Has the applicant ever represented directly or indirectly, any concern for selling their products on salary/commission basis? If so, give full details (h) Does the applicant desire to take up insurance selling as a whole time career? If not, what other occupation will the applicant be following? (i) The applicant should give full names and addresses of two respectable gentlemen (not relatives) who may be referred to regarding his character, etc., (j) Has the applicant any friends or relatives connected with insurance industry? If so, give details (k) Has the applicant any ready business to be canvassed? If so, how much? (l) Does the applicant hold any agency licence? If so, give details. (m) Copies of all testimonials available should be submitted.

Along with this questionnaire, a note should be attached outlining the career which life insurance has to offer and the immense opportunities available to a really ambitious person; at the same time, it should be made clear that the insurance agent has a tough job in the early stages and must be prepared to meet with a lot of disappointments. Only those persons really keen to do this type of work, and particularly those who would in the near future prefer to take up insurance whole time should fill in the questionnaire.

When the questionnaires are received, they can be scrutinised and those which obviously serve no purpose in being looked into further can be separated and filed. The remaining batch of applicants should now be called for personal interviews before a panel of at least 2 or 3 judges. They should be questioned individually about their past experience, their social life, their friends. If they had experience in another insurance company, full facts should have been previously ascertained from that Company. Their selling ability can be tested by putting hypothetical cases before them and watching how they would deal with the problem. Marks may be allotted by the judges for deportment, salesmanship, qualifications, etc. Those having highest aggregate marks should again be called for a second interview. They should be explained in greater detail the career they are going into, its difficulties and recompenses. If the applicant is prepared to go ahead, he may then be selected.

It is interesting to note that if the law made it compulsory that an applicant pass a special examination, such as is held by the Indian Life Offices Association, it will make selection of agents so much easier. One can then be certain that the agent has complete understanding of the subject and is willing, in the majority of cases to remain faithful to the insurance industry. This raises an interesting question, whether this criterion for agency can be adopted by any one Company. The answer is a practical No, not at present. Whilst one can encourage passing of such an examination one cannot insist on it since at the moment there are so few qualified persons. Further, the remuneration of the agent being on a commission basis, there is no special encouragement for deeper study into the subject. One can, however, prescribe that one's salaried workers must be so qualified and this would go a long way in encouraging more people to study for the diploma. True, whilst imparting the training to the agent, the matter can be brought up and an attempt be made to sell the idea. This is a matter of training, however, and need not be further discussed here.

One point may be stressed and that is, inter-alia, it is wiser to take a man who is younger, but not too young, say about 25 to 35 years of age. It is also wiser not to consider for appointment a person who has worked for another insurance Company unless there is a very sound reason about which one should be satisfied beyond doubt, for his severance with the previous Company. The rolling agent understands and appreciates no loyalty and is not desirable. Finally, it is absolutely necessary that the appointment be given to the applicant in his own name only. Perhaps in this way, the company will lose the business of a number of persons who do not want to work in their own names but that is no matter; it is more than recompensed by the integrity and loyalty of its workers and the consequent good name it can command with the general public.

In cities it is not perhaps necessary to interview the two respectable gentlemen

named by the applicant in his answer to the questionnaire, but in villages and small towns, such reference is a necessity. A personal interview will serve a far more useful purpose than a written series of questions, and in this interview the confidential opinion of the gentlemen can be obtained about the applicant. Perhaps a few tactful questions can evince replies which will enable the questioner to check up with the statements made by the applicant.

Finally, prior to the appointment the person to be so appointed can be medically examined. Whilst one will not be too particular about the health of the candidate, as for instance insurance underwriting, yet it is desirable that at least the applicant is suffering from no disease which might prevent him from undertaking the type of job which insurance agency implies, particularly at the early stages.

Scientific selection of agents is thus seen to be a problem of a more complex nature than is gauged at first glance. It is the product of detailed, statistical preparation and interpretation, of studied investigation in the training and organisation methods and thus of formation of basic special requirements for the selection. It is a history of questionnaires and interviews, questions and answers, of cross-examination. It is the process of psychological analysis of the applicant and how he would fit in with the ordinary and special requirements which the post demands. In spite of all this, however, it is an essential step in the right direction, a step whose necessity insurance executives must begin to realise if the insurance industry is to prosper and fulfil its role of Insurance and Service to its millions of participants.

Paper read at the 9th Indian Insurance Conference

THE ANDHRA INSURANCE CO., LTD.

Head Office: **MASULIPATAM.**

(Estd. 1925)

ANDHRA marches forward with a sound and steady record.

Total Business in force about	Rs.	Ten Crores
Total Assets exceed	„	Two „
Total Annual Income about	„	Sixty Lacs

Transacts LIFE, FIRE, MOTOR, MARINE and all other Classes of Insurance.

Our Madras Office:
"Andhra Insurance Buildings"
337, Thambu Chetti Street,
G. T. MADRAS.

ALSO OFFICES AT:— Bombay, Nagpur, Delhi, Bangalore, Belgaum, Anantapur, Secunderabad (Dn.), Berhampur, Ernakulam, Bezwada, Rajahmundry, Guntur, Jamshedpur, Calcutta, Visakhapatnam, Dibrugarh, Muzuffarpur, Allahabad, Etc.

1954

JUBILEE VALUATION YEAR.

COMMONWEALTH Assurance Co., Ltd., POONA

With confidence progressing In all its Insurance Branches

LIFE * FIRE * MOTOR - ACCIDENT and WORKMEN'S COMPENSATION.

Better opportunity to influential and energetic persons seeking representation of the company on liberal terms.

S. M. JOSHI,
Managing Director.

THE CANARA MUTUAL ASSURANCE COMPANY, LIMITED.

Head Office: UDIPI, S. India.

Estd. 1935.

Canara Mutual occupies a unique position of distinction amongst the sound Life Offices in India. Constituted as a Mutual Company, the entire profits are shared by the participating Policy-holders alone, there being no share-holders. It has paid bonus since inception and in all the Valuations conducted on progressively stringent basis it has shown a surplus. In its fourth valuation as on 31—12—1950 conducted on an interest rate of 2¾%, a bonus of Rs. 12/- and Rs. 9/- per thousand per annum and interim bonus at the same rates have been declared for Whole Life and Endowment Assurances respectively. The Company has maintained its reputation by fair treatment. For more details about this progressive Mutual Life Office, write to-day to its Head Office.

THE

JUPITER GENERAL INSURANCE CO. LTD.,

Head Office: Bank Street, **BOMBAY-1.**

Madras Branch: Jupiter House, **167, Broadway**

LIFE, FIRE, MARINE, MOTOR, AVIATION, PERSONAL ACCIDENT & SICKNESS, WORKMEN'S COMPENSATION, FIDELITY GUARANTEE, BURGLARY, LIVE-STOCK, ETC.

TOTAL ASSETS

Over Rs. 3,35,00,000

Administrator: **Dewan Bahadur R. VARADACHARI**

Expense Analysis

By Shri V. SESHA AYYAR, M.A., A.I.A.

National Insurance Company Ltd.

16/0/06 ... 600 008

THE financial stability of a Life Office depends on many things; upon sound underwriting methods, upon economic management, upon prudent investment protfolio and above all upon the adequacy of the premiums charged. If the subsequent experience of the office should prove that the premiums charged have been insufficient it will not be in a position to guarantee the full liabilities undertaken. Three elements go to build up the premiums viz., mortality, interest and loadings — the first two form the net premium and the third constitutes the additions that are made to meet the office expenses. It only stands to reason that every premium charged must be adequate to cover the risk and the expenses in connection with the particular policy and also provide a reasonable contribution towards general expenses and leave a small margin for fluctuations and profits. As regards expense loading the principle of adequacy broadly means that the office's expenses of administration as a whole must be provided for in the premiums paid as a whole. Though the mortality experience for an office comes in for investigation every year it is rarely that the expenses are analysed to ensure that the expenses of management are within the expense-loading provided for in the premiums received. Such an investigation serves two purposes: First to test the adequacy of the present loadings and second as a means of fixing if necessary alternate loadings at the time of revising the premiums.

The complexities of apportionment of expenses among the various types of policies are obvious. There are of course certain items which can be definitely attributed to a specific policy viz. commission, (initial and renewal) policy stamps and medical fees. The remaining and preponderant part of the expenses cannot be identified with particular policies and therefore, should in theory be met by an equitable contribution from every policyholder. The extent and nature of the loading depends upon the opinion formed as to how administrative costs should be allocated. The largest expense is incurred in connection with placing the policy on its books. These include agency commission, over-riding commission, medical examiner's fees, policy stamps etc. The first two items can be expressed as a percentage of the premiums and the last two depend on the sum assured. Once the policy has been placed on the books; various types of service charges have to be met — accounting, actuarial, legal etc. These charges taken as a whole depend on the number of policies in force and sums assured while specific expenses like renewal commission is expressed as a percentage of the renewal premium. Most of the other items of expenditure like salary and allowances, rent, printing and stationery, postage etc. present complexities when attempt is made to analyse either according to sum assured or premium income.

Let us take a hypothetical case when the premiums for Whole Life and Endowment assurance policies are derived from the formula,

$$P' = \frac{1}{1-K}\left\{1000\,P + \frac{I}{(1+a)} + C\right\}$$

Where P is the net premium per unit of Sum Assured, I the initial loading, C the constant loading and K the percentage loading. The total amount provided by the formula for initial expenditure is (I + C) %₀ of the sum assured plus K per unit of gross premium and for renewal expenditure is C %₀ of the sum assured plus K per unit of the gross premium. As far as policies for large sum assured are concerned the above formula abandons the principle of charging each policy holder the same sum for certain types of expenses. In order to see whether the expenses of management for a particular year (which includes depreciation on furniture, Motor Cars and other assets which do not earn interest, preliminary and organisation expenses written off, pensions to staff, contribution to Provident Fund etc.) are within the limits provided for in the premiums collected it is necessary to allocate the total expenses into "new and Renewal". The first year expenses should be regarded primarily as those incurred for obtaining new business. The only item that can be directly apportioned is commission and for the other items no hard and fast rule can be laid down. Items like Policy stamps, doctor's fees, advertisement charges can be considered as new business expenses and items like legal expenses, valuation expenses may be taken as renewal expenses. In respect of the other expenses like rent, salaries, postage, printing and stationery, Director's fees etc., the allocation presents difficulties and have to be done in the light of detailed analysis of every item. Thus a large proportion of first years overhead consists of salaries of Branch Managers, and Inspectors, travelling expenses. These may be determined in the light of actual experience arising from new premium income and may be assessed as a percentage thereof.

The method of procedure can be explained with the aid of a simplified example. For a certain year the following might be the particulars.

	Sum Assured	Premiums
Endowment & Whole Life Assurance	Rs.	Rs
In force at the beginning of the year	800,00,000/-	36,00,000/-
In force at the end of the year ...	840,00,000/-	37,80,000/-
Issued during the year ...	100,00,000/-	4,50,000/-
Other types of policies.		
In force at the beginning of the year ...	300,000/-	12,000/-
In force at the end of the year ...	350,000/-	14,000/-
Issued during the year ...	60,000/.	2,400/-
Total expenses and Commission ...	740,000/-	

On the basis of the method outlined above the expense may be allocated as say Rs. 350,000/- "New" and Rs. 390,000/- "Renewal". Thus we have in respect of Whole Life and Endowment assurances sum assured corresponding to premiums paid during the year =

$$\frac{800,00,000 + 840,00,000 + 100,00,000}{2} = 8,70,00,000/-$$

Relative premiums =

$$\frac{36,00,000 + 37,80,000 + 4,50,000}{2} = 39,15,000/-$$

In respect of other types of policies relative premium

$$= \frac{12,000 + 14,000 + 2,400}{2} = 14,200/-$$

Assuming that the expenses in connection with the other types of policies is 10% of new and 5% of renewal premiums. This accounts for .1 x 2,400 viz. Rs. 240/- and .05(14 200 — 2,400) = Rs. 590/-. This leaves Rs. 349,760/- and Rs. 389,410/- for new and renewal expenses.

In the premiums formula assumed above let us take initial loading as 30 %₀ constant loading as 1.5 %₀ and percentage loading as .08 per unit of gross premiums. According to the premiums the provision for new expenses is (.030 + .0015) 100,00,000 + .08 × 4,50,000/- = 351,000/- as compared to actual expenses of 349,760/-. The provision for renewal is (870,00,000 — 100,00,000) × .0015 + (39,15,000 — 450,000) x .08 = 3,92,700/- as compared to actual expenses of Rs. 389,410/-.

In actual practice the working would be more complicated as separate allowance has to be made for single premium policies, Whole Life policies after premiums cease and also for the fact that the frequency of payment of premia vary between individual policies.

Another useful line of investigation is to see whether the expenses of management conform to the provisions of Insurance Act 1938; Section 40(B) of the Act requires that after 31-12-1950, no Insurer shall, in respect of Life Insurance business transacted by him in India, spend as expenses of Management in any calendar year an amount in excess of the prescribed limits. In prescribing the limit, weight has been given to the size and age of the Insurer. Thus in the case of an Insurer of over 10 years standing, whose business in force is not less than 10 Crores of rupees, the percentage allowed by way of expenses is 90 % of the first year's premiums and 15 % of the renewals. In respect of any first years' premiums where the maximum premiums paying period under the policy is not throughout life nor more than 11 years; the percentage of the first year's premiums will be a number equal to 7½ times the number of whole years in that period. Certain expenses in respect of annuity business are also allowed. It is therefore, necessary for all life offices to keep every item of expenses under supervision and control to conform to this provision. The expense ratio as defined by Section 40(B) is a function of the first year's premium collection, renewal premiums and expenses of management. A comparative study of the expenses of different offices will indicate variations because the conditions in which they operate differ. The first and most significant is the proportion of New Business in a year to the business in force. New Business strain arises for the reason that a large part of the expenses are incurred at the time of placing the business on the books. Thus a Company embarking on a programme of rapid expansion of its operational field by opening New Branches will find itself in an unfavourable position when its expenses are compared with those of another Company whose New Business figures have stabilised at a lower portion of the Business in force. In order to keep procuration cost at a minimum it is necessary to exercise strict budgetary control of the expenses of the Branch Office. The Branch Office is primarily concerned with procuring New Business and a major portion of the expenses incurred by the Branch can be attributed to this. The expenses in this connection consist of the Branch Manager's salary, Inspector's salary, Travelling expenses, Agency and over-riding commission. To this has to be added medical examiner's fee and that part of the cost of running the office which can be debited to New Business account. It is usual for the Head Office to allocate certain percentage of first Year's and renewal premium collections by the Branch within which the Branch has to operate. The percentage will no doubt depend on the volume of work handled by the Branch Office. Thus for a Branch which pays agency commission and doctor's fees, 75% of the first year's premium and 8% of the renewals may be considered reasonable.

The average sum assured per Policy in force is another index which has a bearing on the expenses. The percentage of lapses to the business done in various years is an important factor having a bearing on the financial resources of the Company. The premium collection in respect of New Business will not be usually sufficient to meet the procuration cost, the corresponding expenses and claims and to set-up the necessary Policy reserves. The deficit will have to be financed by the policies already in the books of the Company. This deficiency will be progressively liquidated when the future premiums are paid and if a good proportion of New Business is discontinued, this results in an irrecoverable loss. It should therefore, be the primary aim of enlightened management to make no departure from the accepted standards of business underwriting and to have safeguards against bogus business.

Paper read at the 9th Indian Insurance Conference.

WANTED

Applications are invited from persons of ability desirous of building up Insurance Career, for appointment as Organisers from Rs. 150/- to Rs. 400/- p. m. according to capacity.

Write for particulars to

The Managing Director,

The Sahyadri Insurance Company Ltd., Nasik.

Insurance Association of India

ADDRESS OF THE CHAIRMAN, MR. N. K. ROYE,

at the Annual General Meeting of the Delhi Regional Council held on 29th March 1954

It is a rare honour and privilege to be able to stand before a gathering like this — all top administrators of the General Insurance in the Delhi Region — to address them as their Chairman.

As your Chairman, I am not supposed to criticise the Five Year Plan of India or to tell you as to how India may be affected by the U. S. Military Aid to Pakistan. I am supposed to keep myself within the four walls of the past, present and future activities of the Delhi Regional Council.

As for the past & present activities, that is, as to what the Delhi Regional Council has been able to do in its three year's existence and at what stage of progress it has been able to reach, we have said in detail in our Reports, which are already in your hands.

You have also heard my learned colleagues, Mr. A. N. Oberoi, the Chairman of the Fire Sectional Committee, and Mr. Charanjit Singh, the Chairman of the Miscellaneous Sectional Committee. So, I don't think, I have many more things of interest to tell you in that connection. I may only supplement a news item in the Council's Report about having a Uniform Basis of Levies & Subscriptions for all the Regions in India. The proposed Meeting of the Sub-Committee with the four Chairmen of the four Regions, as is mentioned in the Report, was held on the 21st of January this year at Calcutta and I, as the representative of your Region, attended that Meeting. I may tell you, gentlemen, it was not a very easy job for us to meet the arguments and counter-arguments of the learned & veteran members of the Tariff Committee, who formed this Special Sub-Committee. But, still I may tell you that all of us fared quite well in the viva voce examination and, as a result of that, the Special Committee had ultimately to decide in favour of all of us, that is, they decided that the "status quo" be maintained.

But one other thing, very important, came out of our deliberations. While discussing the basis of Subscriptions & Levies of the different Regions, we all got opportunity to examine in details the expenditure of the different Regions in reference to Premium Income. As a result of this discussion, we felt that it was possible and also desirable that we reduce our expenses to the minimum, with a view to lessen the burden of the Tariff Insurers who now-a-days have to contribute to a number of Councils and Committees. Afterwards we received a directive to this effect from the Tariff Committee as well. As for the Delhi Region, we were already running our affairs very economically and this was appreciated by all even at the last Annual General Meeting of the General Insurance Council, which I attended as your representative in Bombay.

Now let me say a few words about the future. By the word future I don't mean that I should play the part of an Astrologer and foretell something about the future of your Region or Council or Committee. What I mean to say is, as to how we should proceed with our work in the best interests of the Industry. Or, if you like, you may take it that with your indulgence I want to give you some "advice-gratis" as many Chairmen are tempted to do on such occasions.

About this advice part of it, gentlemen, I shall not begin with the conventional expression of modesty speaking of my incompetence to say things before you. I am one of those who believe that each & every man has a story to tell before the world in the light of his peculiar experiences. I, therefore, want to say a few words about this much-talked-of Code of Conduct. Your last year's Chairman, Mr. Seth, had spoken at length of the Code of Conduct that was to come. And now in the Council's Report this year you have read that "the Executive Committee of the General Insurance Council finalised the Code during the year under report and also the machinery for the implementation of the Code. Under the regulations of the machinery, an Administrative Sub-Committee for the Region was constituted and Mr. D. L. Puri, the Dy. Chairman of the Council, was nominated as Council's nominee on the Sub-Committee. Your Council made arrangements in the Office of the Council for the accommodation of Mr. M. Pal Wadhawan, the Investigating Officer, appointed by the Executive Committee (in July 1953) under the machinery. Since then, the Staff of the Regional Council who had already been rendering secretarial assistance to the Administrative Sub-Committee has been assisting the Investigating Officer too."

Though this has apparently nothing more than a news value to us because the Regional Council's powers are only "to control and regulate the rates, advantages, terms & conditions that may be offered by the Tariff Insurers" and it does not have any authority to take cognizance of any 'malpractice' other than "breach of Tariff", yet due to the fact that we are also spending a portion of the Revenue of the Delhi Regional Council for the Administrative Sub-Committee of the General Insurance Council and its Investigating Officer and have also sent a representative - if I am permitted to say so - to that Police Department of the general Insurance Council, I think, that even as your Chairman I have a right to say what we all feel about it. But still I would like to make it very clear to all of you here that whatever I would say now about the Code of Conduct and the Administrative Sub-Committee should be taken as said in my personal capacity and these are all my personal views.

Gentlemen, I ask you a straight question. Search your hearts and give me your reply. Has the Code of Conduct really done any good to your Institution? Has any special benefit come to the Shareholders or Policyholders of your Companies, to safeguard whose interest the Executive Committee of the General Insurance Council has taken so much trouble to introduce this Code? On the other hand, do you not feel that since the introduction of this Code, the malpractices have rather increased and the competition

in business has become more keen and unhealthy and things have taken a turn for worse in every respect? Believe me, I am one of those who remained above the malpractices, and has been following the Code strictly since it came. But, I may tell you here, it has not in any way benefitted me, rather it has deterred my progress.

Now, if I ask you as to what you think to be the remedy for this, I know, you will say "we all should make very serious & concerted efforts and make it a success." But, I say, gentlemen, chances of serious & concerted efforts by all of you appear to me merely a wishful thinking and pious hope. It is a vicious circle you are all in. It is really impossible for you to come out of it with the help of this Code of Conduct.

Gentlemen, I, therefore, venture to suggest that the Code be scrapped. I know the Controller of Insurance, who has introduced a big paragraph this year in his Blue Book in praise of the Insurance Councils and the Codes of Conduct, would not agree with me though he also knows in his heart of hearts that with the doing away of the Code, the practices to avoid the Code might also go.

There is no reason why the Insurance Companies be not left alone to manage their own houses within the Over-all Limit? What difference it makes to the Controller if I spend two rupees more in one item and save two rupees from the other; or if I procure my business through whole-time Inspector or part-time Inspectors; or if I have two Branches within a distance of 40 miles, if I can manage my things within the limits of economy prescribed by him? When the ceiling rate of expense has been fixed, what is the idea in anybody's interfering in my details? The Controller of Insurance is already there to keep a vigilant eye on the Insurance Industry and if at any time any Insurance Company resorts to practices likely to be harmful to the trade in general or to the Shareholders or Policyholders in particular, the Insurance Department can always come down with a heavy hand on the offender. It is always a more judicious and a more practical step to spot out the black sheep than to punish the whole flock.

If due to this control, a Company with the best of intentions, cannot work freely and unnecessarily sustains loss thereby, then where lies the necessity or utility of that control? Measures, which are likely to defeat the very purpose for which they are enacted, do not deserve to be continued with.

Gentlemen, these are the Controls which breed black-marketing. Once Controls go, free trade comes into its own and there is an end to black-market. Indian Insurance Industry requires less of shackles and more of freedom and discretionary powers to make a sizable contribution towards national growth. The strict enforcement of the Over-all Limit should, therefore, be the only control for us.

Now, gentlemen, something about the Administrative Sub-Committee and its investigating Officer. Without meaning anything personal, I feel, there is an inherent defect in the working methods. So far as I know, as per the present procedure, if the Investigating Officer receives a complaint from any Tariff Insurer, he has to pass it on to the Secretary of the Administrative Sub-Committee, who then

PLEASE COMPARE
1952
ALL ROUND PROGRESS
of the

POLICE CO-OPERATIVE LIFE INSURANCE SOCIETY, LTD,

and satisfy yourself

	1951	1952	Percent of increase.
Premium Income	3,53,590 0 0	8,95,046 12 0	12 %
Interest Income	23,547 2 7	36,402 8 0	55 %
Life Insurance Fund	8,37,820 15 5	11,09,907 10 9	33 %
Total Assets	9,04,619 12 5	11,95,003 2 3	41 %

Total Claims Paid Rs. 2,39,796-8-5

DESPITE KEEN COMPETITION AND ECONOMIC DEPRESSION THE SOCIETY IS MARCHING AHEAD.

Join this progressive Society and

Share its Unique Prosperity: Premiums Deducted at Source

LOWEST PREMIUM: LOWEST EXPENSES: ABSOLUTE SECURITY:

INTERIM BONUS DECLARED Rs. 5/- per thousand per annum in Valuation as at 31-12-51.

Please see or apply for particulars to:

POLICE CO-OPERATIVE LIFE INSURANCE SOCIETY, LTD.,
Head Office: **4. Saklat Place. Calcutta-13**

"Over 83 Years of Faithful Service"

Founded on Principles at once Democratic and Sound. The **Bombay Mutual Life Assurance Society Ltd.** has been steadily serving the public through eight decades or more, an outstanding contribution to the country's progress. It has held steadfastly to one single aim "Service to Policyholders". The **"Bombay Mutual"** belongs to its Policyholders. They own the Society. They Control it.

We have various schemes to suit individual needs. Write for particulars today.

THE BOMBAY MUTUAL LIFE
ASSURANCE SOCIETY LTD.,
(Estd. 1871)
Head Office:- **Bombay Mutual Bldg.**
Dr. Dadabhai Naoroji Road
BOMBAY No. 1.

circulates the complaint to all the Members of the Committee. Then, on an agreed data, a Meeting of the Committee is held to consider the complaint. This Meeting is generally held once in a month or two. The Committee then, almost as a routine procedure, asks the Complainant Office to settle the matter amicably with the Office complained against. If that ends the matter, well & good, otherwise the Papers are again placed before the Committee in the next Meeting whenever it is held. In that Meeting if the Committee considers it a proper case for investigation, then only the case is passed on to the Investigating Officer, who then, on a date convenient to him, goes for investigation. This is such a lengthy procedure that by the time the Investigating Officer reaches the spot for enquiry, say after 5 or 6 months he finds that things have already been managed in such a way that it becomes impossible for him to prove any guilt against the party concerned. So, I say, gentlemen, why this fuss of investigation, which cannot produce the desired result even at such a heavy cost, every pie of which again is paid by the Tariff Insurers?

Gentlemen, if you, however, feel that the Government Controls would not go as easily as I think it should, it is high time that we do something about these four Administrative Sub-Committees and the Investigating Officers, so that some real good may come out of their labour—and, good or bad, they at least justify their name and existence as the Police Departments of the General Insurance Council. As it is now, I am constrained to remark that the position of the Investigating Officer is nothing more than a "gooseberry picker". I don't know if all of you know that gooseberry picker is a third person who is asked to accompany the pair of lovers so that nobody can suspect them.

Now, gentlemen, it remains for me to thank you from the bottom of my heart for the great honour you gave me by electing me your Chairman for the year 1953-54 and also for the patient hearing you have given me here.

I also take this opportunity of thanking most sincerely my colleagues in the Council, but for whose unstinted support & co-operation, I could not do whatever little I have been able to do as the Chairman of your Council.

My best thanks are also due to the Chairman and the Members of Fire and Miscellaneous Sectional Committees, who have done really very creditable work during my regime and have earned name for this Region.

I would also like to repeat here what we have said in our Council's Report that "the staff of the Council performed their duties efficiently and to the entire satisfaction of the Council." As such they all and particularly the Acting Secretary deserve our thanks.

Before I finish, I welcome most heartily on my own behalf and on behalf of you all, the Members of the New Council and the New Committees. I particularly welcome the new entrants of this year, who, I am sure, with the beginners' zeal and enthusiasm, would contribute materially in raising the Delhi Region to high and higher position in future.

THE METROPOLITAN
INSURANCE COMPANY LTD.,
Head Office: CALCUTTA.

New Business Completed in 1953.
Exceeds Rs. 8,76,00,000

WANTED
Agents and Organisers
on attractive terms in unrepresented areas

MADRAS BRANCH:
52/53, Thambu Chetty St., **Madras-1.**

Other Offices in the South at: **Madurai, Karaikudi, Ernakulam, Vijayawada and Bangalore.**

THE NEW GUARDIAN OF INDIA LIFE INSCE. CO., LTD.,
Head Office:
(Estd: 1934).

Liberal Policy conditions, decent Bonus to Policyholders and prompt payment of claims are among the characteristic features of the Company's working.

A Policy in this sound Life Office is an excellent asset; its Agency is a valuable business connection.

Applications for Agencies are invited from influential persons.

The New Guardian of India Life Insce. Co., Ltd.,
Head Office:
"United India Life Bldg".,
Esplanade, MADRAS.

Association of Mutual Life Offices in India

Presidential address of Sri T. R. A. Pai,

at The 5th Annual General Meeting held at Bombay on 5th April, 1954.

I thank you once again for the honour conferred on me by your electing me as the President of the Association for a second term. Last year when I expressed my gratitude to you on a similar occasion as this, I did it with the fervent hope of laying down this office soon after the event. But you chose otherwise. The practice of electing a new President every year is really a very wise one and I am sure you all think likewise.

Reviewing the relevant events and our activities of the foregoing period, I have to mention first and foremost the several representations made by your Association to the Taxation Enquiry Commission. Attempts have also been made to bring home to the State and Central Governments the undesirability of their entering into an unfair and unhealthy competition with Indian Insurers by pampering and expanding the activities of their respective State and Postal Insurance Departments. During the period the trend towards mutualisation has been progressive. The Estate Duty Act has been placed on the Statute Book. The idea of evolving an Aptitude Test for Insurance Agents suited to Indian conditions has also made much headway in the programme of the Indian Life Assurance Offices Association. The one thing that I have to stress with a note of regret is that with the advent of independence the spirit of Swadeshi appears to have sagged in the minds of our people and this is borne out by the rising output of the Foreign Insurers in India as against the falling business of the Indian Insurers in this country. With this general review of the picture I would like now to take up only its important aspects in greater detail.

I referred to the representations made to the Taxation Enquiry Commission. The first of them was made in June, 1953 giving the various arguments and case-histories in support of exempting Mutual Insurers from Income-Tax on the same basis as Co-operative Insurance Societies. For this we received a reply stating that the name of our Association has been placed on the list of those desirous of giving evidence before the Taxation Enquiry Commission when it started taking it and that a copy of the Questionnaire of the Commission, which was then under preparation, would be sent to us in due course to enable us to send to the Commission our views in detail in this matter. Subsequently when we were requested to submit our reply to the Questionnaire we did so in September, 1953. A further representation was also made in November, 1953 basing it on the latest decision of the Supreme Court of Canada finally stating that Mutual Companies cannot be assessed by their Government for purposes of Income-tax. In December, 1953 we once again made a representation clarifying the position of the Mutual Insurers because of the attempts being made by interested sources to confuse the principle of Mutual co-operation prevailing in the

Mutual Companies by splitting the single group of its members into participating and non-participating policyholders. In this matter we have made the position of Mutual Insurers crystal clear and removed the confusion. In brief, our arguments conveyed to the Taxation Enquiry Commission the idea that both Mutual Insurers and Co-operative Insurers belong to and carry on their main business with their respective members and therefore Mutual Insurers too should be given the same exemption from Income-tax as Co-operative Insurers.

Taking up the question of State and Central Governments entering into unhealthy competition with the Indian Insurers, I have to emphasise the supreme importance of our appealing to and persuading the said Governments to stand by the Indian Insurers by closing down their Postal and State Insurance Departments. At a time when the Indian Insurers are facing a very keen competition from Foreign Insurers under conditions which are very favourable to the foreigners, these attempts of the State and Central Governments to further increase the difficulties of the Indian Insurers are really deplorable. In this connection I would like to quote from a publication called "SERVICE" of Washington, U.S.A:—

"An attempt was once made in England to sell life insurance through post offices. It failed.

"Several State Governments offer insurance to state residents at low, over-the-counter rates without notable results. Looking into this attempt to do away with the need for insurance salesman, a special commission of the Massachusetts ligislature reported:

"............it is recognized that life insurance is a necessity of life which most of our citizens need but of which many will not avail themselves *unless urged or solicited to do so through the medium of agents* (the italics are ours)."

If the Governments of such highly advanced and insurance-minded countries like the U.S.A and the U.K. have failed in their attempts to popularise the State Insurance, in spite of its being cheaper than private insurance, how can the Governments of a comparatively less insurance-minded country like India and its States popularise State Insurance? In short, I would like to say that the earlier the Government authorities close down their Departments for securing Insurance Business the better for them. Experimenting on and subsidizing such schemes at the expense of the tax-payer is not only going to be a strain on the State revenues but also contributing to the growth of unemployment by depriving regular Insurance Agents of their dues and jobs. Besides, the attempt of the Governments to popularise their insurance schemes which are slightly cheaper simply spoils the morale of Indian Insurance market instead of increasing the business of their Insurance Departments to any considerable extent. Out of their total Life Insurance and other Insurance funds of Rs. 205 crores as on 31-12-1951, the Indian Insurers have invested about Rs. 122 crores in Indian Government Securities alone, about 1·61 crores in the securities of Part B States and in all about Rs. 141 crores in Government and approved securities. Under such circumstances it is the duty of these Governments to stand by their indigenous Insurance Companies and help them in all ways and not to do any thing detrimental to their progress and expansion.

Regarding the trend towards mutualisation of proprietory companies I am really happy that the Prithvi Insurance Company of Madras is undergoing the process of mutualisation. It is also reported that the largest proprietory company in India viz: "Oriental" is also going to be mutualised shortly. Thus the way for the mutualisation of proprietory Indian Insurers is now paved. We can therefore look forward to the day when this Association can count very many of the present day Proprietory Insurers on its roll as mutual insurers.

Selection of insurance agents is by far an important aspect of our business. The better the selection, the better will be the business and the morale of the Insurance world as such. It is also likely that the total annual output of Indian Insurers will go up if care is taken by them to select only quality salesman. As selection standards are raised, the double purpose of building up public goodwill and removing the ill-will caused by the less competent agents in the past will be served very well.

Today the total new business produced by Indian Insurers is slowly going down from year to year compared with that produced by Foreign Insurers. For example, the Indian Insurers' new business was 131·4 crores in 1946, 118·4 crores in 1950 and 116·5 crores in 1951 as against 12·9 crores, 13·7 crores and 16·4 crores produced by Foreign Insurers for the respective years. One of the main reasons for this is that the Foreign Insurers select a definitely better class of salesmen than Indian insurers.

Another important reason for this fall in the total of the Indian Insurers' new business is the fast diminishing in or vanishing of the spirit of Swadeshi among Indians. With the advent of political freedom, many of our country-men have begun to forget the need for nurturing the spirit of Swadeshi. Political independence does not imply economic independence and until a nation becomes economically free, it will not be a really free nation. So our first duty today is to build the economic freedom of our country and that can be done to a certain extent by increasingly patronising Indian Insurers and not Foreign Insurers. Today Indian Insurers stand on a par with Foreign Insurers if not excel them. Therefore it is quite essential that Indians should patronise the indigenous Insurers only.

The future of our Association is very bright because Mutualisation has become the most acceptable form of insurance ownership and management of both today and tomorrow. At present it is desirable that all the existing Mutual Insurers in India, howsoever small or large they may be, enrol themselves as members of this Association and strengthen our hands so that we may serve them as their full-fledged representatives in all matters where such united effort is necessary. Under any circumstances I can assure all Mutual Insurers, whether they be members of this Association or not, that they can bank upon us for whatever service we can render them at all times because our main aim is to serve the common cause of Insurers in general and Mutual Insurers in particular.

Finally, before I lay down this Office, let me doubly thank the members of our Executive Committee viz: Sri M. V. Sohonie, Sri P. C. Ray and Sri C. M. Srinivasan and Sri S. N. Agashe, the Honorary Secretary of the Association for their hearty co-operation during the two consecutive periods of my Office as President.

Gentlemen, let me thank you all for the very kind and patient bearing you have given me.

A man is known by the Company he keeps

"Hindusthan Ideal's" Agents are proud of the Company they represent.

They are proud of the reputation "Hindusthan Ideal" has earned with its Policyholders, for the wide range of progressive policies it offers, for the record of propmt, fair settlement of claims, and for the Bonuses it pays to its Policyholders. Above all, for the perpetual Renewal Commissions it offers to them.

THE HINDUSTHAN IDEAL INSURANCE COMPANY, LTD.,

(Incorporated in India in 1935)

Masulipatam.

CENTRAL OFFICE:

Post Box No. 1601: 32/33, Linghi Chetty Street, Madras-1.

General Manager: S. RAMACHAR.

THE LAKSHMI INSURANCE CO., LTD.,

Head Office: DELHI.

A Leading Life Office.

Assets Exceed ...	...	Rs. 6,50,00,000
Total Assurances in force exceed		„ 24,70,00,000
Claims paid exceed	...	„ 1,62,00,000

Bonus

declared in the last VALUATION as on 31—12—52

Rs. 11/- per thousand per annum for Whole Life.

Rs. 9/- per thousand per annum for Endowment,

(on current premium policies).

For particulars write to:—

The Branch Manager,
Lakshmi Insurance Co., Ltd.
4/105, Armenian St,
G. T. Madras-1

The Branch Manager,
Lakshmi Insurance Co., Ltd.
10/2, Dewan Bahadur Road, Ratnasabapathipuram Post,
Coimbatore.

Thirteenth Annual Insurance Conference

held at Patna On 28th march 1954, under the auspices of the Insurance Club, Patna.

ADDRESS OF MR. K. L. GUPTA, M.A., A.C.I.I., F.I.A., F.F.A.,

General Manager & Actuary, Bharat Insurance Co., Ltd., New Delhi.

LIFE Insurance business in India has made commendable progress during the last ten years. The New business as well as the business in force has increased considerably. Whereas at the end of 1943 the total business in force in India was Rs. 378 Crores, it increased to Rs. 916 Crores at the end of 1952. But inspite of this progress the total insurance protection enjoyed by the Indian people is very meagre indeed in relation to the size and population of the country. We stand almost at the bottom in the list of the civilized countries in the matter of per capita insurance. The causes of our backwardness in this matter can probably be traced primarily to two facts, namely (a) lack of knowledge of and apathy towards life insurance, and (b) the poverty of our people. Our field force, is trying strenuously to carry the message and gospel of insurance to as many homes as is possible within the limitations imposed on them *inter alia* by the cost of procuration of business, and it is mainly because of the increased insurance consciousness created by their efforts that insurance companies as a whole are more or less able to maintain from year to year the peak figures of business reached in the years 1945 and 1946. I need hardly mention that life insurance in India received a great fillip in the years 1943-46 when goods were scarce and money plentiful. We can centainly depend upon our field officers for their endevours to make more and more and more people insurance minded and even expect a steady growth of new business but without a tangible improvement in the financial condition of the masses it would be too optimistic to expect any spectacular increase in the business. While our production, both agricultural and industrial, is steadily increasing, which means that our total national income is increasing, our population is also simultaneously registering a rapid increase. In fact the trend seems to be for the population to increase more rapidly than the output of goods and surely this state of affairs is not conducive to a healthy growth of our economy. It is, however, a happy augury for the country that the necessity and wisdom of limiting the size of families is dawning upon our people and it is to be hoped that the movement for family planning will receive the full support of the people and the Governments alike.

Insurance Companies are credit institutions and credit, like a very delicate plant, needs extremely careful and tender handling. For its enduring success a Company has to establish its reputation for just, fair, and I would even say liberal, as well as sympathetic dealings with its workers and policy-holders, and the workers have to earn the confidence of both the policyholders and the Company. Too much care and caution can, therefore, never be exercised in the selection of the proper type of supervisory staff. Any amount of efforts spent in inculcating in them a spirit of faithfulness and loyalty to the institution will have been well invested. Moreover it is one of those matters in which an ounce of practice is worth more than a pound of theory and the superior officers have to set a good example for their juniors. I for one would like the greatest emphasis to be laid on the development of those personal attributes and qualities which make for real success in any business. Sincerity of purpose, habit of hard, regular & planned work, correct behaviour towards everyone and honesty and integrity are some of the essential qualities. I should not, however, be understood to attach insufficient importance to the technical and business training which the Companies are keen to impart to their workers in one way or the other but my purpose is to emphasise that the training in respect of individual conduct as narrated above is equally essential.

Insurance is yet mostly confined to the urban areas. It is but meet and proper that it should now spread to rural areas as well. Lack of facilities for remitting premiums is, however, one of the greatest obstacles in the ways of the Companies. Although at some places one could arrange remittances through Post Office yet there are still a vast number of places where Post Offices do not exist. Moreover, the cost of sending money orders is regarded as an unwelcome burden by the policy-holders. Those Companies who have a number of dependable workers who could be entrusted with the authority of collecting premiums have much better opportunities of expanding their operations in the mofussil areas. There are some persons in every Company who have established their confidence and who could be entrusted with this work but for real spread of insurance in rural areas the need for having such dependable field workers in much larger numbers is obvious.

May I now refer to the provisions of the Insurance Act with regard to Special Agencies. As you all know, the institution of Special Agency in its present form is the creation of the Insurance Amendment Act 1950. Whatever may have been the reasons and objectives for introducing this class of intermediaries, the practical outcome of the provisions of the Act has been to drive away good insurance workers, wholetime as well as part-time, from the commission basis, evidently because the maximum remunerations fixed by the Act for a Special Agent are very inadequate. Insurance Companies have accordingly been obliged to switch over many old workers and to try new ones on regular salary basis, very often against their wishes and sometimes against the wishes of the workers themselves. There are a number of field workers who would feel happier to work on overriding commission basis with the rate of overriding commission going up with higher production. Experience during the last two years has convincingly proved that new salaried appointments prove very costly in many cases as it is almost impossible to assess in advance with any degree of reliability the productive capacity of a worker. Whatever the system of payment, we have

to remember one cardinal fact, namely, that the quantum of remuneration has got to bear a relationship to the premium income, and if that is so and if everyone concerned recognises the inevitability of this relationship, is it not better that we reasonably assure ourselves about the capacity of a worker before we put him on a regular salary basis? During this period of probation, as we may call it, the method of payment may be either pure commission basis or a combination of salary and commission basis. I need hardly mention before a gathering like yours that everyone who comes forward to take up insurance work is not necessarily suited for the work and that explains the fading out of a very large proportion of the entrants to the field work in a short period. It can, however, be argued that commission appointments may tend to become Benami transactions with the sole object of paying higher commission to the agent. This line of argument would assume that the Company doing so will have to pay the agent's commission, overriding commission to the Benami organiser or the special agent and the cost of the Inspector supervising the agent. I do not rule out the possibility of such a thing happening but with the overall expenses having been statutorily fixed I cannot comprehend how any Company can really afford to do so. Let us, therefore, not be misguided and carried away by imaginary fears, mistrust or feelings of self-righteousness. I have often pleaded that with an overall control of the expenses, Insurance Companies should be given complete freedom in the method of organisation because that alone will ensure growth of the industry on healthy, sound and clean lines. I am sorry I have dilated so much on a matter which is familiar to you all and it has been a case of carrying coal to New Castle.

I would now like to make a few observations on the Estate Duty Act more particularly as it affected life insurance business. You are probably aware that death duties in one form or another are today levied in about 40 countries including almost all progressive ones and even some of the less developed countries. Among our neighbours Ceylon has death duties since 1919 and Pakistan since the last four years.

The main objective of death duties is to reduce the existing inequalities in the distribution of wealth. In the modern conception of a Welfare State imposition of death duties to prevent concentration of wealth in few hands is considered all the more necessary. In the pure fiscal sense it would enable the Central Exchequer to gather reasonable amount as revenue which would assist in financing development schemes of the country. It may also be mentioned that with the present rates of income taxation there is not much scope for large accretions in future to the wealth of the rich persons, as a very large portion of their income is taken away by taxes. The operation of estate duty on the same estate on two or three occasions is, therefore, likely to reduce it radically, and like other countries we are also not likely to have many very rich people after a generation or two. According to the present estate duty rates, 40 % will be taken away by the State of all property in excess of Rs. 50 lakhs. As against our maximum rate of 40 % the highest rate in England is 80 % on all property in excess of £1,000,000 (Pounds

One Million). Our rates, therefore, are comparatively lower than those of other advanced countries and it is likely that the estate duty rates in India will also go up with the passage of time. The rates of estate duty, like the income-tax rates, have been fixed in slab system so that different rates of duty are applicable to each successive slab in ascending scale. The schedule of these rates is:-

Value of Estate.		Rate per cent. Joint Family. %	Other Property %
On the first	Rs. 50,000/-.	Nil	Nil
On the next	Rs. 50,000/-.	5	Nil
do	Rs. 50,000/-.	7.5	7.5
do	Rs. 50,000/-.	10	10
do	Rs. 1,00,000/-.	12.5	12.5
do	Rs. 2,00,900/-.	15	15
do	Rs. 5,00,000/-.	20	20
do	Rs.10,00,000/-.	25	25
do	Rs.10,00,000/-.	30	30
do	Rs.20,00,303/-.	35	35
On the balance		40	40

No duty is payable on the first Rs. 50,000/- of the property which consists of an interest in a Joint Hindu Family. In the case of others no duty is payable on the first Rs' 1 Lakh of the principal value of the estate left by the deceased. The actual percentage of the duty to the total value of the estate would be smaller than the rate applicable to the last slab of the value.

For proper appreciation of the progression of estate duty rates, I will have to take you through a labyrinth of figures:—

Incidence of Estate Duty

	Individual.		*Joint Family*	
Value of Estate	Estate Duty payable.	Percentage E. D. to Estate Value.	Estate Duty payable.	Percentage E. D. to Estate value
Rs.	Rs.	Percent.	Rs.	Percent.
1.00,000	Nil	Nil	2,500	2. 5
1,25,000	1,875	1.5	4,375	3. 5
1,50,000	3,750	2.5	6,250	4.16
2,00,000	8,750	4.37	11,250	5.62
2,50,000	15,000	6. 0	17,500	7. 0
3,00,000	21,250	7.08	23,750	7.91
4,00,000	36,250	9.06	38,750	9.68
5,00,000	51,250	10,25	53,750	10.75
10,00,000	1,51,250	15.12	1,53,750	15.37
15,00,000	2,76,250	18.41	2,78,750	18.58
20,00,000	4,01,250	20.06	4,03,750	20.18
30,00,000	7,01,250	23.37	7,03,750	23.45
40,00,000	10,51,250	26.28	10,53,750	26.34
50,00,000	14,01.250	28.02	14,03,750	28.07
75,00,000	24,01,250	32.01	24,03,750	32.05
1,00,00,000	34,01,250	34.01	34,03,750	34.03

The estate duty constitutes the first charge on an estate and cannot be wound up and distributed until the duty is paid in cash. Ready cash may not be easily available at the time of death and may have to be provided by a forced sale of or loan on the security of a portion of the estate. This may entail substantial loss of capital. Apart from this considerable delay may occur in raising the necessary cash by means of a mortgage or a forced sale. Moreover, if death duties are not paid within the specified time interest may be imposed by the taxing authority.

The necessity for cash fund at the time of death is, therefore, quite obvious. The idea of leaving cash balance in a bank when avenues of profitable investments are available can neither be practical nor appealing. Life Assurance Policies would best serve the purpose. A life insurance policy offers a ready, convenient and trouble-free means of providing for payment of death duties during one's own life-time. The policyholder's estate is left intact and at full value for the benefit of the beneficiaries. It avoids losses which may be caused by a forced sale of assets in an unfavourable market. While taking out a policy for making a provision for payment of estate duty the possibilities of increase in the rate of estate duty should be kept in view and a policy for a higher amount than the expected liability with the present rates should be provided for. If on account of any reason the provision for payment of duty by means of insurance policy is more than the actual duty payable or even if no duty is payable, the balance or the whole of it, as the case may be, would be payable to the heirs of deceased.

Certain properties have been exempted from payment of estate duty although they are included for the purpose of finding out the principal value of the estate for determining the rate. Included in them are (1) proceeds of insurance policy or policies for the purpose of paying estate duty and assigned to the Government to the extent of estate duty payable but not exceeding Rs. 50,000/-,

(2) insurance proceeds on the life of the deceased to the extent of Rs. 5,000/-,

and (3) monies earmarked under a policy of insurance for the marriage of any of the female relatives dependant on the deceased for necessaries of life to the extent of Rs. 5,000/- for each of such relatives. Although these policies have been exempt from payment of estate duty, the rate of exemption will be the average rate payable on the principal value. To make it clear I would cite an illustration. Suppose a person leaves an estate of the total value of Rs. 15 lakhs including the amount of the policy of Rs. 50,000/-. Assuming that the deceased was not a member of the Joint Hindu Family, a sum of Rs. 2,76,250/- would be payable as estate duty as per the Schedule I have just read before you. The amount of reduction permissible on the life insurance policy for Rs. 50,000/- would be Rs. 9,208/- calculated as

$$\frac{2,76,250 \times 50,000}{15,00,000}$$

The total amount of the duty payable would thus be Rs. 2,67,042/-. It could also be said that on an estate of Rs. 15,00,000/- the rate of duty payable expressed in percentage is 18.41 %. The amount of reduction permissible on life insurance policy of Rs. 50,000/- would also be at this rate namely 18.41 % which would calculate to:

$$\frac{50{,}000 \times 18.41}{100} \quad \text{Rs. } 9{,}205/\text{-}.$$

Another very important provision of the Estate Duty Act from the point of view of life insurance business is Section 34 relating to the aggregation of property. The proviso to this Section provides that any property in which the deceased never had any interest shall not be aggregated with any other property. Such property shall be considered as a separate estate and the duty shall be leviable at the rate applicable to the principal value of such separate estate. The rate of duty applicable in such cases will be very much smaller.

As Life Assurance Policies taken under Section 6 of the Married Women's Property Act satisfy the provisions abovestated, they, for the purposes of Estate Duty Act will be treated as separate estates. The result of this is that a life assurance policy upto the extent of Rs. 1,00,000/- taken under the Married Women's Property Act in case where the deceased was not a member of the Joint Hindu Family would be exempt from payment of estate duty. In England each separate policy thus taken out is treated as a separate estate provided the trustee in each case is a different person. As the Indian enactment follows very closely the provisions of the English Estate Duty Act I feel every policy taken out in India under the Married Women's Property Act would also be treated as a separate estate and, therefore, in case of a deceased who is not a member of the Joint Hindu Family any number of policies of Rs. 1 lakh each would be exempt from payment of estate duty. I need hardly emphasise that in case of such policies the entire sum payable under them will be free from payment of estate duty, unlike other life assurance policies where only the rebate at the rate of duty payable on the whole estate is allowed.

Absolute gifts made by the deceased without any reservation, at least two years prior to his death (six months in the case of public charitable purposes) have also been exempted from estate duty under Section 9 of the Estate Duty Act. To be able to get this exemption (1) the donee must take immediate possession, (2) the donor must be excluded from possession, (3) the donor must not retain any benefit either by contract or otherwise, and (4) there must be no reservation or any secret arrangement. Like any other property a life assurance policy can also be gifted away. A policy of life assurance absolutely and irrevocably assigned by way of gift at least two years (or six months if the gift is for public charitable purposes) prior to the date of death of the assured, would not attract estate duty provided after assignment no further premium thereon is paid by the assignor and any premiums if paid after assignment are paid by the assignee. A life assurance policy after it has been converted into a paid-up one and which is absolutely assigned thereafter by way of gift on the life assured surviving the statutory period of two years after the assignment would also be exempt from payment of estate duty. Similarly, a single premium policy or a policy that has become fully paid by reason of payment of entire premiums payable thereunder will not be dutiable if gifted away likewise. These policies of life assurance of any amount which are gifted away absolutely will be exempt from payment of duty provided the gift was made two years prior to the death of the donor.

The most suitable policy for the payment of estate duty would be a whole life or a whole life limited payments policy. However, even an endowment policy would serve the purpose equally well provided even in the case of maturity of the policy during the lifetime of the life assured the amount is made payable by an irrevocable assignment to the President of India for meeting the estate duty at the time of death. The rules for the procedure of assignments etc. have been gazetted for eliciting public opinion and they inter alia provide that even the existing policies could be irrevocably assigned to the President of India for meeting the estate duty. To enable the older people to provide for the estate duty by means of a life insurance policy, many a Company have decided to insure people even upto the ages of 60 or 65. Single premium policies would also be available to cover the risk of death within two years, the statutory period fixed for making gifts valid.

Before I conclude I should very much like to express my great appreciation of the enormous service your Club is rendering to the Insurance profession. Your Club is one of the foremost of its kind in the country. I am glad that occasionally meetings are held by the Club to discuss the important and current matters connected with Insurance so as to keep its members fully posted with the developments in the Industry. By having a regular Journal of your own you have considerably helped in bringing the art of insurance selling on scientific lines by imparting to the field force the right type of advice and knowledge about insurance. You are very fortunate in having some very enthusiatic and active members who are always willing and prepared to advance the cause of your Club even at great personal sacrifice. I wish your Club many many years of useful service to the cause of Indian Insurance.

SINEWS OF STRENGTH

New Business	...	Rs.	10,06,97,031
Premium Income	...	Rs.	2,56,54,578
Total Business in force	....	Rs.	50,44,24,171
Total Claims Paid	...	Rs.	7,86,15,118
Life Assurance Fund	...	Rs.	10,60,92,799
Total Funds	...	Rs.	11,61,76,938

Follow these figures for Safety and Security.

NATIONAL Insurance Co., Ltd.

Head Office: 7, Council House St., Calcutta.

Madras Branch: 362, Netaji Subhas Chandra Bose Road, Esplanade, MADAS.

THE NEW GREAT INSURANCE CO., OF INDIA LIMITED.

Total Assets as at 31-12-1952 exceed ... Rs. 1,71,00,000
Total Life Assurance in force as at 31-12-1952 exceeds Rs. 8,51,00,000

BONUS DECLARED IN LATEST VALUATION.

General Manager: **M. G. Mody, Esq.**

Principal Office in the Union of India:
45-47. Apollo Street, Fort; BOMBAY

MADRAS BRANCH:—

121-A, Armenian Street, P. B. No, 1520. Madras 1.

Branch Manager: C. P. SHAH, Esq.

OFFICES AT

Ahmedabad, Amritsar, Baroda, Belgaum, Bhavnagar, Calcutta, Calicut, Cochin, Chittagong, Colombo, Delhi, Hyderabad (Dn.), Indore, Jalgaon, Karachi. Lucknow, Mangalore, Nagpur, Nairobi, Poona, Surat, Vijayawada.

REPRESENTATIVES AT

Alexandria, Amsterdam, Brussels. Beyrouth, Colombo, Damascus, Kampala, London, Rotterdam.

Madras Office: **334, Thambu Chetty Street, MADRAS**
Mathurai Branch: **Post Box No. 121, 271. Goods Shed St., MATHURAI.**

ANNOUNCEMENT

THE

BANGALORE PROVIDENT

Insurance Corporation Limited.

"SATYANARAYANA" 65, Second Cross, Gandhi Nagar, Bangalore City.

It is with pleasure we inform that 1953 Valuation made by the Actuary, Mr. H. V. Krishna Murthy, B. Sc. F. I. A., F. C. I. I., discloses a **SURPLUS of Rs. 31,306/-** and odd. In addition the following figures will **CONVINCE** you of the **striking PROGRESS** achieved by the Company. Claims settled so far exceed Rs. 75,000

Year		Life Fund		
1941	Rs.	1,045	9	9
1945	Rs.	40,263	13	6
1949	Rs.	2.05,836	13	4
1953	Rs.	4,38,862	6	10

Special Features

Policies from Rs. 25/- to Rs. 1000/-! Our Schemes suit every pocket !! Hereditary Commission Facility to Agents !!! Golden opportunity to Agents & Organisers to represent this ever growing Concern !

For further particulars apply to:

Sri H. VENKATARAMIYA,
Managing Director

Review

Canara Mutual Assurance Company, Ltd., Udipi.

WE record with pleasure another year of gratifying progress during 1953 for the Canara Mutual Assurance Co., Ltd., Udipi. The institution has made history among mutual insurers in the country in respect of its growth which was rather remarkable. Though it had to carry on its business against keen competition in the insurance field, the management never sacrificed good principles for the sake of somehow or other securing business. From the beginning the guiding principles of the institution were economy in expenses, caution in the matter of investments, and steady development of its field organisation. It should be said to the credit of the management that the institution to-day ranks among sound life offices in the country, offering as much service as any other similar institution can claim to do. The annual report and the accounts for the year 1953 amply illustrate the progressive march of the company during the year with greater business turnover and larger funds.

New Business that resulted into policies amounted to Rs 50,04,400 with a premium collection of Rs. 2,41,494. The Renewal premium income amounted to Rs. 15,52,354 while the revenue from interest and other sources amounted to Rs. 3,34,081. Payments made under claims by death, maturity and surrenders amounted to Rs. 1,42,698, Rs. 1,45,358 and Rs. 2,74,131 respectively. The renewal expense ratio was 12.87 % which shows a slight increase when compared to the past year due to extra expenses incurred in connection with the opening of the Company's building at Bangalore.

An addition of Rs. 11,31,474 was made to the Life Fund as a result of the year's working, the total Life Fund amounting to Rs. 93,80,044. The investment reserve fund amounted to Rs. 3,79,400. The total assets stood at over Rs. 1.01 Crore and it may be noted with satisfaction that investments in Government and approved securities alone account for 70 % of its Funds. The Actuarial Valuation of the Company for the year ending December 31, 1953 is in progress and it may be safely expected to bring out very satisfactory results, thus demonstrating the intrinsic soundness of the institution.

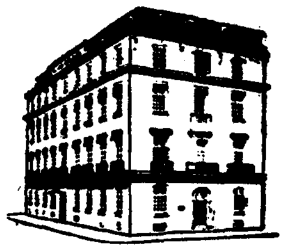
The Board of Directors and the Managing Director, Mr. T. R. A. Pai, have been guiding the affairs of the institution with conspicuous ability for nearly 20 years now and we heartily congratulate them on the fine traditions they have built up. We wish the institution increasing prosperity in the days to come.

leaving its monopoly to a few. The cardinal principle of "Live and let live" should be followed in this case, as in a vast country like India, where the field of Life Insurance is still undeveloped, we want a large number of Companies, who should extend the benefit of insurance protection more widely to all sections of the population, and thereby step up the overall saving capacity of the country.

I also agree with Sir Cowasjee that we should all work in a team spirit. There is enough scope for all of us, because in our country there is a population of over 350 millions, and if the standard of living goes up even to a small extent, there is plenty of scope for more and more life business for the big, medium sized as well as smaller companies. One or two companies will not be able to cope up with the business that will be available in the near future. We should also concentrate in seeing to it that our Policyholders get reasonable rates and adequate service from the Offices.

Before leaving this subject, I would like to state that, in my view, as far as the investment of Life Offices is concerned, a new era has definitely set in, and I feel that, at least for some years to come, companies can look forward to receiving a higher rate of interest, than what they were getting two years back.

Strength!



ASIAN BUILDING

ASSETS EXCEED
Rs. 4,00,000,00
CLAIMS PAID
Rs. 2,50,000,00

ASIAN
ASSURANCE CO., LTD.
ESTD. 1910

HEAD OFFICE: ASIAN BUILDING
BALLARD ESTATE, BOMBAY 1
BRANCHES IN SOUTH INDIA
Alleppy, Bezwada, Banglore, Madras
Madura, Mangalore & Secundrabad
GENERAL MANAGER
P. U. Patel B. A., B. Com (Lond)

(*Continued from page 18*)

apply for licence ro take appointments as agents. If this is done, I am sure you can gradually build up a group of right class of workers, who can be thrusted into the field and sell life insurance, not as is done at present, by rebating or begging for a policy, but with honour and dignity, and give their clients proper service by giving the right type of insurance which suits their circumstances and needs.

By doing so, in my opinion, Sir, the percentage of lapses can be kept to the minimum, and forced business and transfer from one office to another can be avoided to a very great extent. As this is a matter of vital importance to every Office, I would suggest that the Life Insurance Council should give its attention with a view to arrive at a satisfactory solution of this problem.

Coming to the work of the Life Insurance Council, I am reminded of the Code of Conduct which has been introduced both in Life and General Insurance. In my opinion, the term "Code of Conduct" is not a good one. The object with which the Code of Conduct Regulations have been framed are laudable. However we have to take into account the human factor in any Code or Control — and here I find that the human factor is not taken into account. Sir, as you know, a human being continues and persists to remain stubbornly human. I am afraid, Sir, most of the things that are happening today is due to the rigidity in the Code of Conduct. The flexibility which the human being wants is not there. Control implies a certain degree of rigidity which is enforced in the conduct of business. Insurance Business is managed by private enterprise, and in private enterprise I feel competition is the yardstick of efficiency. If you do not have competition in private enterprise, then private enterprise will fail to justify its existence. I feel our industry has now to take stock of what is happening as a result of the introduction of the Code of Conduct. You must build up our industry on sound foundation as in other countries and to adopt practices which are in the larger interests of the country and its population. Then only we will exist. Otherwise, I am afraid we cannot justify our existence.

I have seen the controversy that is at present raging in the matter of reduction of Life Insurance premium rates. Some are in favour, I understand some are against, and arguments can be found in support of the reduction as well as against it. However we have to keep in view two considerations: firstly the financial position of the Life Offices on the whole should not in any way be impaired; and secondly, insurance public should not be overcharged. Since the Life Insurance Council is considering this mattar, I shall not say anything in detail about it. In finding a solution to this problem, I am sure the Council will bear in mind that the question should be looked at not only from the point of view of bigger units but also from that of medium sized and smaller companies. There should be reasonable and healthy competition in any private enterprise including Insurance. I would repeat that the competition should be healthy, more particularly so because insurance is in the hands of private enterprise. Such competition should not, however, become unhealthy as to eliminate smaller units from the field.

News

Insurance Club, Patna.

Inaugurating the 13th annual conference of the Insurance Club, Patna, on 28th March 1954, Mr. Shyamnandan Sahay, M.P., Vice-Chanceller, Bihar University, said that properly organised insurance could be the agency through which the largest amount of money could be tapped for the welfare of the country.

Mr. Sahay paid handsome tributes to the Club for the services it was rendering to the cause of the insurance world. He specially mentioned the candid manner in which some of the past Presidents of the Club had expressed their opinion on issues bearing on insurance matters.

Mr. Sahay tracing the growth of insurance in India said that Indians came to acquire an interest in this business long after some foreign firms had struck their roots. But it was creditable to the Indian pioneers that though late in the field they soon made up the leeway. The result was that the institutions that they reared could easily challenge comparison with some of the best in the world.

Mr. Sahay said that these days the country was faced with numerous complex problems. It was worth considering what role the insurance could play in providing an answer to some of these problems. He felt that insurance could become the agency for the employment of the largest number of people. The employment that insurance could provide might well cover the entire population of the country, a task beyond the resources of the best organised States in the world.

Personal Contacts

Mr. Sahay said that the contact of the the insurance-man with the individual was of a personal nature whereas in the case of the Government the contact was organised on a mass or community basis. When insurance men met the common people, their approach was not always of business and profit, an element of education for the latter also came in. Creating an awareness of insurance and its utility was itself a great educative process.

Mr. Sahay proceeding said that insurance companies took to such forms of advertisement as were available through the media of Press, platform and cinema. But something more remained to be done. Hitherto education of insurance workers on the lines on which business could be secured had been neglected. It was time some steps were taken in this direction.

Mr. Sahay described insurance as a "necessary accompaniment of civilisation". The progress of a country, he said, could only be assessed in terms of its resources, the standard of education and the amenities available to its citizens. For after all the ultimate goal of civilisation was 'socialisation". Every nation was set on that goal though the routes might differ.

Lack of Confidence

Mr. Sahay said that some of the best managed democracies of the world had failed to inspire the necessary confidence in their people so that they would come forward for investments in national undertakings. The tendency of the individual was still towards keeping money for himself and that too in secrecy. Coupled with this tendency of the individual was the natural limit beyond which taxes could not go.

In such a situation, insurance provided the only answer. It was the only system which gave an incentive to the individual to invest money, of his own free will and to use it for the welfare of the State. This being the potentiality of insurance it would be unfortunate if full advantage were not taken of insurance when money was so urgently needed for various nation-building projects.

Mr. Sahay, in conclusion, warned the Club against the dangers of viewing the problems of insurance against a narrow and restricted perspective. He said that the larger interests of society should be kept, first and foremost, and problems viewed in relation to it. It was up to insurance men to establish the fact that society needed them as much as any other institution.

Sri K. N. Ganguly, in his Presidential address covered many aspects of the business of insurance and pleaded for more and more service to the insuring public.

Office – bearers elected

At the 13th Annual General Meeting of the Insurance Club, Patna, held on Sunday, the 28th March 1954 under the Chairmanship of Mr. K. N. Ganguly, the outgoing President of the Club, the following were elected as Office bearers and members of the Executive Committee for the year 1954-1955.

President:—

Mr. H. C. Choudhury (National)

Vice-Presidents.—

Mr. D. C. Chaturvedi (United India)
„ H. C. Mehta (New India)

General Secretary:—

Mr. N. G. Samaddar (National Indian)

Jt. Secretary:—

Mr. Lala Prem Kishore Prasad (Bombay Mutual)

Asst. Secretaries:—

Mr. H. K. Ojha (Oriental Fire)
„ B. P. Garg (Standard General)

Treasurer:—

Mr. Banwari Singh (Aryasthan)

Executive Committee:

Messrs K. N. Ganguly (Metropolitan) Mrityunjay Prasad (Oriental), B. N. Sinha (Bharat), U. N. Sen (Hindusthan), Indraj Bahadur (Aryya), S. L. Roy (Bengal Insurance), P. K. Saran (Bombay Mutual) B. Sahay (Hindu Mutual), L. N. Pal (Hindusthan Fire), Ram Nath Prasad (Lakshmi Insurance), S. P. Mitter (National Indian), Damodar Singh (Western India), R. J. Shah (Ruby General) V. R. Pathak (United Fire), K. B. Mukherjee (Metropolitan), Madhusudan Prasad (Ex. New Asiatic).

Mr. B. Gupta c.a. was elected as Hony. Auditor of the Club.

The Indian Life Assurance Offices Association

At the Executive Committee meeting of the Association held on 2nd April 1954 the following gentlemen were elected Office Bearers for the year 1954.

President:—

Shri K. Balasubrahmanyam (Bombay Life)

Deputy Presidents:—

Shri G. H. Thakore (Bombay Co-op.)
,, K. R. Puri (Sunlight of India)

Honorary Secretary:—

Shri S. K. Desai (Devkaran Nanjee)

Executive Committee:—

Shri K. Balasubrahmanyam (Bombay (Life), G. H. Thakore (Bombay Co-operative), K. R. Puri (Sunlight of India), S. K. Desai (Devkaran Nanjee), A. B. Chatterjee (Metropolitan), Devi Chand Sawhney (Lakshmi), K. L. Gupta (Bharat), L. P. Goculdas (Jayabharat), P. R. Gupta (Ruby General), N. C. Jerajani (Indian Globe), K. G. Merchant (All India General), N. V. Nayudu (United India), T. R. A. Pai (Canara Mutual), S. C. Roy (Aryasthan), P. K. Sen (Calcutta), M. V. Sohonie (Bombay Mutual), S. D. Srinivasan (National), L. S. Vaidyanathan (Oriental), V. Venkatachalam (South India Co-operative).

Papers read at Ninth Insurance Conference.

At The Ninth Insurance Conference held under the auspices of the Indian Life Assurance Offices Association on 2-4-1954 the following papers were read and discussed.

I. *The Value of Life Assurance to the Community.*

(1) Shri. P. A. S. Mani, (Oriental)
(2) Shri. G. Somasundararao, M.A., (Andhra)
(3) Prof. S. P. Sharma, M.A., M.com., (Victoria College, Gwalior.)

II. *Scientific Selection of Agents.*

(1) Shri. Nand Kishore, (New India)
(2) Shri. J. A. Mausodr, B.com., F.I.A., (Bombay Mutual)
(3) Shri. B. Sardana, (Lakshmi)
(4) Shri. R. Jayaraman, M.A., (Bombay Life)

III. *Personnel Relations.*

Shri. P. V. S. Raju, G.D.A., F.C.A., (Andhra)

IV. *Bonus Earning Capacity in relation to premium Structure & Valuation Reserves.*

(1) Shri. A. S. Gupta, M.A., F.I.A., (Asian)
(2) Shri. T. D. Sethuraman, M.A., F.I.A., (United India Life)

V. *Expense Analysis.*

(1) Shri. G. C. Basu, M.SC. (Hindusthan Co-operative)
(2) Shri. V. Sesha Ayyar, M.A., A.I.A. (National)

PEERLESS
LIFE ASSURANCE COMPANY, LTD.
(*Head Office:* CALCUTTA)

Divisional Office for South India:
16-17, 2nd Line Beach, Madras-1.

Responsible Field Officers Wanted at Important Centres in South India later to become Branch Managers. Good Salary & T. A. on Business Guarantee. Apply to: M. R. Unny Nayar, B.A., Divisional Manager, (South India)

Association of Mutual Life Offices

At the Fifth Annual General Meeting of the Association of Mutual Life Offices in India held at Bombay on the 5th April 1954 the following office-bearers were elected for 1954-55.

Shri M. V. Sohonie (Bombay Mutual) Chairman.

Executive Committee

Shri T. R. A. Pai (Canara Mutual)
,, C. M. Srinivasan (Indian Mutual)
,, P. C. Roy (Hindu Mutual)
,, S. N. Agashe (Central Mutual) Hon. Secretary

M/s. Argade Sham & Co., Auditors.

A Deputation on behalf of the Mutual Offices Association in India, consisting of Shri Dalal, Incorporated Accountant, Shri M. V. Sohonie, (Bombay Mutual), Shri T. R. A. Pai (Canara Mutual) and Shri S. N. Agashe, (Central Mutual), waited on the Taxation Inquiry Commission in Bombay on Saturday the 27th March 1954 to represent the case of Mutual Life Insurance Companies with regard to their assessment for Income-tax. It was strongly urged that, the Mutual Insurance policies should be treated on par with the Co-operative Companies, and the whole of the surplus should be exempted from the Income-tax, as the benefit goes to the Members of the Mutual Companies.

It was suggested that for the purpose of assessment, the method of Income less expenditure should be taken as a standard just as in case of all other trades as well.

In the end, the Deputation also submitted a written explanatory statement on the points raised by the Commission. The Deputation also pointed out the similar system of Income-tax assessment in the United Kingdom, Canada and other countries.

THE DEEPAK GENERAL INSURANCE CO., LTD.,

HEAD OFFICE:- **FORT, BOMBAY.**

Transacts:—

FIRE • LIFE • MARINE • ACCIDENT, Insurance Business.

Assets Over .... Rs. 40,00,000
Paid-up Capital Over: Rs. 11,00,000

Branches:- **Throughout India**

Managing Director: R. C. GODIAWALA

Madras Branch:

23, Errabalu Chetty Street, G. T. Madras.

Indian Insurance Companies Association, Calcutta.

Office-bearers for 1954-55

President:

Mr. B. C. Rakshit (National Fire & Gl.)

Executive Committee.

Messrs. P. Balan (United India Fire), J. P. Bhargava (Concord) D. Das Gupta (Hidusthan General) J. P. Kanoria (Ruby General) S. K. Majumdar (Fire & General) and N. M. Medora (British India).

Life Insurance Council's Communication to insurers.

Mr. S. K. Vaiyapuri, M.A., F.I.A., Secretary of the Executive Committee of the Life Insurance Council has issued the following communiqne to insurers regarding the reduction in the premium rates.—

"The Executive Committee at its meeting held on the 30th March, 1954, inter alia considered the situation created by the drastic reduction in the rates of premiums recently introduced by some Life Insurers. The Committee is of the view that to the extent that reductions have been brought about by increasing the minimum sum to be assured under policies and/or by reducing the rate of commission customarily payable on such policies, they offended against the spirit of the principles laid down by the Committee. I am, therefore, desired by the Committee to request that the Insurers concerned should revise before the 30th April, 1954, their rates so as to eliminate the above features. Insurers who might be contemplating reduction in their premium rates are also requested to kindly refrain from introducing any reduction based on these features.

"I may add here in this connection that the Committee has also appointed a sub-committee to examine to what extent the premium rates as they existed on 1st January, 1954 could be reduced on the basis of actual underwriting experience of Life Insurers in India."

Change of Address

The South India Co-operative Insurance Society, Ltd., Madras has shifted to "Co-operative Insurance Building", No. 5-6, Mount Road, Madras. The building has been recently acquired by the Society and it is situated in the heart of the City, enjoying good value from the publicity point of view.

Mr. S. K. Rajagopalan.

We understand that the United India Life Assurance Co., Ltd., has tranferred Mr. S. K. Rajagopalan, the Madura Branch Manager, to the Delhi Branch in a similar capacity. Mr. K. N. Raghavan, hitherto Branch Manager at Calicut has been posted at Madura.

Mr. A. T. Pai, M.Sc., A.I.A.,

Mr. A. T. Pai, who was acting as Manager of the National Indian Life Insurance Co., Ltd., has been confirmed in his post as Manager. Mr. Pai has served the institution for over 26 years and he was the Resident Actuary until last year. We have no doubt that Mr. Pai, with his rich experience gained in the institution all these years and with his practical knowledge of the business will uphold the worthy traditions of the company. We wish him every success in his new assignment.

Book Reviews:-

INSURANCE COMPENDIUM, 1953-54: By D. N. Chadda, (published by Insurance Sales Corporation, 10E/22, Patel Nagar Post Box 168, New Delhi 12. Price Rs. 3-12/-)

The sixth annual edition of this publication maintains all the good features of its previous editions and the statistical data of insurers have been furnished up-to-date. Besides, the publication carries the salient points about the Estate Duty Act, contributed by Mr. R. N. Chopra and Mr. S. S. Ali's inspiring advice to field-workers. The publication is neatly got up and will serve everyone interested in the insurance business for ready reference.

JEEWAN BIMA- Kya Aur Kyon;- By Shri R. P. Aggarwal, B. A., B. Sc., (published by Insurance Publishing House, Jahangirabad, Distt. Bulandshahr (U. P.) Price annas. 5/-.)

This small booklet on Life Insurance in HINDI can be read and used profitably by insurance field-workers in their day-to-day work. The author is to be complimented for making available at such a low price a book that contains in a lucid and elegant style, the policy terms and conditions, possible objections to [illegible] insurance and answers. We hope the book will be taken advantage of by all interested in Insurance development in the country.

STANDARD GENERAL ASSURANCE CO., LTD.,
(H. O. : CALCUTTA)

Transacts all classes of

FIRE, MARINE, MOTOR & MISCELLANEOUS INSURANCE

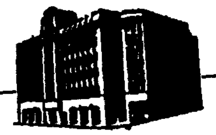
Divisional Office:

19, Stringer's Street, Loane Square
Post Box No. 1602,
MADRAS-1.

Branches:

ELLORE: Municipal Office Road,
COCHIN: 12/169, Jew Town, Mattancherri.
ALLEPPEY: C. C. S. B. Road.
BANGALORE: 57/58, Silver Jubilee Park Road.

AGENCIES ALL OVER THE STATES.



NEW LIFE BUSINESS
written during the year 1953
Rs. 19,90,51,571
an increase of Rs. 1.86 Crores over 1952

IMPORTANT ANNOUNCEMENT

THE RATES OF PREMIUM
on all our Life Assurance Plans
have been substantially reduced
with effect from 1st March 1954

Please ask for Literature

THE NEW INDIA
ASSURANCE COMPANY LIMITED
Head Office: Bombay

Branch Office,

THE NEW INDIA
ASSURANCE COMPANY, LTD.,
4 & 5 First Line Beach,
MADRAS.

Registered No. M. 3297.

Warden since its existence has placed constant emphasis on quality.
The attainment of size has been secondary to quality and safety.

However, the company has grown big in size, business in force has now soared to the most spectacular growth of Rs. 7,00,00,000.

We are happy to step into the GREAT SIZE. Faithful adherence to sound principles of Insurance Underwriting has brought us results far more precious than size.

—THE ATTAINMENT OF STRENGTH—

Business in Force	...	Rs. 7,00,00,000
Income	...	Rs. 40,00,000
Assets	...	Rs. 1,60,00,000
Claims Paid	...	Rs. 55,00,000

In 1954 WARDEN and its friendly group of Insurance Companies have planned extensive development of its Business on a nation wide scale and persons with experience will find it to their advantage to investigate regarding the lucrative opportunities available as District Managers, Superintendents or Chief Agents in various cities and towns of India.

WARDEN'S FRIENDLY GROUP OF INSURANCE COMPANIES

1. London Guarantee & Accident Co., Ltd.
2. World Marine & General Insce. Co., Ltd.
3. Union Marine & General Insce. Co., Ltd.

HEAD OFFICE

WARDEN INSURANCE COMPANY, LTD.
"WARDEN HOUSE"
Sir Phirozshah Mehta Road, Fort, Bombay.

Edited, Printed and Published by R. RAGHUPATHY at THE FORWARD PRINTERS, Kumbakonam.

INDIAN
Policy-Holder
MADRAS

VOL. XX
NO. 1

309

Shri M. V. SOHONIE, M.Sc., F.I.A.,
Manager,
Bombay Mutual Life Assurance Society, Ltd.

(His article on page 5)

IMPORTANT ANNOUNCEMENT

We have pleasure in announcing that our Life Premium Rates have been substantially reduced from 27th April 1954. For particulars apply to the Head Office or to any of the Branches:

JUPITER GENERAL

INSURANCE COMPANY, LTD.,

(Established 1919)

Head Office: **BOMBAY**

Principal Office in South India: **"Jupiter House"**

167, Broadway, Madras.

THE LAKSHMI INSURANCE CO., LTD.,

offers

THE PROTECTION YOU NEED

at

Reduced Premium Rates

Buy a 'LAKSHMI' Policy to-day

For particulars, apply to:—

Head Office, **New Delhi-1,**

or

any of its Branches in India & B. E. Africa.

MADRAS BRANCH	BANGALORE SUB-OFFICE	COIMBATORE BRANCH
4/105, Armenian St.	52, Gandhinagar	10/2, Dewan Bahadur Road
G. T. Madras-1	Bangalore 2.	R. S. puram Post,
		Coimbatore.

THE INDIAN POLICY-HOLDER

(A MONTHLY JOURNAL ON INSURANCE)

SUBSCRIPTION INDIAN		SUBSCRIPTION FOREIGN
Yearly ... Rs. 5/-	*Managing Editor*	Yearly ... Rs. 7-0-0
Single Copy ... As. 8/-	R. RAGHUPATHY.	Single Copy ... 0-10-0

Editorial & Publishing Offices

No. 40, SARANGAPANI SANNATHI STREET, KUMBAKONAM, (S. INDIA.)

★ KUMBAKONAM, (S. INDIA), MAY 1954 ★

CONTENTS

ORIENTAL
GOVT. SECURITY LIFE ASSURANCE CO. LTD.
(Established in 1874)
First name in Indian Insurance for the last 80 years
TRANSACTING
all classes of life assurance and annuities

ORIENTAL
FIRE & GENERAL INSURANCE CO., LTD.
(Established in 1947)
TRANSACTING
Fire, Marine, Motor, Accident, also specializing in Engineering and Machinery Erection Insurance

LIFE BUSINES IN FORCE EXCEEDS RS. 200 CRORES
ASSETS EXCEED RS. 71 CRORES

If you would like to know how you can participate in the profits of both the Oriental Life and the Oriental Fire and General, please write to P. O. Box No. 148, Bombay.

INDIAS LEADING INSURANCE COMBINE

ORIENTAL GOVT. SECURITY LIFE ASSURANCE CO. LTD.
ORIENTAL FIRE AND GENERAL INSURANCE CO. LTD.
HEAD OFFICE : ORIENTAL BUILDINGS, BOMBAY-1
BRANCHES AND AGENCIES THROUGHOUT INDIA AND THE EAST.

THE NEW GREAT INSURANCE CO., OF INDIA LIMITED.

Total Assets as at 31-12-1952 exceed ... Rs. 1,71,00,000
Total Life Assurance in force as at 31-12-1952 exceeds Rs. 3,51,00,000

BONUS DECLARED IN LATEST VALUATION.

General Manager: M. G. Mody, Esq.

Principal Office in the Union of India:
45-47. Apollo Street, Fort; BOMBAY

MADRAS BRANCH:—
121-A. Armenian Street, P. B. No. 1520. Madras 1.
Branch Manager: C. P. SHAH, Esq.

OFFICES AT
Ahmedabad, Amritsar, Baroda, Belgaum, Bhavnagar, Calcutta, Calicut, Cochin, Chittagong, Colombo, Delhi, Hyderabad (Dn.), Indore, Jalgaon, Karachi, Lucknow, Mangalore, Nagpur, Nairobi, Poona, Surat, Vijayawada.

REPRESENTATIVES AT
Alexandria, Amsterdam, Brussels, Beyrouth, Colombo, Damascus, Kampala, London, Rotterdam.

THE INDIAN POLICY-HOLDER

VOL XIX MAY 1954 NO. I

"Casteism" among Indian Insurers

IT is most unfortunate that the Business of Insurance in our Country is subjected to a series of trials, of late. While majority of Insurers on the one hand require full freedom to act as they please, the Government of India, on the other, backed by the support of a few powerful units make a concerted effort to keep them under rigid control. This peculiar situation has come over not all on a sudden, but in the course of nearly two decades as a result of the irresponsible way in which Insurers in general conducted themselves and the growing anxiety on the part of the Government to safeguard the interests of the public. It is now sought to put the blame for all the present ills on a few big insurers, who of course figured prominently in bringing about governmental interference. It is true that at a time when a large number of new entrants in the field could not manage to win the confidence of the public in any large measure by adhering to healthy principles, they did not hesitate to adopt any method for the purpose of securing business and in course of time this sort of irresponsible behaviour began to affect the progress of established insurers. Driven to the necessity of safeguarding their own interest and also to free the field from malpractices, strong and leading insurers took the initiative, brought pressure on the Government of India to realise the situation and do their duty, and extended their co-operation for the enactment of the Insurance Act followed by subsequent amendments. In actual working, the measures taken by the Government of India with a view to put an effective check on unhealthy practices cannot be considered to have achieved the laudable purpose in view. In so far as "Life Assurance" is concerned, Government's efforts were not in vain. At least the policyholders have the satisfaction that their interests are better secured, because their portion of the reserves are not allowed to be handled by the Insurers as they would like. But in "General Insurance" nothing worth while has been achieved. Both in General Insurance as well as Life Assurance, competition among Insurers has become very keen and irrespective of size, strength or age, all Insurers are now in the race to secure more new business. Undesirable practices have increased contrary to the expectations of the legislators and the Government of India. The provisions of the Insurance Act and Rules, the code of conduct and the not infrequent directions of the Insurance department are sought to be evaded by new devices. With all that, young and small insurers alone suffer greatly and for all their handicaps they easily seek consolation by levelling charges against the strong and leading insurance Companies. Particularly in the field of General Insurance, Shri E. K. Srinivasan has made out a strong case in his Presidential Address at the 18th Annual General Meeting of the Indian Insurance Companies Association, Calcutta, that the attitude of big insurers towards the small ones is not worthy of them. His plea for a better treatment of their unequal rivals in the business deserve all sympathy even in their own interests. In his opinion, the aggressive development of big insurers will in course of time eliminate the small insurers from the field and such concentration would tempt the Government nationalising the business. He strongly deprecates the tendency among Insurers of what he calls "Casteism" in Indian Insurance. He observes "Slogans such as "Strong company" "Leader of Indian Insurance" and "Saviour of Foreign Exchange" are heard frequently. Subtle approaches to Government with the bogey of Indian Insurance in danger and foreign exploitation are made for individual advantage. Opposing groups are being formed with leaders and camp followers". Particularly the Insurance Amendment Act, 1950, Mr. Srinivasan points out, is responsible for "making the rich the richer and poor poorer". This act, in his opinion, enables companies with big finance to breach it legally whilst the companies not so fortunate are everyday finding the ground under their feet slipping. Referring to the formation of the "Pool" and the way in which the "pool" business is being spread among Insurers, Mr. Srinivasan has not only criticised vehemently but also has offered constructive suggestions for adoption at least in the future. While he admits the advantages of running the "pool" he denounces the discriminations and preferential treatments meted out to Insurers. He observes "The pool" established a caste system, an invidious claim to discrimination and a mischievous belief that the measure of a company's capacity to handle business was based on capital and premium income only." Thus pointing out the defects in the system, Mr. Srinivasan has made a strong appeal to the members of the Association not to depend on Government for anything and everything since their interference will only complicate matters, not to lose their individuality and not to develop an un-intelligent and selfish partisanship. He abhorred the attempts to form working Groups in this Country, motivated by jealousy and selfish ends. Really Indian Insurance would be all the better, if the suggestions and advice of one whose experience in the General Insurance Business is long and varied, are taken in the right spirit and practised conscientiously.

Reduction in Life Insurance Premium Rates:—

BY M. V. SOHONIE, M.Sc., F.I.A.,
Manager, Bombay Mutual Life Assurance Society Limited.

THE reduction in the rates of premium has probably come to stay. A discussion of the various aspects of premium reduction therefore is of the nature of a post-mortem. Post-mortems, however, are quite useful in their way and it is worthwhile looking into the recent adjustment in premium rates from as many angles as possible.

Preliminary Observations:

The first thing that strikes one about the change in rates is the suddenness with which it took place and the magnitude of the reductions effected. A revision in the premium rates under Endowment Assurances amounting to lowering of such rates by as much as 5 to 10 %, and under Whole Life rates by as much as 20 to 30 %, is extremely severe. Such a reduction is bound to encourage lapses and induce the business which has been on books for sufficiently long time to be converted into paid-up policies. It has always been known that such lapses and conversion into paid-ups is not in the interest either of the policyholders or the Life Insurance Offices concerned.

It may be observed that alteration in premium rates is very rarely resorted to in regard to with-profit plans of insurance. It is thought that any improvements in the working conditions of the business should be passed on to the participating policyholders rather by adjustments in the rates of bonus. The non-profit rates, however, would be subject to revisions in the light of the current conditions.

Another aspect of revision of premium rates must not be lost sight of. Life Insurance Contracts are long-term contracts and it is unwise to make the rates vary for reasons which may be of a temporary nature.

Reasons Adduced for Reduction in rates Examined:

Various reasons have been advanced in justification of the reduction. It is interesting to examine these reasons in some detail. It is contended that the average rate of interest on life insurance funds is improving and is likely to increase still further. If one confines one's attention to the immediate past, this statement is quite correct. However, the improvement in the rates of interest is gradual and it is more or less a recovery to rate of interest which prevailed before the war. Greater concession in the tax has of course contributed a little to this recovery. However, the level at which interest rates will stabilise cannot yet be foreseen. Various economic forces are operating. A number of countries have reduced their Bank rates in the recent past. Our own country has got large development schemes under its "5 Year Plans" and it is problematic whether the rates will rise to an extent which was possible after the cessation of the first

World War. The deflationary effect of the cessation of the Korean War has just begun to make itself felt. It is also prudent to keep a margin in the rate of interest used for calculation of premiums to take care of any adverse movement in the rate of interest. (It is doubtful if any of the companies who have revised their premiums have assumed a rate more than half percent in excess of what they used in their previous premium rates.)

Further, it is said that the mortality of assured Indian lives is improving. This appears to be the general trend. An examination of the new rates offered by various offices, however, suggests that the benefit of such improved mortality could be passed on to the policyholders by an increase in the bonus by about Rs. 2/-. Another point which needs to be remembered is that the improvement in the mortality is not uniform for all ages. The improvement for higher ages is lower and indeed it diminishes with age. Consequently, there is every likelihood of Indian assured lives presenting a phenomenon known as "suspended mortality". This mortality will make itself felt at the higher ages later on and there might be actually worsening of mortality experience at the higher ages in due course. From this point of view some of the rates of Whole-Life Plans appear rather optimistic even after taking into account the lower commission rates paid to the agents under such Plans. There is need for caution in the adoption of lighter mortality table in calculation of premium rates.

Finally it is claimed that the expenses have now been stabilised at a low level. It is interesting to analyse statistical evidence on this point. The latest Insurance Year Book (1953) gives some relevant data. (Similar data are not available for the working of life offices in the previous decade). From the material in the 1953 Year Book, it appears that the average renewal expense ratio of the 18 large offices having business in force of 10 crores or more was 15.1 in 1951 and 15.7 in 1952. Of these 18, as many as 13 offices experienced a higher expense ratio in the year 1952 as compared to the year 1951. Two offices appear to have been stationary and three experienced lower expenses than in 1951. It is difficult with such evidence to appreciate that there has taken place any stabilisation of expenses even for the bigger offices. The evidence points, if at all, to an increase in the expenses of offices. The same Year Book gives details of other offices. There were 175 offices of whom 91 increased their expense ratios in 1952. There are 17 other offices in whose case, it is not definite whether the expenses increased or not. Probably in the case of 9 of them, expenses did increase. There were 67 offices whose expenses diminished in 1952 as compared with 1951. The offices, as a whole, therefore seem to have experienced larger expense ratios in 1952. It is known that the rule regarding ceiling on expense ratios would indicate an increase in the premium rates atleast seven times as large as the percentage increase in the expense ratios if the expense ratio is to remain constant. Therefore, the diminishing of premium rates does not appear to be justified on the basis of the actual expenses of the Indian Insurers as a whole.

Effects of Reduction:

The effect of the reduction in premium rates on valuation and bonuses must now

be considered. It appears that the favourable experience of Indian Office would have permitted an increase in the bonus rates in the neighbourhood of Rs. 5/- per thousand per annum. The current bonus rates are at the level of about Rs. 8/- to Rs. 10/-per thousand per annum and an increase of Rs. 5/- in the bonus rates is not excessive, especially when Indian Offices have, in the past, declared bonuses at much higher rates. By reducing the premium rates the likelihood of bonus rates going upward has disappeared. Another consequence of the reduction in the premium rates will be to cause a strain on account of the paid-up policies and lapsed business. This will go to reduce further the bonus rates of Indian offices for some years to come.

The effect of the reduction in the premium rates on the smaller offices will be somewhat serious. Reference has been made above to the adverse effect on the expense position. Some of the smaller offices are just barely solvent and for them to reduce the premium rates might be disastrous for they will not be able to keep within the provisions of the Act so far as the expenses are concerned and will perhaps also disclose deficits in their valuations. There are today 58 % of offices whose business in force is less than one crore as recorded in the year Book for 1953, and 27 % of the offices of the medium size having business in force between one crore and ten crores. Numerically, therefore, the reduction in the premium rates will adversely affect something like 90 % of the offices, since there are eight offices whose particulars are not known and who too probably belong to the group of small sized offices.

If one compares the financial position of the Life Offices today with their position in the last decade or so, one finds that there were 46 % offices who showed in 1941 deficit in their valuations as against 32 % who showed a deficit in their 1952 valuations. It is certainly an undesirable step which might make the financial position of a number of offices revert to the conditions which prevailed in 1941.

It would, therefore, have been worthwhile to have waited and observed whether conditions tended to stabilise as regards yields, mortality and expenses. From all the evidence it appears that there was no cause for drastically reducing the premium rates to the detriment of the bulk of the Life Offices in this country. If a change was necessary, perhaps only the non-profit rates should have been altered. It is understood that the Indian Life Assurance Offices Association is conducting an investigation into the mortality of Indian assured lives and the investigation is expected to be completed in the course of next two years or so. The actual incidence of mortality of Indian assured lives would then become properly assessed and that would have been the time to examine the premiums charged by Indian offices. Even at that time, it would be desirable to examine the premium scales for determining whether these were equitable, i.e. it is loaded properly for expenses and for bonuses for the various plans, ages and terms of insurance rather than make sweeping reductions in them. A drastic downward revision should have been avoided at all costs in the with-profit premium rates.

The prices of every commodity have increased many fold. The public have taken in their stride the moderate increase in the Life Insurance premium rates. Actually the volume of new business in 1952 was over 3½ times as large as it was in 1941, and with the offices' general policy of handing back, under legislative provision, to the policyholders in the form of enhanced bonuses the results of improvement in mortality and interest,etc. the public would be given full value of the premiums they paid.

Reduction in Life Insurance Premium Rates:—

BY A. S. GUPTA, M.A., F.I.A.,
Actuary, Asian Assurance Company, Limited.

REGARDING the reduction in the premium rates effected by the Indian Insurance Companies doing Life insurance business, I would say that the reduction has not come too soon. I remember having discussed this proposition much earlier than when the reduction was first announced with friends associated with many Insurance companies and they seemed to be unanimous that it was time to announce a general reduction in the premium rates. This aspect was also discussed in my company sometime in February 1954 and we were only dissuaded in effecting the reductions on account of expected increased lapses and paid ups.

The Life Insurance Council has issued a directive laying down certain principles. While I generally agree with the directive I would like to point out that due cosideration does not appear to have been given to the following two facts:-

1. The increased reduction in premiums which some companies effected by reducing the commission payable to the agents, reduce the cost of insurance to the public. The Whole Life and Whole Life Limited payments plan afford the maximum cover at minimum cost and, therefore, further reduction effected on account of the reduction in the commission may be very attractive for persons to insure their lives for the maximum limit possible under these plans.

2. As is well known rebating in India is a prevalent evil and by reduction in commission, rebating was expected to be considerably reduced in case of these plans. On this account alone there would have been less bogus business and since the policyholder paid a larger proportion of the first year's premiums, lapses could have been safely expected to be considerably lower in respect of this business.

This way the public would have gained because of lower premium and less of lapses and insurance companies would have also gained because of less of lapses and less of bogus business. Further illegal rebating would have also declined and honest and law-abiding persons who do not expect rebates would have been properly rewarded.

In my opinion all steps which go to reduce the first year's commission should be encouraged for the healthy growth of Life Insurance in India. The higher commission encourages rebating with the consequences that bogus business is also introduced and there are very heavy lapses and subsequent paid-ups, which strain the resources of the Company and which are ultimately passed on to the policyholders by way of higher premiums or lower bonus.

Revision of Life Premiums:—

BY K. A. PANDIT, B.Sc., F.I.A., (London),
Consulting Actuary.

IN life insurance, premiums are based on the probable trend of mortality, interest rates realisable on investments of the funds and the expense ratio of the working of business.

Lighter mortality or a favourable rate of interest or a falling expense ratio might justify scaling down of the premiums. Unless, however, definite trends are noticeable in these respects it would not be advisable to modify the rates of premia.

The recent scaling down of the premiums by the top companies seems to have been due to the above reasons. It can be said that mortality experience of the business has shown marked improvement in the past few years. Also a rate of interest higher than what it was five years back is now realisable on new investments. The expense ratio, however, has not shown downward trends. In fact the statutory limits prescribed in the Insurance Rules for expenses have been relaxed by the Life Insurance Council so as to enable companies to come within the requirements of the Act.

Thus, the scaling down of the premiums can be justified to a certain extent on the plea that mortality and interest rates are favourable.

However, it has to be considered whether a general scaling down has become inevitable in the interests of the policyholders. This would be so if there were no other ways of passing on the profits to the policyholders. As a matter of fact, the exact position is otherwise.

In life insurance, there are two principal classes of business. One is with-profits wherein policies are issued on higher rates of premia with the assurance that such policies would participate into the profits of the business. The other is without profits wherein policies are issued with a guarantee of the basic sum assured with no right to participate into the profits.

Thus, the with-profit class of business (and this forms about 70 per cent of the total business) would naturally be eligible for higher bonus if the profits so justify. Benefits on account of favourable experience of mortality or interest rate can be easily passed on to such policyholders. In fact this class of business which forms the backbone of the total insurance business of a company and which suffers most at times when the experience of mortality or interest is unfavourable should be given a fair deal, rather than being ignored and new with-profit policies issued at lower rates.

It has been a common feature of Indian life insurance companies that premium rates both with and without profits are revised at every available opportunity.

This practice, apart from its beneficial effects on the without profit business or even on new with-profit business creates difficult conditions for the current with-profit policyholders. For instance, as a result of the scaling down of the premiums, with-profit policies issued in the immediate past years on higher rates of premiums are placed at a disadvantage. They have to pay higher premia as compared to new with-profit policyholders who join the company at lower rates. Even if such policies are allowed higher rates of bonus in future, all with-profit policyholders of the company do not receive full justice in view of the fact that some few years back the company might have issued policies on a still defferent scale of premiums and policies issued on such rates can be eligible for a special rate of bonus in fairness though no such distinctions can be made. Further, as a result of the scaling down there is a general tendency among the past policies issued at higher rates being made paid-up and new policies taken up. This is naturally a hardship and in certain cases even financial loss to the current policyholders.

Thus, scaling down of the with-profit premiums connot be fully justified.

In Life Insurance business which is mostly sold in this country rather than bought, competition is most important. Thus, lowering of the rates by the well-established companies would immediately force the smaller units to reduce their rates also. If they do not reduce, they run the risk of their current policies being made paid-up and new business switched over to the bigger companies. Conservation of business is as important as production of new business.

In the case of smaller companies, the mortality experience may not be as favourable as that of the bigger units. Their expense ratio is also higher comparatively Thus on one side they will have to reduce the rates so as to stand in competition and on the other side their sources of surplus would be narrowed down. In fact, some companies which have just started distributing bonus would be again forced to mere solvency.

It may be argued that smaller companies may marge together and thus form workable units. But this is difficult in practice. It is not that smaller units are unworkable individually. It is the fear of competition by the bigger companies that renders their workability difficult. The percentage of lapses and paid-ups is enormous in the business of smaller companies and this would further increase in view of the revision of premiums. If, therefore, such companies are allowed to come up by continuing to work at the current level of premiums, by the bigger companies returning the surplus profits by way of enhanced bonus instead of creating difficult working conditions by scaling down the rates, the insurance trade as a whole would tend to grow healthier.

—*SEVIKA*

Presidential Address

BY SRI K. N. GANGULY, B.L.,

At the Thirteenth Annual Conference of the Insurance Club, Patna, held on 28—3—1954.

I have to acknowledge my deep debt of gratitude to the members of the Insurance Club, Patna, for having had elected me as their President during the year that we have just left behind. I admit without reservation that it is a signal honour to attain this position in as much as the Patna Insurance Club by its age, achievements and contribution to Insurance thought, holds a pre-eminent position in the hierarchy of Indian Commercial Associations. The Patna Insurance Club, is not a class organisation, — it admits as members every category of worker in our profession. It is not a labour organization which aims at fighting for rights or privileges. It is not either a paid piper for managerial manipulations and propaganda. The patna Insurance Club is an academic and social organisation trying to foster social contacts among men of the same profession of Insurance; to bring men of learning and repute in contact of members who may benefit in knowledge and culture from such contacts; it tries to foster a feeling of professional brotherhood despite the keen competition existing among members for business; it thus ensures healthy rivalry and protects the interests of insurers by ensuring individually and collectively a sense of clean and above-board activities; it has tried its best to protect the interest of agents whenever the Insurance Law has come up for amendments; what is most important, it has repeatedly brought to the notice of the Company Chiefs as also the Government the disadvantages from which policyholders suffer, which if removed will not cost the insurance companies anything but which will enhance the popularity of insurance as a whole. The annual conferences the Patna Insurance Club convenes offer a platform to the highest and the lowest in the profession for giving expression to thoughts which would otherwise have remained phantom pictures of individual minds without the Shakti of the uttered word. These conferences focus public attention on the subject of Insurance which is one of the foundation pillars of modern politico-economic society. No Finance Minister is worth his salt in a Modern State if he fails to recognise the value of the State support the insurance-idea should receive at his hands. If you could create the urge for insurance in every insurable person in India, you will not have to sell your honour and the well-being of your posterity for dollar loans from a conscience-less and money-mad country whose only God is the Dollar, whose only faith is the Power of the Purse. All plannings could be financed from within if even a part of governmental efforts through the Press, the Cinema, the Radio and the Public Relations departments were spent in preaching the value of insurance to the individual and to the family. The Central Indian Covernment and the governments of the States are trying to specialise in Deficit Budgeting due inevitably to scarcity of resources. The first historical example of deficit financing was that of the Bourbon Minister Necker and the historical consequence of his actions was the disastrous upheaval known as the French Revolution. Professor J. P. Niyogi of the Calcutta University has already sounded a note of warning against Deficit financing. A large-scale propaganda for life insurance would have resulted in national saving to an extent that would have made an Indian Finance Minister's task less onerous than at present. The Indian Life Assurance Offices Association may sit across a table to discuss with the Government a scheme for selling the insurance-idea to the vast multitudes of the people through the Press, the Cinema, the Radio and the platforms and through the "Community Project" activities.

Admitting, however, that the State has not done what it should and could have done, we cannot forget that the Insurance Trade itself has failed in its responsibility in this respect. The amounts that insurers spend individually upon their hackneyed advertisement will, added up, total over 3 to 4 lakhs of rupees annually. This expenditure gives no money-return and, as such, is futile and a waste. Our last year's President, Sri Mrityunjay Prasad, among other things, drew the attention of our insurers to the need of joint advertisement campaign. This appeal was not in vain because in the Exhibition held at Kalyani during the last Congress session, the insurers had an insurance stall jointly run by the Industry. This is hopeful but not enough.

I have no doubt that a joint publicity campaign directed to fostering insurance-mindedness in the community will pay decent dividends. The easier insurance selling becomes, the less will be the production cost. After five years of concentrated drive for popularising insurance, the chances are that the maximum rate of commission payable to agents may safely be reduced without much heart-burning.

Members of the Club may take pride in the fact that the thought-contributions this Club has made through the addresses of its past presidents and the resolutions that have been passed from time to time from our platform have borne fruit. We have already seen that some companies have revised their policy conditions on the basis of the resolutions passed by our conference last year. It is immaterial to us if any one does not give us verbal approbation for our actions, we have the satisfaction to know that we have done our duty and our efforts have borne fruit. Our President for 1952, Shri N. G. Samaddar, made certain constructive suggestions on such subjects as "Agents," "Salaried Field Officers," "Claims," "Loans," "Lapses" and "Revivals." I do not know if our Employer organisation, the Indian Life Assurance Offices Association, care to pay any heed to the utterances experienced workers who are veterans of the field and who are in daily contact with all the factors the sum total of which may be said to be the "Insurance Business." Shri Samaddar's suggestion for uniformity of the Loan Bond has borne fruit as the ILAOA is preparing a standard draft. Sri Mrityunjay Prasad, also made a masterly analysis of such

subjects as "Policy Conditions," "Claims," "Loans," etcetera. Though only one of his suggestions regarding the Estates Duty Bill was incorporated in the Act that finally emerged, he as well as the Club may congratulate ourselves for this success, however slight, of our efforts.

The Estate Duty Act is now in force and it will have not negligible effect on the insurance business. It is true that this law affects a small minority of the population. But this minority gives us a large slice of the total business. The size of the slice may fairly be expected to grow, if the fieldmen are trained how to go about it in the proper way. I have not seen, however, any company issuing instructions as yet to its workers about the detailed implications of this enactment and the method of exploiting it to our advantage.

The unplanned, unsystematic and lopsided methods of field organisation hitherto followed by most of the Indian Insurers are showing up their defects against the background of the Insurance Act with its provisions for limiting expenditure. In our City of Patna, as many as four insurance companies last year closed their Branch offices on account of their failure to find the field personnel for organisation. I think it was not the want of men that led to this result but a failure to appreciate the fundamental factors, psychological, economic and geographical. These companies are bound to lose ground in other fields also and many others will have to face a shrinkage of organisational muscles until complete atrophy sets in I am not going to discuss this problem in any detail here. It is one of the most important aspects of the whole industry. It requires careful study by a joint commission of insurers, the Government and veteran representatives from the field workers. A wink to the wise is enough and I leave it at that.

A sudden and almost revolutionary move in reducing their premium rates by the New India Assurance Co., Ltd., has subjected the whole of the Insurance Industry to a shock-treatment. This has set the hives humming and the more alert companies have already notified their field workers that they are losing no time in revising their premium rates. One must give credit to the New India for its earliest realisation of the fact that in Insurance it is a seller's market and a stiff one at that. This consciousness is absent in many of our Head offices. Taking advantage of the truth that mortality has improved considerably amoung socially higher stratum of society when some British Insurers decided to cheapen life insurance, a cry of dumping was raised by some of our insurance leaders who even went the length of giving a threat to these foreign concerns of legal restrictions being imposed on them if they did not refrain from making their commodity cheaper to consumers. The first attempt to maintain the high prices was the code of conduct rules emanating from the statutory body, the Life Insurance Executive Council. This syndicated price structure of the insurance commodity has now been battered by an indigenous concern.

Indian Insurers have raised their premium rates within the last ten years, although from a strictly scientific point of view this could hardly be justified. Ultimate profit never arises by price-increase of a commodity that has no buyer's market. Life Insurance premium-rating, that is, price fixation, is based on three main considerations: mortality, expense and interest rate. Mortality has been a steadily improving factor for the last twenty years. The recently published actuarial report on the investigations in 1951 by Sri S. P. Jain, the Census Actuary, proves considerable advance in the average expectation of life both for males and females. The advance is proportionately higher in the case of insurance entrants who are subject to medical selection. That mortality is improving was known to our actuaries and managers and therefore on this count, atleast, increase in premium rate was not justified.

The average percentage of over-all expense ratio and interest-rate experience has been as follows, according to Government report:—

Year	1939	1941	1943	1945	1947	1948	1949	1950	1951
Expenses	33·2	27·4	27·9	32·2	30·4	29·0	29·2	28·9	26·8
Interest rate	4·68	4·17	3·88	3·48	3·03	3·02	3·05	3·16	3·30

It will be noticed that in the early years of the war as there was decrease in business the Expense ratio naturally declined and leapt up only in the year the war ended when business also leapt up, but remained below 1939 Experience. In 1951 the decrease in expense was as much as 7 per cent. compared with the prewar position. The decreasing trend was known or should have been known and increase in premiums was not justified on this count also.

The decline in the interest rate between 1939 and 1951 has been 1¼ % and should have been known to actuaries as an inevitable trend because of the reckless currency inflation during war. This decline, however is off-set by the decrease in expense ratio and therefore the increase in premium rate was not justified on this count also. Future trend in interest rate may be envisaged to be of increased yield because holdings in high-yielding investments have considerably increased of late. If the recent investments of insurers have been carefully selected, then a better yield is inevitable. The following table shows the distribution of assets in high-yielding assets in 1951 and 1939, in lakhs of rupees:

	1939	1951
Mortgages on Property	2,04	9,98
Shares of Companies	4,72	34,68
Land & House Property	4,69	12,48

If the Parliament could be properly sold on the idea that Life Office surpluses are not "business profits" and therefore the Policyholders' shares should be free of income-tax, then such relief would advance the average interest yield to 4 p.c.

Expense ratio could have been further reduced by at least 5 p.c. if the companies had introduced non-medical life assurance. We can safely say that the field medical examination for the last 15 years has been such that one could say there was no medical examination. If inspite of this mortality has improved, that proves that the field workers, despite no effective medical selection, have been honest in selecting lives. Some progressive-minded companies have already introduced non-medical insurance. The cost reduction thereby removes to some extent their headache about organisational cost.

The effect of reduction [illegible] ates is likely to inconvenience those companies whose annual new business is below 1 crore. Most of their business will veer off to their bigger and stronger rivals with higher bonuses. But such fall will not be disastrous. Some of these small companies write business at proportionately heavy cost. If they can learn to be satisfied with less business, they can expect to grow in strength gradually.

I shall now refer to some aspects of our business about which the field worker sees the most and to which my predecessors have tried to draw the attention of our Managers and Actuaries. Simply because these suggestions are coming from fieldmen and petty officers, they should not be ignored.

(1) Claims

(a) A Death Certificate is an important claim form. Claimants experience great difficulty in obtaining these. Records are not properly kept in Municipalities and Thanas and, since Independence, official corruption has so much increased that tampering has become the usual practice which is fraught with danger for Insurers. I shall give two instances of the claimant's difficulty. In one case the claimant failed to get a certificate inspite of tips given to the proper person because the Municipal office could not trace the record of cremation. They could not find out where the deceased was cremated, though he had died in the hospital. This proves that a corpse can be disposed of in the capital town of this State without any any check. This is dangerous both from the insurer's and the Society's point of view and the Insurance companies ought to take steps to see that proper records are maintained in burning ghats and burial places. The second case was as recent as the middle of last year. A Policyholder who was a clerk of the Patna Secretariat suddenly fell ill and died in the hospital. The claimant went to the Municipal Corporation's office for a certified copy of the entry in the register of deaths. The dealing clerk demanded Rs. 25/- for it. The claimant met a colleague of ours who advised him to go the Administrator direct. He did so and secured the certificate for Rs. 3-8-0 only, being the usual fee here. The fact was given to the Administrator in writing and it is not known if any action was taken against the clerk.

In villages where death registers are maintained at the Police stations, the entries are made not on the basis of a certificate from the medical attendant but on the report of any person from whom the Chowkidar collects data. This opens the way to fraud. It is also harmful to legitimate claimants. The actual cause of death may be one kind of disease while the entry on hearsay may be something on the basis of which the company can legitimately refuse to admit the claim.

(b) *Medical attendant's certificate.* Now-a-days hospitalisation is on the increase. When death takes place in the hospital, the hospital authorities issue a certificate. But the Medical officers of the hospital are not allowed to issue any personal certificates to patients or their relations. To insist on the Medical attendant's claim form is not justifiable in such cases. The hospital certificate ought to suffice not only in this respect but also as a proof of death.

(c) Where a claimant is proving his title by means of a Succession certificate or Probate of will or Letters of administration, these are granted only when the death has been proved to the court. In such cases the Insurer has no justification for demanding further proof of death.

(d) The I. L. A. O. A. should approach the Government to provide statutorily that certain categories of officers would be bound to attest insurance claim forms whenever presented before them. Many magistrates seem to lack a sense of public duty and refuse to attest these forms. This difficulty of claimants should be removed if insurance-mindedness is to be fostered.

(e) In case of maturity claims, attestation by magistrates of the claim forms is indefensible and without justification. Loans could be paid to the Policyholder on the basis of his signature attested by any witness. Why cannot the value of the policy be paid to him on the basis of his signature only, which is the most positive proof for a discharge, specially when payment is made by crossed cheques?

(2) Automatic Non-forfeiture and Surrender Values

In last year's conference Shri Mrityunjay Prasad pointed out that many companies do not pay surrender value on premiums automatically adjusted out of the policy holder's own money. This is an important issue and the Controller of Insurance may take up the matter with the Insurers.

(3) Surrender Values

The provisoes to Section 113(1) of the Insurance Act nullify the section itself and should be done away with. The policyholder's right to know at the outset the extent of the Surrender Values is inherent and should not be curtailed.

(4) Automatic Loan Extension

In the interest of making life insurance popular, the automatic loan extension system should probably be done away with. Where many are exposed to a risk few succumb to a risk. On this principle few policyholders stand to benefit by dying during automatic loan extension period. The majority survive and find that they have lost all the money they paid to the company. Such people carry on propaganda against insurance. Therefore, the automatic paid-up policy granted by many companies is definitely a beneficial practice and it is better that all companies should adopt this practice.

I do not propose to take up your time any further Whatever we of the Insurance Club say from this platform is in the larger interests of the business and I hope our masters and the Government of India should appraise our efforts from that angle.

Before closing I beg to extend on the Club's behalf and mine our welcome to our Chief Guest Shri K. L. Gupta for his very kind presence among us inspite of heavy and pressing pre-occupations. We are conscious of the honour he has done us On your behalf I thank Shri Shyamnandan Sahay, the Vice-Chancellor of the Bihar University for the encouragement he has given us by inaugurating this Assembly. Insurance is a learned profession. The product of our industry, i. e., coverage of risk, depends on an intimate study of Economics, Mathematics, Medical Science, Geography, human psychology, Race-characteristics, and in the case of General insurance, most of the physical sciences. A learned profession ought to be closely connected with an Institution for the advancement of learning. Our Universities would do well to invite occasionally experienced insurance men to lecture to their alumni on the subject of insurance, thereby giving the students the benefit of a practical training We are obliged to Sri Shyamnandan Sahay for associating himsef with us.

I beg to be excused for the strain I have put on your patience.

The Law of Contract

BY SRI GOPAL SWAROOP PATHAK

IN modern society the law of contract governs human activity perhaps to a greater degree than any other branch of law. It provides a rule of action for even the most ordinary affairs of the daily life of the individual. When one goes to the market and buys an article at a grocer's shop, when a tradesman borrows money from a money-lender, when a passenger buys a railway ticket from the Railway and when a person guarantees the honesty of a clerk who seeks employment in an office, it is the law of contract which comes into play and governs the relations between the parties to all such transactions.

As society advanced and human affairs became more complicated the law concerning contracts developed, and we have today the laws of agency, sale of goods, banking, insurance and so on. I shall not deal with any problem peculiar to any particular branch of the law of contract. My intention is to discuss only the principles and general aspects of the law.

The law of contract consists of rules which impose limitations on human action. Subject to these rules it is open to the parties concerned to create rights and duties for themselves. If these rules are not infringed, parties who wish to enter into contracts enjoy the greatest freedom.

Essentials of an Agreement

The basis of a valid contract is an agreement between two or more persons. The first element of an agreement is the presence of a definite offer made either to particular person or to the public at large. The next essential is acceptance of the offer. It may be accepted either by the particular person to whom the offer is made or where the offer is made to the public, by an ascertained person or persons within the general public. The offer may be accepted either expressly by a statement to that effect or by conduct which consists in the performance of the conditions laid down in the offer.

A offers to sell his house for Rs. 10,000. *B* agrees to buy and to pay Rs. 10,000 for the house. Again a person who has lost his bag makes an offer by advertisement of a reward of Rs. 50 to anyone who finds the bag and brings it to him. B, after reading the advertisement, finds the bag and brings it to the owner. These are examples of offers made and accepted. An offer, however, is to be distinguished from an invitation for an offer. The issue of a price-list or a catalogue by a tradesman advertising goods for sale is not an offer but a mere invitation for an offer.

Nature of Contract

We have seen what is an agreement. Now, an agreement which is enforceable by law is known as a contract. All agreements are not contracts. Only such of them are contracts as create obligations which the law recognises and the courts enforce. Everyday agreements are made in domestic and social life which the parties do not intend to have legal consequences, that is to say which do not create rights and duties for the enforcement of which the parties could go to court. If the parties have no intention to create legal obligations as distinguished from moral or social obligations, the law respects their wishes and does not impress upon such agreements the character of contracts.

A familiar example of an agreement which is not intended to have legal consequences and which therefore cannot result in a contract is that of an invitation to dinner made by one friend to another who accepts the same. Such an agreement is not intended to create a legal duty and a legal right but merely results in a social obligation. It may be a gentleman's agreement but as it was never intended by the parties that in case one of them is in default it will be the right of the other to go to a court of law, it does not become a contract and the court will not direct any of the parties to fulfil it or pay damages in case of breach of the agreement.

Requisites of a Contract

It is essential that the parties entering into a contract must possess the capacity to do so. A person who has not attained majority, i.e., the age of 18 years or is not of sound mind is not competent to enter into a contract. In other words the law does not recognise a contract to which a minor or a person of unsound mind is a party. Thus if a money-lender advances money to a minor, he is not entitled to recover the loan in a court of law. What is a sound mind for the purpose of entering into a contract has been defined by the Indian Contract Act. A person is said to be of sound mind if at the time when he makes the contract he is capable of understanding it and of forming a rational judgment as to its effects upon his interests.

Another essential requisite for the formation of a contract is that the parties enter into it with free consent, i.e., to say not only should there be consent but consent should be voluntarily given. 'Consent' means that the parties to the contract agree to the same thing in the same sense. If the parties are thinking of different things at the time of entering into the agreement, their minds have never met upon the essential part of the agreement and therefore they cannot be said to have consented. In such a case the very basis of an agreement is wanting.

Free Consent

Under the law, 'consent' is said to be free when it has not been brought about by any of these five elements: coercion, undue influence, fraud, misrepresentation or mistake.

There is always anxiety on the part of the law to protect the weak against the strong, the honest against the dishonest and to uphold what is just. If the consent of a party to enter into a contract is obtained by the commission of a crime under the Indian Penal Code or the threat to commit such a crime or by unlawful detention of that person's property or the threat to detain it, consent will be caused by coercion and there can be no valid contract. It is obvious that the law could not uphold an agreement when the willingness of a party to enter into it has been obtained at the point of the pistol.

Even where force or threat of force has not been used, it may be possible for a person to acquire such power over the

will of another that the latter may cease to have a free mind. The influence of one mind over another can be very subtle and such influence may be as pernicious as that brought about by the exercise of force or threat of force. Where a doctor acquires such an ascendancy over the mind of a patient, whose will has become weak by disease and long suffering, that he is able to exercise his influence on the patient and obtains an agreement for excessive fees which the patient would not have agreed to but for the exercise of such influence, then in the eye of law, the patient has not given free consent and the agreement would not be binding upon him. This is a case of undue influence.

Forms of Fraud

Fraud can assume many forms. The usual form is where one man causes another to act by representing something to him which he himself does not believe to be true. The active concealment of a fact by one having knowledge or belief of the fact also amounts to fraud. When a person buys goods promising to pay for them but without the intention of paying, he is guilty of fraud. Fraud is sometimes difficult to prove. But it has been said that "the state of a man's mind is as much a fact as the state of his digestion." However complicated the fraud may be it is always capable of proof.

The law treats innocent misrepresentation on the same footing as fraud. In case of misrepresentation there is no intention to deceive but the result is the same as in the case of fraud. When a man makes a positive assertion about a fact which is not true though he believes it to be true, but his information is not adequate to justify that belief, it would be a case of misrepresentation.

"Void Contracts"

Parties whose consent has been obtained by coercion, fraud, or misrepresentation have the option to treat such contracts as void. Such agreements are not void from the beginning and unless the party concerned chooses to exercise the option the contract remains good. They are known as voidable contracts, i.e., contracts which can be made void at the option of one of the parties. Contracts which are void from the very beginning are known as "void contracts"

Mistakes of fact committed by both the parties, but not mistakes of law in force in India, will render the contract void. Where *A* agrees to buy from *B* a certain horse and both believe that the horse is alive while in fact it is dead at the date of the agreement, the contract is void. The reason is that at the time of entering into the agreement both the parties were under a common mistake with regard to the subject-matter of the contract.

So far as mistakes of law are concerned the position is different. Everyone is presumed to know the law. It is the duty of every citizen to know, either by his own effort or by taking professional advice, as much law as is necessary for the business he is conducting. For this reason a mistake of law is not held to be an excuse and does not avoid a contract.

Consideration in a Transaction

Then there is the rule that an agreement without consideration is void. 'Consideration' is a technical expression which means an act or forbearance of one party, or the promise thereof, as the price for which the promise of the other party is bought.

To give an example, when A agrees to sell his house to B for Rs. 10,000 and B agrees to buy it for the said sum, the promise of A to sell the house is a consideration for the promise of B to pay Rs. 10,000 These promises on the part of A and B form the consideration, for each other and together constitute an agreement. If B promises to pay A Rs. 10,000 for no consideration then under the above rule the agreement is void.

There are three exceptions to the rule. The first is that if an agreement is made on account of love and affection between near relations it will be enforceable even though there is no consideration, provided the agreement is in writing and registered. Thus an agreement by a father to give his son a certain sum of money out of natural love and affection needs no consideration to make it a valid contract, but it is necessary that the agreement is put in writing and is registered.

The second exception is the case where there is a promise to compensate for something done. To take an example, if A's purse is lost and B finds it and gives to A and A promises to pay some money to B, the promise is an enforceable agreement. The third exception is in favour of the agreement made by a debtor to pay a debt which by lapse of time cannot be recovered through court, provided the debtor has made the agreement in writing and has signed it.

Reprehensible Agreements

We now come to a class of agreements which the law considers as reprehensible and does not therefore recognise. The law disapproves of these in the interests of the safety of the State or of the public, or for other reasons connected with the social or economic welfare of the State or administration of justice. To such class belongs an agreement in restraint of marriage which the law has declared to be void. An agreement by a bachelor or spinster never to marry is bad. Law favours marriages and in the words of a learned judge written long ago, an agreement in restraint of marriage "tends to depopulate", which he describes as "the greatest of all political sins".

Regard for the economic welfare of society is responsible for the rule that an agreement which hinders a person from carrying on trade or business or exercising a lawful profession is void. There is an exception to this rule in favour of the agreement not to carry on business of which goodwill is sold.

Agreements by way of wager are not enforced. Such transactions are in the nature of gambling. If A and B agree that A will pay money to B if an uncertain event happens and B will pay the money if that event does not happen, such an agreement is one way of wager. Exception is however made in favour of certain prizes for horse-racing.

Unlawful Object

In addition to specific prohibitions in the Indian Contract Act, there is a general prohibition that an agreement of which the object or consideration is unlawful is void. I will now give a few examples of such agreements. In excise laws generally the licensee is prohibited from subletting the licence without the permission of the Collector. If there is such a sub-lease and money has been deposited under it, the sub-lease is void and the money due cannot be recovered.

An agreement the object or consideration of which the court regards as immoral or against public policy is also void. By public policy is meant the policy of the State based upon social, political or economic grounds. It is said that no court can invent a new head of public policy and therefore public policy cannot be extended by courts beyond cases already covered by it. Whenever new cases arise, courts bring them within well-recognised heads. An agreement amounting to trading with an enemy during war is an example of an agreement against public policy. Such an agreement by a citizen would be detrimental to the interests of his own country. An agreement which has the tendency of disturbing the due administration of justice would also be against public policy.

A well-known example of such an agreement is that which relates to stifling prosecution. A serious crime is committed and a person who is charged with the crime enters into an agreement with the complainant to pay a certain sum to the latter if the latter stops the prosecution. Courts abhor such agreements and proceed upon the view that if the accused person is innocent the law is abused for the purpose of extortion and if he is guilty the law is eluded by a corrupt promise.

The social interests of the State are injured by the sale of public offices. Agreements amounting to sale of public offices diminish the purity which must belong to such offices. For a similar reason an agreement for assignment of public salary is bad. The object of the salary of a public officer is to uphold the dignity of the office and to enable the officer to carry on his duties in an efficient and proper manner.

An agreement that fraud will be practised and profits thus obtained will be divided among the parties to the agreement is also void. If property is let to a person for carrying on an immoral pursuit, the landlord cannot sue for rent although there is an agreement to pay it.

Quasi-Contracts

I shall now deal with a class of transactions which though not contracts have all the legal incidents of contracts. They are known as quasi-contracts. There is no element of agreement present in such cases although all the legal consequences of contracts attach to them. The law of quasi-contracts is based upon the theory that there should be no unjust enrichment or unjust benefit and no person should be allowed to retain money or benefit derived from another which it is against conscience for him to keep. Now I shall give a few examples of quasi-contracts. When a person supplies necessaries to another person who has not the capacity to enter into a contract, as for example a minor, the former is entitled to recover the value of the necessaries from the property of such incapable person. Necessaries mean food, clothing, lodging, medical attention and so on.

If a person enjoys the benefit of an act which has been done for him by another when the latter had no intention to do it gratis, the former is bound to compensate the latter and if the act consisted of delivery of a specific thing, to restore that thing.

A person to whom money has been paid or anything delivered by mistake or under coercion must repay or return it. There are cases where one person is bound by law to pay and another person is interested in the payment. In such cases if the person liable does not pay and the person interested pays, the latter is entitled to recover the money so paid from the former. In all cases of quasi-contracts the law raises an obligation similar to that which is created by a contract, because otherwise the party benefited will be unjustly enriched and it will be unfair for that party to enjoy the benefit and not to bear the burden.

(A. I. R., New Delhi)

Problems of General Insurance Business

By Shri E. K. SRINIVASAN

SINCE the Amendment Act of 1950, the continuance of the Principal Agency Rules had been receiving the attention of the Insurers in the Calcutta region. In deference to Government's wishes the status quo was maintained but recently the Government released the Insurers from the undertaking to maintain the status quo. Though it was felt both by the Indian Insurance Companies' Association and by the Overseas General Insurers' Association that some kind of restriction on Principal Agency Representation was desirable owing to a bona fide inability on the part of the two Associations to come to an agreement on the number of Principal Agencies to be allowed to each Company it has been agreed between the two Associations to take steps to abrogate the Principal Agency Rules at present governing the Insurers in the Calcutta region. This is expected to be an accomplished fact very soon and I sincerely hope this will not add to the present day problems of Insurance in India.

Indian General Insurance received a strong impetus from our Independence in 1947 and with our National Government's successive Five Year Plans it has a bright future. Yet we are in the grip of frustration and breathing an air of pollution. We have brought on ourselves an amendment legislation in 1950 the utility of which is problematic. Whilst our Prime Minister is decrying casteism in political India, a hidebound caste system is being developed in Insurance India. Slogans such as "Strong Company," "Leader of Indian Insurance" and "Saviour of Foreign Exchange" are heard frequently. Subtle approaches to Government with the bogey of Indian Insurance in danger and foreign exploitation are made for individual advantage. Opposing groups are being formed with leaders and camp followers. An impression is propagated that the strength of an Insurance Company lies only in the size of its capital and premium income and on this basis any national business is attempted to be divided. It is voiced from every corner and at every opportunity that the salvation of Indian Insurance lies in a few leaders with the rest under their wings with no individuality or right to question. Unless these tendencies are fought against and stopped forthwith, in the course of the next 10 or 15 years you will find Indian Insurance concentrated in the hands of half a dozen Companies and everyone will agree with me that such concentration will not be to the good of the country and its people. Concentration of such power will have an intoxicating effect. We see already signs of it. I warn the Government to notice this tendency and take measures against it. Indian Insurance must be broad-based on numerous well run companies rather than on a few powerful units. Help not to create a Zaibatsu like in pre-war Japan. It is made out that most of the Indian Insurance Companies are very small and have no technical equipment to be trusted to have a say or hand in developing Indian

Insurance and therefore the few major Insurance Companies must have dictatorial powers for aggressive development. My answer to this is that Prime Minister Nehru does not claim dictatorship because our democracy is based on adult franchise of majority of illiterate and ill-equipped people. He does not say that being superior intellectually and otherwise he must have superior rights as a citizen.

Now let me try to trace the path through which we have travelled to this present position. The Government cannot be blamed. The Government only gave what certain representatives of the trade clamoured for. The Government adopted the trade's recommendations almost without variation in the Amendment Act of 1950. The tragedy lies in those recommendations not being representative of the majority feeling of the trade and for this the trade is to blame to a large extent in that the majority of its members at that time did not take an active and intelligent interest in what was coming but felt satisfied in the infallibility of personalities. The result was the clamping down on the trade the 1950 Amendment which is making the rich richer and the poor poorer. A legislation was produced which enabled companies with big finance to breach it legally whilst the companies not so fortunate are everyday finding the ground under their feet slipping. When it was found that the 1950 Amendment was not working the wonders that is was claimed it would at the time legislation was brought another clamour went forth to Government. Government was told by our representatives that the trade was composed of law breakers and not stopping with it we were made to bear the cost of an advertisement that proclaimed to the world that we were all a crowd of bad boys. What tragedy! Are we so bad or is it the interested cry of the people who achieved the 1950 Amendment finding their real purpose defeated? It is time we stopped rushing everytime to Government at the least provocation and deprecating the trade which is not as bad as it is made out to be. This tendency to invite more and more Government interference and restrictions must be stopped. Insurance is a highly individualistic game and it certainly cannot be successfully run like marionettes with strings pulled from Simla or Delhi. I say that everyone of you is capable of running his show properly and you must develop a sense of pride which must protest against the Government unnecessarily interfering or one of your own fellow in the trade telling you that you can only thrive under his wing. Do not lose your individuality. Do not develop an unintelligent and selfish partisanship. Act dispassionately and understand what you are doing. Do not develop a complex but be convinced in your own ability to exist.

Another step in the path to the present juncture was the formation of the Pool. I may even at the outset say that I do not deny the advantage to Indian Insurance in general of the Pool; but my quarrel is with the shape which it is taking subtly but inexorably. It established a caste system, an invidious claim to discrimination, and a mischievous belief that the measure of a Company's capacity to handle business was based on capital and premium income only. When France repealed the "Edict of Nantes" it invaded private liberty; so also the formation of the Indian Insurance Companies' Pool struck the first nail into the coffin of individual expression. I do not know whether you are all satisfied with the running of the Pool. The cavalier fashion with which the Pool members are informed of the attachment of risks, the extreme delay after which copies of policies are in the hands of members and the mechanism for rating non-tariff risks are the despair of the Underwriter. While the going is good these defects will not be apparent, but bad luck one day will make us sit up. A disaster may not affect the bigger companies to the same extent as the smaller companies mainly for whose benefit the Pool has ostensibly been started. I feel the mechanism for running the Pool must be the same as running any Insurance Company. The present system of honorary Underwriters can never be satisfactory for even the reason such honorary underwriters have not the time the job requires. A full time and dispassionate Underwriter must be at the job and naturally there are fears attached to such a step. However if the Pool is an inevitable evil by accepting which only we can show our patriotism and concern for Indian Insurance every member of the Pool must at least be vigilant, examine the terms and conditions on which Pool business is written and exercise a right to constructive criticism of the working of the Pool. Do not allow the Group immediately concerned with the working of the Pool to develop an impatience at criticism. Allow not the Pool to deaden your individuality. Another dangerous tendency that is developing in the Pool is the solicitude that certain members of the Pool are flaunting by way of being in a position to get reciprocity for the benefit of the Pool from foreign fields, and subtly basing on it a right to handle national business which is in excess of the net absorbing capacity of Indian Companies. I resent the suggestion that it is the privilege and capacity of only a few Indian Companies to get reciprocity. The absurdity of this claim will become clearer if I mention that these claims are put forward at the present time in a feverish fight to corner Indian Hull and Aviation business. I can tell you that any of you can whistle and get as much foreign Hull and Aviation business as you want without having to give anything in return. What is this reciprocity that is being made much of? Government is approached and the bogey of drain of foreign exchange is raised. The extent to which foreign exchange can be dissipated as far as insurance of Indian Hulls, Marine and Aviation, is concerned is circumscribed by the profit made on such business. This profit, as you all know, is problematic. Five percent can be considered as a generous profit margin taking a long view. As you know there are a number of Indian Companies even at present having a hull portfolio through treaties from foreign Companies. If this is taken into consideration the net loss in foreign exchange will be negligible or nothing. Another argument that only by a concerted action on the part of Indian Insurance can we get a share of foreign Hull business is fallacious. I can tell you that if Indian Companies care to have foreign Hull business they can have it for the asking without having to reciprocate with Indian Hull business. I may tell you that my Company has negligible percentage of Indian Hull business and yet I have a sizable volume of World Hull business. As a decisive answer to the worth-whileness of the reciprocity promised by certain Companies to the benefit of the Pool I would ask them what profit have they made of this reciprocity for their own Companies? I do not think that Indian Insurance can go out for Hull

160166

reciprocity either on the scale in which it is asked to launch or on the backs on which it is promised to be carried. It is a dangerous field and if you are not individually equipped to launch on it stay back rather than allow yourself to be carried blindfold on the backs of others. After all reciprocity is not confined to Hull business alone. It applies to a greater extent to Fire business where reciprocity will be more paying. If the motive to obtain reciprocity for the benefit of the Pool is altruistic and to save foreign exchange why is not attention given to Fire business? Apart from the bonafides of these claims ff the Indian Pool does not confine itself to handling on behalf of Indian Companies Government business alone but spreads its activities to procuring reciprocity from foreign fields we will be developing the Pool into a pucca Insurance Company which the Government can take over as a nucleus for nationalisation of Insurance in this country.

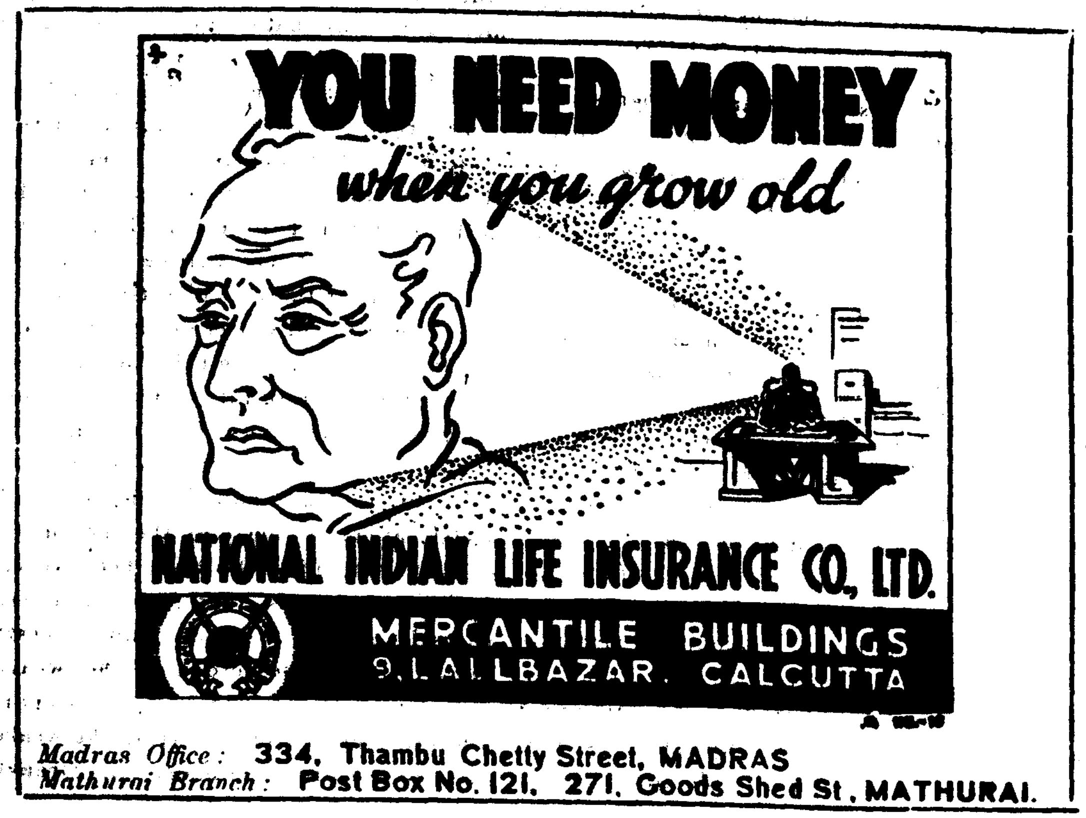
The latest step towards progress of Indian Insurance is the attempt to form Groups to handle certain business. I readily agree that working in Groups to handle certain high values is laudable as it obviates competition and also serves to absorb the high values without much inconvenience to the Insured. Such Groups are mainly to serve the Insured. But the way in which Groups are sought to be formed in this country at present is entirely different from formation of Groups in other countries much more advanced in the field of insurance than ours. If my knowledge of workings of groups in other countries is correct it is the coming together of friendly Companies on a basis of equality, with a right to equal knowledge of what is happening in the matter of the Group business and without any member of the Group being assigned an inferior position. Unfortunately the attempts to form working Groups in this country are motivated by jealousy among Companies and a [illegible] claim for preferential treatment.

We are engaged in a noble profession as according to me Insurance is a message of co-operation. This message of co-operation for the benefit of society we are carrying on in the most non-co-operative spirit. In our efforts to improve the position, each one has been voicing the fault in others and rushing to the Government with horrid stories about Indian Insurance. It is time that everyone of us stood before a mirror and had a look at his own face. We must as a body launch on a moral rearmament. Leading Indian Insurance Companies must develop a certain philosophy. They have certain duty to perform by letting others also to live. The bigger companies cannot say that on their own merits they have a claim for a bigger share of the cake and that they have a right to grow from strength to strength irrespective of what the results thereof are vis-a-vis the smaller ones. If this philosophy is not developed I warn that the bigger companies will be laying the foundation for their own extinction. In the modern world Governments are moving towards egalitarian principles. Therefore if Insurance in this country is concentrated in the hands of a few big companies the task of the Government in nationalising the industry will be made easier, aided of course by the cry of the smaller companies who have been forced to the wall. It is therefore an urgent necessity that the strong man honestly helps to lessen the burden of the weaker one instead of using his strength to poise a heavy boulder to throw it on the weaker one and crushing him under it. Strength

X81-2, F34
N54.19&20

by itself is not an unmixed good; how it is used is what gives it distinction. An infant democracy is a fertile soil for the growth of dictatorship. Unless you are vigilant and develop your individuality, I can visualise in the near future in the World of Indian Insurance a personality with the tooth-brush moustache and extended arm thumping the platform in a bid for dictatorship under the camouflage of progress of Indian Insurance. It raises before me the vision of a dictator rising in Germany in the 1930s under the pretext of National Socialism.

(Presidential address delivered at the 18th Annual General Meeting of The Indian Insurance Companies' Association held recently at Calcutta)



A symposium on the minimum, Average and Maximum Blood Pressure in Bengalee Adults

By B. B. DOTTO,
Chief Medical Officer of the Police Co-operative Life Insurance Society, Ltd., Calcutta.

(Continued from March, 1954 Issue)

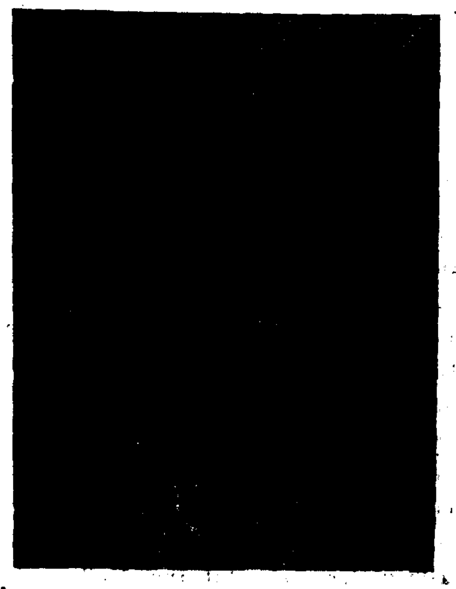
TABLE No. I

Table showing average Blood Pressure mean of 10,500 Bengali Adults worked out according to different age groups.

Age Group Years	Number of Entrants	Average Systolic Pressure	Average Diastolic Pressure	Average Pulse Pressure
18—19	720	115.7	74.2	41.5
20 24	1,375	117.6	76.1	41.5
25—29	2,025	119.2	77.0	42.2
30—34	1,750	122.5	79.4	43.1
35 -39	1,635	124.9	81.2	43.7
40—44	1,030	127.8	83.4	44.4
45 -49	740	129.3	84.0	45.3
50 · 54	515	131.9	86.2	45.7
55—59	420	133.5	87.5	46 0
60 and over	290	146.4	88.8	47.6
Total Entrants	10,500			

Average Systolic, Diastolic and Pulse Pressures are 125·8, 81·7 and 44·1 mm. Hg. respectively, irrespective of age.

The writer has worked out the average Blood Pressure Tables for Gurkhas, Garhwalis, U.P. and M.P. Hindus, Beharis, Muslims, Madras and Bombay Hindus, Punjabees, Oriyas, Assamese and Anglo-Indians. It appears that the average Blood Pressures of the Bengalee Adults are slightly higher than the avarage Blood Pressures of the Indians of other States. This is perhaps due to their intellectually fertile brain, the stress and strain of business life, over indulgence of food, specially protein, on exercise, keeping of late hours, use of undue mental efforts, matrimonial worries, existence of overwork, and the excessive use of tea, tobacco and coffee. A table showing the average Systolic, Diastolic and Pulse Pressures of different Indian nationalities has been worked out by the writer from his personal experience and is reproduced below.



Mr. B. B. DOTTO

TABLE No. II

Table of comparative systolic, diastolic and pulse pressures
(Means af different races in 25,952 Indians)

	Races.	Number of Entrants Irrespective of Age	Average Systolic Pressure.	Average Diastolic Pressure.	Average Pulse Pressure.
I.	Bengalees	10,500	125.8	81.7	44.1
II.	Beharis	4,000	122.8	79.1	43.7
III.	Gurkhas	4,000	121.4	79.7	41.7
IV.	Garhwalis	2,500	121.7	80.2	41.5
V.	Muslims	2,500	125.1	81.0	44.1
VI.	Anglo-Indians Rajputs, Punjabees, Oriyas, etc.	*1 500	125.2	82.0	43.2
VII.	U.P. & M.P. Hindus	1,500	123.4	81.9	42.5
VIII.	Madras Hindus	1,200	124.2	82.8	41.4
IX.	Bambay Hindus	752	122.0	79.9	42.1

Total entrants 28,452, less 2,500 Muslims who are included in items No. I, II and VI above, thereby making the total entrants 25,952.

*Actual figures are as under:

I.	Panjabees	423
II.	Assamese	320
III.	Oriyas	303
IV.	Anglo-Indians	267
V.	Rajputs	145
VI.	Chinese	42
	Total	1,500

According to the above Table the average Systolic, Diastolic and Pulse Pressures in Indians as a whole are 123.5, 80.9 and 42.6 mm. Hg. respectively as against 122.6, 79.6 and 43.0 mm. Hg. respectively found on 10,000 Indians in 1950 investigation as mentioned hereinbefore. The writer has taken over ten years' time to complete the above Table—which is most comprehensive and for the first time published in India. The writer had great difficulties in obtaining U.P. and M.P. Hindus, Madras and Bombay Hindus entrants for the above investigation. He had to depend mostly upon the generosity of U P. and M.P. Hindus, Madras Hindus and Bombay Hindus, residing in Calcutta and suburbs in connection with service or business to fulfil his ambition. The writer is grateful to these gentlemen for their kind and valued co-operation in the interest of the statistical studies.

The writer has after a Herculean labour prepared a Table showing the Minimum Average and Maximum Systolic, Diastolic and Pulse Pressure Ranges of 10,500 Bengalee Adults which is reproduced below. This table is the first of its kind for Bengalee Adults and should be of great

help to the medical practitioners and life assurance companies. The first research worker to prepare a similar Table for Indians, based on 10,000 entrants in 1950 which was the first of its kind in India and so far the extensive studies of the writer go, he is not aware of any such comprehensive Table prepared with British experience. The present Table and the Table referred to hereinbefore are more comprehensive than the one compiled by the American Institute of Medicine of New York; as they contain minimum, average and maximum pulse pressure ranges.

The figures on either side of the average column represent the extras—minus or plus—within which a subject may be considered normal for life assurance acceptance, if the relative pulse pressure is maintained. It is well-known that normal Blood Pressure, therefore, does not require the applicant to come exactly within the average figures, but it should come within certain extremes of Systolic and Diastolic readings, while maintaining a relative Pulse Pressure. Generally speaking, as has long been pointed out by Dr. Francis Ashley Faught, M.D., the Systolic, Diastolic and Pulse Pressures should approximate the relationship of 3: 2: 1, i.e. Systolic 120, Diastolic 80 and Pulse Pressure 40, although slight variations from these are, however, compatible with the normally functioning cardio-vascular-renal system. It may be stated that the maximum Systolic, Diastolic and Pulse Pressures given in the Table should be the maximum figures for life assurance acceptance and no further allowance should be permitted under ordinary circumstances.

TABLE No. III

Table showing minimum, average and maximum systolic, diastolic and pulse pressures in 10,500 Bengalee adults in different age groups.

Age Group Years	SYSTOLIC RANGE			DIASTOLIC RANGE			PULSE PRESSURE RANGE		
	Minimum	Average	Maximum	Minimum	Average	Maximum	Minimum	Average	Maximum
18—19	104.5	115.7	125.8	69.2	74.2	82.4	35.3	41.5	43.4
20—24	105.7	117.6	127.9	70.4	76.1	83.2	35.3	41.5	44.7
25—29	107·0	119.2	131.0	71.4	77.0	85.6	35.6	42.2	45 4
30—34	109.6	122.5	133 8	72.6	79.4	87.0	37.0	43.1	46 8
35—39	112.4	124.9	136.7	73.8	81.2	88.1	38.6	43.7	48.6
40—44	114.3	127.8	138.2	75.1	83.4	89.2	39.2	44.4	49.0
45—49	117.2	129.3	140 3	77.0	84.0	90.2	40.2	45.3	50.1
50—54	120.6	131.9	143.0	78.5	86.2	91.3	42.1	45.7	51.7
55—59	121.5	133.5	144.8	79.2	87.5	92.0	42.3	46 0	52.8
60 and over	122.9	136.4	145.6	80.4	88.8	92.3	42.5	47.6	53 3

Minimum Systolic, Diastolic and Pulse Pressures are 113.5, 74.7 and 38..8 mm Hg. respectively irrespective of age

Average Systolic, Diastolic and Pulse Pressures are 125.8, 81.7 and 44.1 mm. Hg. respectively irrespective of age

Maximum Systolic, Diastolic and Pulse Pressures are 136.2, 87.9 and 48 3 mm. Hg. respectively irrespective of age

The gulf of difference from the stand-point of life assurance and general practitioner has been very pleasantly explained by Dr. Brandreth Symonds, M.D., a well-known American authority on Blood Pressure, which is quoted below:

"Probably life insurance and general medicine will never regard blood pressure in the same light. Life Insurance sees only people who are healthy or at least think they are. Even the highest systolic pressure of fat, elderly people is below 140 mm. on the average, if they are acceptable to life insurance. This also means that practically as many as below 140 mm. as above 140 mm. nearly all are below 150 mm. General medicine, on the other hand, sees only those who feel that they are sick. Ir their illness it due to blood pressure, it is usually high, frequently as high as 200 mm. or more. General medicine knows that these high pressures will come down to 170 or 180 mm. by appropriate treatment and many of them live for years. But medicine does not realize that a small increase in the number of deaths per year means a great difference to life insurance. At age 50 we only expect 14 to die in the following year out of 1,000 living, and we call that 100 per cent. mortality. If 28 die, our mortality jumps up to 200 per cent. At age 60, if the number of death among 1,000 living increases from 26 to 40, the mortality increases to 150 per cent. If a practitioner should see 1,000 patients with high blood pressure at age sixty and bet with himself that 974 would survive the year, and only 960 did survive, he would not feel downcast. In fact, he would probably point to the record with pride and boast of his ability for prognosis. But life insurance would have to tell him that his mortality was 150 per cent. in that group, and a medical director who never made a better guess than that would not keep his position for long. General medicine would look complacently at the living, but life insurance would ruefully regard the dead, for 40 claims would have to be paid instead of 26 expected."

It is a matter of regret that the majority of Indian and Pakistan Life Assurance Companies do not appear to have given the vital question of Blood Pressure estimations, the serious consideration it deserves. It is very strongly recommended that Blood Pressure readings should be taken and recorded in all persons proposing to insure their lives irrespective of the age and sum proposed. This simple procedure would greatly reduce the premature death claims, by bringing to light concealed risks, due to cardio-vascular-renal affections. From the mortality experience of 20 first class Indian Life Assurance Companies for the quinquennium ending 31st December, 1951, collected by the writer, it has been demonstrated that the death rate from arterial Hypertension and cardio-vasculer-renal diseases were particularly high and on the constant increase. According to American experience the degenerative diseases of the cardio-vascular system and associated disorders account for about half the deaths at all ages and for a higher proportion after 45 (Post Graduate Medicine, Vol. X, No. 5, November 1951).

Standard Blood Pressure Tables, though handy for reference are hard to memorize. Hence whenever one comes across a case in which the Blood Pressure is other than the average, it is highly desirable to apply some easy formula to determine what is approximately the normal pressure for the given age. In England and America there are several such formula in vogue, but in India and Pakistan there is no rough and ready formula. Indian and Pakistani medical practitioners used to follow the formula of Sir Hamphrey Rotteston, Bart, G.C.V.O., D.SC., M.D., F.R.C.P., i.e. the maximum Systolic pressure of a person may be obtained by adding 100 to the age, and the Diastolic pressure may be taken as 2/3 of the Systolic (Lancet, 10th March, 1923). Unfortunately the formula of Sir Humphrey is erroneous and so inapplicable particularly in case of Indians and Pakistanis.

In 1941, the writer with much diffidence suggested, through the medium of different Insurance Journals and Periodicals to the members of the medical and actuarial professions that a close approximation to the Systolic Pressure can be had by taking for each instance (age 20 to 60) the basic figure of 108, and adding half the age of the party, fractions being ignored. Diastolic Pressures can be obtained by taking the basic figure of 76 (age 20 to 60 years) and adding one-fifth of the age. These theoretical figures of the writer compare very favourably with his practical tables and also with those of Oriental Life Assurance Company. Drs. Brandreth Symonds, John W. Fisher, F. A. Faught, L. F. Mackenzie, Oscar H. Rogers, Arthur Hunter, J F. Halls-Dally, Harry P. Woley and Mr. Lewis P. Orr, American experience, also collaborate the figures of the Theoretical Table of the writer, which is reproduced below. The formulae of the writer have attained extreme popularity during the last decade and are extensively used by the medical practitioners and Life Assurance Companies in India and Pakistan.

TABLE No. IV

B. B. DOTTO'S Theoretical Table showing average Blood Pressure for Indians at various ages.

Age: Years	Average Systolic Pressure	Average Diastolic Pressure	Average Pulse Pressure
20	118	80	38
25	120	81	39
30	123	82	41
35	125	83	42
40	128	84	44
45	130	85	45
50	133	86	47
55	135	87	48
60	138	88	50

Average Theoretical Systolic, Diastolic and Pulse Pressures in Indians are 127.7, 84.0 and 43.7 mm. Hg. respectively, irrespective of the age.

It would certainly have been more interesting to go further into the details of Blood Pressure, but the growing size of the article, and the writer may frankly confess, insufficiency of his knowledge prevent it. They are, however, of great importance to the Life Assurance Industry and general practitioners and it is sincerely hoped that more experienced and qualified workers will come forward and relay the benefit of their valued experience.

In conclusion, the writer owes a deep sense of gratitude to Messrs. W. A. Baum Co. Inc. of New York, the Manufacturers of the world-famous life-time Baumanometers since 1916, for their kindness in presenting him with several instruments of different models, many arm-bands of various types, several cuffs for recording the Blood Pressure in children and many spare parts and components. Grateful thanks are due to Mr. B. M. Hanafin, the worthy President of the aforesaid Company for his generous co-operation without which it would have been greatly difficult for the writer to carry out his investigations successfully and well. The writer is also indebted to the Manufacturers who placed Aneroid and other Mercurial manometers at his disposal, but sincerely regrets his inability to recommend them for accurate and hard work.

REFERENCES

I. DOTTO, B. B., Indian Medical Gazette, 83: 78

II. Idem, Indian Medical Gazette, 84: 238

III. Idem, An Investigation on Blood Pressure, Physique and Medical Impairments of 5,000 Members of the Calcutta and West Bengal Police Forces: 1950.

IV. Idem, Medical Digest. 19: 373

V. Idem, Antiseptic. 49: 50

VI. Idem, Medical Digest. 21: 225

VII. Idem, Hints on the Assessment of Sub-standard Risks in Life Assurance. 1953.

VIII. Idem, Insurance Club Bulletin, Patna, Vol. VI, May, 1953.

THE ANDHRA INSURANCE CO., LTD.

Head Office: MASULIPATAM.

(Estd. 1925)

ANDHRA marches forward with a sound and steady record.

Total Business in force about	Rs.	Ten Crores
Total Assets exceed	,,	Two ,,
Total Annual Income about	,,	Sixty Lacs

Transacts LIFE, FIRE, MOTOR, MARINE and all other Classes of Insurance.

Our Madras Office:
"Andhra Insurance Buildings"
337, Thambu Chetti Street,
G. T. MADRAS.

ALSO OFFICES AT:— Bombay, Nagpur, Delhi, Bangalore, Belgaum, Anantapur, Secunderabad(Dn.), Berhampur, Ernakulam, Bezwada, Rajahmundry, Guntur, Jamshedpur, Calcutta, Visakhapatnam, Dibrugarh, Muzuffarpur, Allahabad, Etc.

THE STERLING GENERAL INSURANCE CO., LTD.,

(Head Office: NEW DELHI.)

Controlling Office for South India & Ceylon:
No. 10 Linghi Chetty Street, G. T. Madras 1.

Paid-up Capital: Rs. 12,50,000

Transacts:
LIFE, FIRE, MARINE, MOTOR, WORKMEN'S COMPENSATION, AVIATION, FIDELITY GUARANTEE, ALL RISKS ETC

Branches in South India at:
COCHIN, COIMBATORE, BANGALORE, MANGALORE, MADURA, KUMBAKONAM, MADRAS, VIJAYAWADA, AND COLOMBO.

The Leading Aviation Insurance Company of India.

Apply for particulars to:
K. S. RAMAMURTHI, M.A.,
Deputy General Manager.

Letter to the Editor

Dear Sir,

Reduction in the Premium Rates.

After the reduction in the Premium Rates, it is found in the insurance field that the field-workers, from the Branch secretaries to the ordinary Agents of very many Companies, are indulging in persuading the existing policy-holders to convert their old policies and especially those which were taken within a period of 3 or 4 years into paid-up ones and in lieu of them to take up new policies with them, with a view to record New Business Procuration to their credit in the Books of the Companies. Already some apparently substantial New Business has been written by the workers of a few leading Companies during the months of March and April 1954 in this way. I fail to understand whether this sort of procuration of New Business is really a New Business worth its name and will materially help the Companies in any way. Can any new Business the procuration of which will definitely reduce the already existing business of the Companies be called as New Business in the real sense of the term? Already a large percentage of the old policies is going out of the Companies' Books each year as is perceivable from the Insurance Year Book publsihed by the Government of India. when it is so, if the Policy-holders are particularly persuaded to discontinue their old Policies, it is needless to say the position of the old business will only be "from the frying pan to the fire".

It is a well-known fact that the Life Companies will be able to build up the Policy Reserve Values only with the help of the old Policies in force and that too only as the Policies grow older and older in age. Is it not important that the Policy Reserve Values should be built up as much as possible in the larger interest of all the Policy-holders in general.

It is a matter for regret that no Insurance Company has so far publicly nor through Circulars announced to their workers or Policy-holders that the Policies which were issued prior to the reduction in the Premium Rates will have special consideration in the matter of Bonus Declaration. Such an announcements, will definitely dissuade the policy-holders from discontinuing their old policies It is difficult to understand as to why the Companies have not already made necessary announcements to this effect while they always exhort their Policy-holders to continue their old Policies.

It is highly distressing to the loyal and conscientious field-workers to see the present ugly state of affairs obtaining in the field, which really affects the Companies in many ways and more particularly in (1) the maintenance of the old policies in force (2) building up of the policy reserve values and (3) Expense Ratio.

So, it is high time that all the Companies who have recently effected reduction in the Premium Rates come forward to announce in unequivocal language that the Policies effected prior to the recent reduction in the Premium Rates will be allowed higher rate of bonus in the ensuing as well as subsequent valuations; otherwise, failure to make a similar announcement should be treated only as an indirect invitation to the old Policy-holders to convert the old policies into paid-up ones and to take up new policies instead.

Karaikudi. G. VAIDYANATHAN.

The BEST and the SAFEST
for
Representation & Insurance.

THE
NEPTUNE ASSURANCE Co., Ltd.

Clock Insurance Schemes a Speciality,

Last Valuation Bonus: Rs. 10/- & Rs. 8/-per thousand per year Whole life & Endowment respectively.

LIFE FUND: Over Rs. 1 crore
ASSETS: Over Rs. 1¾ crore.

Apply for particulars to:-
104, Apollo Street.
Fort, Bombay,

FOR SAFETY & SECURITY

INSURE WITH

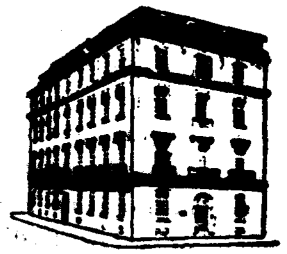
THE NEW ASIATIC INSURANCE CO., LTD.
Head Office: NEW DELHI.

Chairman: L. N. BIRLA.

Transacts:
LIFE, FIRE, MOTOR, MARINE, ETC. INSURANCE

For particulars apply to:
A. SUBBIAH
Manager, Southern Circle.
289, Lingha Chetty Street,
MADRAS-1.

Strength!



ASIAN BUILDING

ASSETS EXCEED
Rs. 4,00,000,00
CLAIMS PAID
Rs. 2,50,000,00

ASIAN
ASSURANCE CO., LTD.
ESTD. 1910

HEAD OFFICE: ASIAN BUILDING
BALLARD ESTATE, BOMBAY 1

BRANCHES IN SOUTH INDIA
Alleppy, Bezwada, Banglore, Madras
Madura, Mangalore & Secundrabad

GENERAL MANAGER
P. U. Patel B. A., B. Com (Lond.)

News

Lucknow Insurance Club

Speaking at the Annual General Meeting of the Lucknow Insurance Club on April 30, 1954 Dr. Radhakamal Mukherjee of the Lucknow University remarked that in the new set up, the business and pattern of insurance should change according to the satge of economic development and the new moral outlook of the individual and the social group.

He added: "With the improvement of of agricultural security due to the vast river-valley and other irrigation projects and the development of intensive agriculture, crop and cattle insurance should develop in India as in America, built upon the scientific foundations of agricultural statistics.

According to Dr. Mukherjee, Social insurance movement sponsored by the State should not be regarded as a rival: on the other hand it should be backed by the major insurance companies through group health insurance of employees. Since the workmen's compensation has become practically universal, group insurance should cover illness as well as disability from industrial and non-industrial accidents. Group insurance was relatively cheap and would offer facilities of insurance now closed to workers, and at the same time reduce labour turnover and increase the efficiency, loyalty and contentment of labour.

In conclusion Dr. Mukherjee said that the introduction of social security in the country, now demanded a radical transformation of the individualistic concepts and policies characteristic of Indian insurance of the nineteenth century.

Mr. C. D. Johri who presided over the function pleaded for re-orientation of the profession of insurance.

Mr. M. R. Sen, General Secretary of the Club read the annual report and stated inter alia that insurance salesmanship was both a science and art. He added "Insurance is for one who is both dashing and delightful and for one who while being a finished diplomat is also a stickler for truth."

The U. P. Insurance Fieldworkers Association.

The Annual General Meeting of the U.P. Insurance Fieldworkers Association was held on the 3rd May 1954. The following resolutions were passed:

1. While appreciating the recent reductions in premium rates this association, however, registers its strong protest against the frequent attempts of the Insurers to formulate tables in which agency commission is reduced. This association greatly resents these steps of the Insurers and requests the Controller to intervene and make such moves of the Insurers impossible in future.

2. Resolved that steps be taken to form district fieldworkers organisations at least in important towns and affiliate to the parent organisation.

3. Resolved that steps be taken to seek representation of the fieldworkers on the Insurance Councils of The Insurance Association of India.

4. The Executive Committee should take steps to request Government to so modify Section 44 (2) of Insurance Act to enable the agent to nominate some person who will receive the renewal commision in the event of the death of the agent.

The following were elected Office-bearers for 1954-55.

President:

Mr. S. K. Mathur (Bombay Mutual)

Vice-Presidents:

Mr. K. K. Banerjee (Hindusthan)
Mr. K. N. Sethi (National)

General Secy:

Mr. P. D. Singh (Oriental)

Joint Secretaries:

Mr. J. A. De'souza (Premier)
Mr. Dass. (Lakshmi)

Propaganda Secy:

Mr. M. R. Sen

Treasurer:

P. N. Tandon (Hindusthan)

Committee Members:

Mr. R. I. Singh (Bombay Mutual) Mr. Har Bans singh Pakhela (Bharat) Mr. B.C. Bhatacharjee (Hindu Mutual) and twelve others to be nominated by the executive committee to ensure wide representation at the districts.

The Indian Life Assurance Offices Association, Bombay.

Life Assurance Examinations February 1954.

Results.

PART I.

96 condidates sent their applications, 87 actually appeared, out of whom the following 34 candidates are declared successful.

Roll No.	Name
3	F. M. Battiwala.
4	B. S. Borkar.
13	K. Y. Khambekar.
19	N. K. Pathare.
20	I. T. Patil.
21	F. J. Po.
22	P. C. Poojari.
24	S. M. Saindane.
31	S. B. Acharya.
32	V. L. Chaphekar.
36	V. G. Deo.
42	S. S. Gokhale.
44	K. J. Kalgaonkar.
46	M. V. Kolhatkar.
49	S. S. Pingle.
51	B. S. Vaishampayan.
54	M. Duraisamy.
56	R. S. Krishnamoorthy.
57	P. V. Krishnamurthy.
60	V. Nagaraja Iyer.
62	S. V. Padmanabhan.
64	S. R. Rajagopalan.
65	K. Rajan.
68	N. G. R. Shenoi.
71	C. Subramaniam.
73	V. Subramanyam.
74	R. Thiruvengadaswamy.
75	V. Thyagarajan.
76	G. Vaidyanathan.
83	L. R. Aggarwal.
85	G. L. Mehta.
89	N. R. Duttamajumdar.

Roll No.	Name
93	N. N. Mitra.
94	A. Mukherjee.

The following 2 candidates secure exemptions from Papers mentioned against their names.

Roll No.	Name.	Paper.
10	K. N. Kapadia.	I
12	P. A. Ketkar.	I

Roll No. 93, N. N. Mitra from Calcutta centre, has been awarded the prize of Rs. 100/- announced by the Association for Part I.

PART II.

18 candidates sent their applications, 14 actually appeared, out of whom the following 1 candidate is declared successful.

Roll No.	Name.
7	D. N. Phansalkar.

The following 2 candidates secure exemptions from Papers mentioned against their names.

Roll No.	Name.	Paper.
8	R. S. Walimbe.	III
18	V. Lakshmayya.	VI

No candidate is eligible for the prize announced for Part II.

PART III.

9 candidates sent their applications, 7 actually appeared, out of whom the following 1 candidate is declared successful.

Roll No.	Name.
2	D. K. Limaye.

The following 2 candidates secure exemptions from Papers mentioned against their names.

Roll No.	Name.	Paper.
4	T. V. Balasubramaniam.	IX
9	N. C. Roy.	IX

No Candidate is eligible for the prize announced for Part III.

Insurance Co. Shares

Provision in Act Challenged

Two writ petitions, questioning the validity of Section 6-A (7 and 8) of the Insurance Act, 1938 and Rule 17-B of the Insurance Rules, governing the question of the holding of shares, were admitted in the Madras High Court by His Lordship, Mr. Justice Rajagopala Iyengar, recently.

These provisions of the Insurance Act lay down that no single person shall hold more than 10 per cent of the shares in any insurance company and also that beyond a particular date fixed by the Act, such excess holdings shall vest in the Administrator-General, who is authorised to deal with the said shares and dispose of the sale proceeds in such manner as he deems fit.

The petitioners were Mr. S. Parthasarathi and Mr. Ramnath Goenka, shareholders of the Prithvi Insurance Company Limited. They contended that the provisions of Section 6-A, authorising vesting of excess shares in the Administrator.General without providing for compensation being paid to the concerned shareholder, was opposed to Article 19 (1-F) and Article 31 of the Constitution of India.

His Lordship after admitting the petitions, granted interim stay on the order, vesting of the shares of the company in the Administrator-General, as contended, and ordered notice to the respondent.

Insurance Association of India

Election of Madras Regional Council

In the last election recently held at Madras, the following gentlemen have been duly elected members of the Madras Regional Council and its three Committees for the year 1954-55

Regional Council

Messrs. T. S. Muthuswami, N. Rama Rau, S. Ramachar, G. Vanugopal, B. S. Badradri, E. F. G. Hunter, and C. N. Reed.

Fire Committee

Messrs. T. S. Muthuswami, P. J. Mathai, K. S. Ramamurthi, G. Venugopal, E. F. G. Hunter, G. B. Perkins and S. Viswanathan.

Marine Committee.

Messrs. J. V. Bradfield, V. S. Kanagasabai, J. Mathai, A. M. Soundararajan, G. B. Perkins, G. B. Veeraswami and T. J. H. Walden.

Miscellaneous Committee

Messrs. S. R. Mandlam, K. S. Ramamurthi, N. Sattayappan, H. Venkoba Rao, E. F. G. Hunter, C. N. Reed and G. B. Veeraswami.

In the Regional Council and in each of the Committees, the first four are Representatives of Ordinary Members and the last three of Associate Members.

Weddings

Marriage of Sow. K. Nirmala, B.A., Grand-daughter of R. B. Mithan Lall, Founder-Director, General Assce. Society Ltd. and daughter of Shri S. D. Bhargava, B.Sc., LL.B., Secretary. General Assurance Society Ltd., Ajmer, & Magistrate First Class, was celebrated at Ajmer, with Pilot Officer Chiranjiv Jagdish Prasad, B.Sc., (Hons.), I.A.F, son of Dr. Raghubir Prasad, Dy. Director of Health, Madhya Bharat, on the 21st April 1954. Several distinguished guests including Shri Mukat Behari Lal, M.P, Sir Seth Bhag Chand Soni, Seth Sobhagmal Lodha, Shri N. K. Gupta, D.I.G. Police, and others were present at the Reception and at Home.

The occasion was marked with great rejoicing and eclat. Mr. Bhargava's residence was tastefully decorated and illuminated.

● ● ●

Shri L. V. Rao, Editor, "Insurance Forum" celebrated the marriage of his daughter Sow. Shalini with Chi. Ram Mohan on Sunday the 25th April 1954 at Bombay. Many distinguished persons attended the function and blessed the bridal pair.

IF

... you wish to attain economic freedom,

... you wish to take your place in one of the progressive organisations,

... you wish to have **Perpetual & Friendly relationship,**

... you wish to associate yourself with a Company having a complete line of Insurance contracts in Life, Fire, Motor and Miscellaneous Insurance.

THEN *Contact:-*

THE HINDUSTHAN IDEAL Insurance Co., Ltd.,
(Incorporated in India in 1935)
Masulipatam.

Central Office: **Post Box No. 1601, 32/33, Linghi Chetty Street, Madras. 1.**

General Manager: **S. RAMACHAR**

Mr. N. D. Naik appointed Manager.

We are glad to report that Mr. N. D. Naik who had been for years with the Vikram General Assurance, Ltd., Bombay, has been promoted to be the Manager of the Company. Among those who have recently joined the Directorate of the Company are H. H. Shrimant Vijayasinhrao Ramrao Damale, M.L.A., Rajasaheb of Jath, Mr. B. K. Dalvi, B.A., LL.B., M.L.A., Retired District and Sessions Judge, Belgaum and Mr. K. S. Daundkar, M.A., LL.B., Advocate, Bombay. We hope the Company will forge ahead rapidly under the care of Mr. Naik.

Mr. C. C. Mody

The Jupiter General Insurance Co., Ltd., Bombay has appointed Mr. C. C. Mody, hitherto Branch Manager at Calcutta, to act as General Manager at the Head Office.

Mr. M. Rama Rao.

Mr. M. Rama Rao, hitherto Divisional Manager at Madras, has been transferred to Vijayawada in a similar capacity by the General Assurance Society, Ltd., Ajmer.

A new Association.

An Association called "Punjab Insurance Association" has been recently formed at Jullundhur to promote the interests of Insurance business in all its aspects. The office-bearers are as follows:-

President: Mr. P. C. Duggal (New Zealand); Vice-President: Mr. Tirath Raj Singh (Bharat); General Secretary: Mr. Hans Raj Wadhwan (Bombay Mutual) Secretary: Mr. Kirpal Singh Bhondi (Western India); Treasurer; Mr. Moti Ram Gupta (New Asiatic)

Party to Mr. Gundu Rao.

Mr. Gundu Rao, Inspector was given a farewell party by the agents of "Oriental" at Nellore on 11.4. 1954 on the occasion of his transfer to Madras. Mr. Rao is a keen Rotarian and he attended the District Conference of the Rotary International held at Aurangabad in January last.

Deepak General Insurance Co, Ltd.

We understand that the "Deepak General" has recently purchased an excellent Building at Colaba, Bombay. The building, besides its investment value, will afford increasing popularity to the Company.

Sentinel Assurance Co., Ltd.,

becomes subsidiary to the "Jayabharat".

It is reported that the Sentinel Assurance Co, Ltd., Bombay, will shortly become a subsidiary concern to the Jayabharat Insurance Co., Ltd., which will hold a majority share of the Company. The General Manager of the "Sentinel" is also reported to have resigned his post.

Insuranceman becomes Mayor.

It is with pleasure we announce that Shri Dayabhai V. Patel has been elected as the Mayor of Bombay. Mr. Patel is a Director of "Oriental" and he had held with distinction for a long time the post of Agency Manager of the Company. A party was given by the staff of the Oriental to honour Mr. Patel.

National Insurance Co, Ltd.,

We are glad to announce that Mr. S. Sundaram, B.A., F.C.I.I., who was hither to working under the Madras Branch of the National Insurance Co., Ltd., has been promoted to be the Sub-Branch Secretary of the Company at Trivandrum. We wish Mr. Sundaram all success in his new responsible assignment.

Police Co-operative Life Insurance Society Ltd.,

A Pleasant Function

Mr. B. B. Dotto, Secretary, Police Co-operative Life Insurance Society, Ltd, Calcutta gave a Coffee Party at his Office premises on Saturday, the 8th May, 1954 at 3-30 P.M. to meet Mr. S. L. Roy, M.A., the well-known Insurance Executive. Prominent amongst those present were Mr. H. K. Sen, M.SC., A.C.I.I., F.F.A., A.I.A, Consulting Actuary, Mr. A. C. Niyogi, M.A., Secretary, East India Insurance Co., Mr. Ashutosh Banerjea, Editor, Insurance Herald, Mr. S. C. Chatterjee, M.A., LL.B., F.C.I.I., Secretary, Eastern Mutual Insurance Co., Mr. Sukumar Lahiri, Editor, Insurance Underwriter, Mr. Benoy Bhusan Bose, Editor, Jeebon Beema, Mr. Animesh Chandra Roy Chowdhury, M.A. of Eastern Mutual Insusance Co., etc.

Mr. Manmatha Nath Ghatak was all attention to the guests.

Staff Organizer on Tour

Mr. Kumaresh Chandra Ghattak, Staff Organizer, Police Co-operative Life Insurance Society Ltd., had been to Midnapore on an organization tour and has returned to Head Quarters on Monday, the 10th May, 1954.

Kanpur Insurance Institute, Kanpur.

At a meeting of the Kanpur Insurance Institute held on 22nd May, 1954 in the premises of the National Insurance Co., Ltd., a condolence resolution was moved on the passing away of the following gentlemen:—

1 Shri M. CT. M. Chidambaram Chettiar (Chairman: United India)
2 ,, F. H. Mehta (Chairman: B.I.G.)
3 ,, B. N. Jalan (Chairman: General Assurance)
4 ,, S. P. Bose (Manager, National Indian)

In respectful memory of the departed souls a minute's silence was observed all standing.

Jeewan Bima Kya Aur Kyon

The above publication is priced annas six and not annas five as published in the review last month.

Obituary.

Late Mr. Framroze H. Mehta

We record with regret the passing away of Mr. Framroze H. Mehta, J.P. Chairman of the British India General and Zenith Insurance Companies of Bombay on the 18th April. As a mark of respect to the deceased, several institutions and business houses were closed for the day.

• • •

Late Mr. B. N. Jalan

We regret to record the death of Mr. Baijnath Jalan, a prominent businessman and the Chairman of the General Assurance Society, Ltd., on April 28, 1954. He was connected with several industries and has contributed liberally to temples, hospitals, educations institutions etc. We convey our heartfelt sympathies to the bereaved members of the deceased.

THE BHARAT INSURANCE CO., LTD.

Estd : 1896.

—:0:—

H. O. Delhi

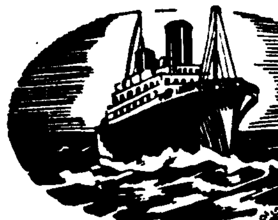
MARCH OF TIME

YEAR	NEW BUSINESS	BUSINESS IN FORCE	LIFE FUND	ASSETS.
1897	1,65,500	1,65,500	23,64,892	27,16,787
1917	9,96,352	79,17,125	1,74,81,768	2,19,55,928
1935	20,29,801	4,83,89,224	1,85,01,025	2,07,07,084
1940	1,50,67,871	7.55,78,000	4,00,02,439	4,69,16,286
1947	2,94,03,320	16,97,80,130	5,45,88,286	6,16,95,682
1951	3,84,16,828	20,59,07,921	5,83,37,269	6,60,97,596
1952	4,26,83,927	22,05,96,451		

TOTAL CLAIMS PAID EXCEED Rs. 6,00,00,000

New Business in 1953 Exceeds Rs. 4.42 Crores.

K. L. GUPTA, M.A., A.C.I.I., F.I.A., F.F.A.,
General Manager.



GUARD AGAINST YOUR INVISIBLE IMPORT

Rupees Nine Hundred crores – that indeed is the value of the current foreign trade of India. On this the shippers and importers in India are paying directly or indirectly a marine insurance premium of not less than 15 crores of rupees. Yet the gross earning from marine premium by the Indian and non-Indian underwriters in India is no more than 2 and 1 crores of rupees a year.

President: LALA LAKSHMIPAT SINGHANIA

NATIONAL FIRE & GENERAL INSURANCE CO., LTD.
7, COUNCIL HOUSE STREET · CALCUTTA

A J. K. UNDERTAKING

Registered No. M. 3297.

Warden since its existence has placed constant emphasis on quality.
The attainment of size has been secondary to quality and safety.

However, the company has grown big in size, business in force has now soared to the most spectacular growth of Rs. 7,00,00,000

We are happy to step into the GREAT SIZE but faithful adherence to sound principles of Insurance Underwriting has brought us results far more precious than size.

—THE ATTAINMENT OF STRENGTH—

Business in Force	..	Rs. 7,00,00,000
Income	...	Rs. 40,00,000
Assets	...	Rs. 1,60,00,000
Claims Paid	...	Rs. 55,00,000

In 1954 WARDEN and its friendly group of Insurance Companies have planned extensive development of its Business on a nation wide scale and persons with experience will find it to their advantage to investigate regarding the lucrative opportunities available as District Managers, Superintendents or Chief Agents in various cities and towns of India.

WARDEN'S FRIENDLY GROUP OF INSURANCE COMPANIES

1. London Guarantee & Accident Co., Ltd.
2. World Marine & General Insce. Co., Ltd.
3. Union Marine & General Insce. Co., Ltd.

HEAD OFFICE

WARDEN INSURANCE COMPANY, LTD.
"WARDEN HOUSE"
Sir Phirozshah Mehta Road, Fort, Bombay.

Edited, Printed and Published by R. RAGHUPATHY at THE FORWARD PRINTERS, Kumbakonam.

INDIAN
Policy-Holder
MADRAS

VOL. XX
No. 2

309

5 - JUL 1954
MADRAS

104
3-54

COPIES OF

THE
INSURANCE ACT, 1938
(ACT IV OF 1938)
and
INSURANCE RULES, 1939
with all amendments up-to-date
Can be had from the

OFFICE OF:
The Indian Policy-holder.
49, Sarangapani Sannathi Street,
KUMBAKONAM.

PUBLISHED BY:
R. RAGHUPATHY.
(EDITOR: INDIAN POLICY-HOLDER)

Price per Copy
Insurance Act & Rules
Combined Volume Rs. 2/8
Insurance Act Rs. 2/-
Insurance Rules. Re. 1/-
(Postage extra.)

THE NEW GUARDIAN OF INDIA
Life Insurance Company, Limited.

Head Office: **MADRAS**

(ESTD. 1934)

BUSINESS IN FORCE
as on 31—12—1953
Exceeds Rs. 3 Crores 25 Lakhs.

EXCELLENT VALUATION RESULTS

Valuation made for the Triennium ended 31—12—1953 on very stringent bases:

BONUS TO POLICY HOLDERS:

Rs. 12/- per thousand per annum on Whole-Life with-profit Polices; &

Rs. 10/- per thousand per annum on Endowment with-profit Policies.

These satisfactory results reflect the great care exercised by the Company in regard to selection of lives for insurance, its prudent investment policy and its economical management.

THE NEW GUARDIAN OF INDIA
Life Insurance Company, Limited.

THE INDIAN POLICY-HOLDER

(A MONTHLY JOURNAL ON INSURANCE)

SUBSCRIPTION INDIAN
Yearly ... Rs. 5/-
Single Copy ... As. 8/-

Managing Editor:
R. RAGHUPATHY.

SUBSCRIPTION FOREIGN
Yearly ... Rs. 7-0-0
Single Copy „ 0-10-0

Editorial & Publishing Offices
No. 49, SARANGAPANI SANNATHI STREET, KUMBAKONAM, (S. INDIA.)

★ KUMBAKONAM, (S. INDIA) JUNE 1954 ★

CONTENTS

ORIENTAL
GOVT. SECURITY LIFE ASSURANCE CO. LTD.
(Established in 1874)
First name in Indian Insurance for the last 80 years
TRANSACTING
all classes of life assurance and annuities

ORIENTAL
FIRE & GENERAL INSURANCE CO., LTD.
(Established in 1947)
TRANSACTING
Fire, Marine, Motor, Accident, also specializing in Engineering and Machinery Erection Insurance

LIFE BUSINES IN FORCE EXCEEDS RS. 200 CRORES
ASSETS EXCEED RS. 71 CRORES

If you would like to know how you can participate in the profits of both the Oriental Life and the Oriental Fire and General, please write to P. O. Box No. 148, Bombay.

INDIAS LEADING INSURANCE COMBINE

ORIENTAL GOVT. SECURITY LIFE ASSURANCE CO. LTD.
ORIENTAL FIRE AND GENERAL INSURANCE CO. LTD.
HEAD OFFICE: ORIENTAL BUILDINGS, BOMBAY-1
BRANCHES AND AGENCIES THROUGHOUT INDIA AND THE EAST.

THE NEW GREAT INSURANCE CO., OF INDIA LIMITED.

Total Assets as at 31-12-1952 exceed ... Rs. 1,71,00,000
Total Life Assurance in force as at 31-12-1952 exceeds Rs. 3,51,00,000

BONUS DECLARED IN LATEST VALUATION.

General Manager: M. G. Mody, Esq.

Principal Office in the Union of India:
45-47, Apollo Street, Fort; BOMBAY

MADRAS BRANCH:—
121-A, Armenian Street, P. B. No. 1520. Madras 1.
Branch Manager: C. P. SHAH, Esq.

OFFICES AT
Ahmedabad, Amritsar, Baroda, Belgaum, Bhavnagar, Calcutta, Calicut, Cochin, Chittagong, Colombo, Delhi, Hyderabad (Dn.), Indore, Jalgaon, Karachi, Lucknow, Mangalore, Nagpur, Nairobi, Poona, Surat, Vijayawada.

REPRESENTATIVES AT
Alexandria, Amsterdam, Brussels, Beyrouth, Colombo, Damascus, Kampala, London, Rotterdam.

THE INDIAN POLICY-HOLDER
VOL XX JUNE 1954 NO. 2

Basic weakness of Indian Insurance.

IT is high time that the managements of Indian Insurance Companies make a concerted effort, individually and collectively, to promote better understanding among themselves and to put into actual practice all the codes of conduct that are considered absolutely necessary for their sound working. Mr. Laxmidas P. Goculdas, Chairman of the Indian Insurance Companies Association, delivering his address at the 26th Annual General Meeting of the Association, held on 16th June, 1954, has rightly stressed the urgency of such a discipline amongst Insurers themselves. He is very emphatic in his remark that the basic weakness of Indian Insurance is excessive costs arising from unhealthy competition amongst insurance companies *inter se*. He contends that "the main difficulty facing the market at present would appear to be that not satisfied with their present rate of progress many units are trying to force their development beyond their natural optimum growth and this can only be done by adopting aggressive methods of uneconomic competition. One cannot but deprecate this scramble for business arising from a greed for premium income." But, this is not altogether a new situation. Almost from the date Indian Insurers started transacting general insurance business, the problem of progress and premium income is there. And the unhealthy competition to secure business arose not from "greed" for premium income but from the anxiety to exist somehow. It was rather a tug between Indian Insurers versus Foreign Insurers. Resourceful and well-established foreign insurers who were enjoying a monopoly in Indian General Insurance Business for over a century, could not be so easily faced by Indian Insurers with their meagre financial resources and lack of experience. The only powerful weapon that they could successfully employ to deflect the business from foreign companies was the appeal to support Swadeshi Institutions and concessions in rates. Particularly since

India attained her independence, Indian Insurers have been able to snatch a major portion of the total General Insurance Business transacted in the Country and the Foreign Insurers have gradually lost the hold. But the undesirable practices that were once helpful to deflect business from foreign companies are now working havoc amongst Indian Insurers themselves. Offer of illegal rabates, payment of commissions in excess of the statutory rates and deflection of business from one company to another by questionable means are all still rampant despite efforts on the part of Government through legislation. The changes made in the Insurance Act in 1950 providing for the trade itself to supervise and control its activities with a view to safeguarding its own interests are yet to improve the situation. Attempts now made to enforce the Code of Conduct, evolved by the Executive Committee for observance by General Insurers, through an Administrative machinery, are no doubt in the right direction, but unless Insurers themselves stick to sound principles, it would be difficult for any Government to bring about a healthier state of affairs through pressure.

The Indian Insurance Companies Association has achieved a great many things to promote the interests of Indian Insurers and during 1953 under the guidance of Shri Laxmidas P. Goculdas, Chairman, the Association has continued to strive its best as will be evidenced from his address at the Annual General Meeting, excerpts of which appear elsewhere in this issue. His plea for better Fire Brigade Facilities in the Country, better handling of goods at the docks, better concessions to enable the building up of "Additional Reserves", and his valued opinion on matters like "Reduction of General Insurance Rates", "Taxation of Treaty Offices", Competition from Government Departments", etc., deserve utmost consideration on all hands.

Insurance and Ethics.

By E. K. SRINIVASAN

INSURANCE is a social service. It is a co-operative undertaking. It is a manifestation of the wisdom that there is strength in number. Results of the wholesome activities of insurance are seen on all sides. Almost every happening in human life can serve to illustrate its useful influence. The need for insurance is not confined to any time or place or circumstance or nation. It is universal. One has only to look at the daily newspapers in the mornings to realise its applicability and scope. Every casualty is an emphasis on the need for insurance. In the American slang every news item has an insurance "slant". The value of insurance cannot be assessed by totalling up the sums disbursed as claims. The value of insurance cannot merely be looked at from the actual financial indemnity granted but from the angle of that invisible and mere essential service viz. the giving of confidence and elimination of fear. It is refreshing to contemplate the service from this angle viz., the confidence engendered in a man engaged in building a house or a business objects insecure against fire or other perils. Can adding up of premiums or claims correctly assess this purveying of confidence. Uncertainty has a paralysing power and a service that shows an escape from it cannot be assessed in terms of Rs. as. ps. Isolation is inherently a source of weakness and the instinct to seek strength was responsible for the birth of the community. This fact illustrates the social value of insurance as insurance is, broadly speaking, a coming together of people to avert a disaster to any one of their member. This spotlights the community service aspect of insurance. This is also exemplified by the wording of the Statute of Elizabeth, 1601, "by means of which (viz. Insurance Policy) there followeth not the undoing of anyone but the losses light the easily upon many than heavily upon the few".

I said that isolation was inherently a source of weakness and the instinct to seek strength was responsible for the birth of the community. Insurance had a similar origin. Therefore whether it is the running of a community or working an Insurance Company it must be based on principles of justice and ethics. Whether one is going through life as an ordinary m a n, trader, industrialist, doctor or engineer his actions must be based on ethical principles. Truths, which shine above all others in their awful and impressive nature are too often deemed by us to be so profoundly true as practically to lose, for this very reason, the stimulating power they intrinsically possess, and thus lie bedridden and inoperative in the dormitory of the soul, side by side with the most despicable and exploded errors. A potent and vital mode of resuscitating these dormant realities to the exercise of their authentic functions, and stimulating them into freshness and energy of a vigorous force, is to survey them in direct relation to our conduct and labours. In the stress and strain of our mundane pursuits many of us without deliberation fail to look at the traffic lights of ethical conduct and jump the red signal in our hurry to reach the goal. Therefore if now and then we pause and contemplate over standards of correct conduct we can function better like machines that are sent to the workshop periodically for a check up and overhaul. It is in this spirit that I intend viewing insurance under the ethical spotlight and not with a didactic feeling. What I am going to say will not have the freshness of the first time to many of you.

Certain definitions are necessary before I expand on my subject for the afternoon. These definitions cannot be found in a textbook or a book on ethics as they are my own, evolved with a view to project my exposition in greater relief.

Insurance I have defined as a "community service" a phrase which is the life breath of Rotarians. It is the coming together of members of a community with the one object of alleviating the distress of the unfortunate amongst themselves. It is the urge for community service that has given birth to insurance. In this world are born many, some of whom are very fortunate, some moderately fortunate and some positively unfortunate. By coming together of all these classes and by their pooling together small individual contributions a community fund is created from which disbursements are made to the unfortunate to relieve the distress arising out of any accident.

The reference to small individual contributions to create the community fund leads me on to the next word to be defined viz. premiums. The small individual contributions to create the community fund are called premiums in insurance parlance. The amount of these contributions are based on the law of probabilities. It is worked out on the Law of Averages with the object that the burden does not lie heavily on the few but lightly on the many.

Next comes my definition of an Insurance Company. An Insurance Company is the mechanism through which the community service called Insurance is put into practical working. The common conception amongst the public is that when a claim is paid by an Insurance Company following a mishap to an Insured the benefactor is the Insurance Company. Certainly not. The real benefactor is the community called the insuring public. This becomes obvious from my definition of Insurance.

My definitions having been set out let me attempt to bring out the ethical standards that must guide the conduct of the people connected with the functioning of insurance. The insuring public is the king-pin because the members thereof make the contributions to create the community fund out of which are made disbursements, called claims, to alleviate the misery of such members of that public as are overtaken by an unfortunate accident. The accident may be in the form of premature death, collision of your automobile, destruction by fire of your house, your valuables being purloined or a plane crash. Immediately any such misfortune happens, the victim to such misfortune is monetarily indemnified by the Insurance Company. You all know the Insurance Company lays down certain

terms and conditions which are incorporated in a document called the Policy which can be construed to serve, at the same time, as a badge showing your membership of the insuring community and a ticket entitling you to certain financial indemnity, in case of a specified misfortune. The contributions called premiums are worked out scientifically, based on the Law of Averages, the risk concerned, certain fundamental behaviour on the part of the insured and equitable expenses that are to be necessarily incurred. The Policy is the document containing the social contract amongst members of the insuring community and administered by the Insurance Company on behalf of the Insuring community. No member of the insuring community is entitled to disbursements from the pool created by the contributions called premiums unless he is overtaken by a misfortune contained in the policy contract and there also subject to the terms and conditions incorporated in the policy. I call the policy containing the contract as a sacred document containing the terms of the contract amongst the members of the insuring community. No member of the insuring community should attempt to derive any advantage beyond what he has solemnly promised to abide by. If any such attempt is made it will offend the ethics of good conduct. How are these offences against ethical conduct exhibited in the behaviour of certain members of the insuring community? Any attempt to get back a part of the proper share of one's contribution going by the name of premium by way of what is named as "rebate" in insurance parlance, I suggest, has a moral turpitude. That member of the insuring community who does this is unethically wriggling out of his proper and promised contribution to the community fund which has been created to render community service. Such a conduct is morally reprehensible. Another unethical conduct is trying to induce payment out of the community fund on false pretenses viz. a bogus claim. Under the social contract forming the institution of insurance the fund can be used only for disbursements to alleviate loss or misery caused by a bona fide mishap. Therefore if anybody lodges a claim on that fund for compensating a loss arising out of a faked up accident it does not require me to tell you that it is an unethical act. Thereby somebody is trying to get by malafide means what he is not entitled to. Insurance premiums are based on the Law of Averages which presupposes ethical conduct on the part of human beings. It depends for its success on every members of the insuring community behaving as he would if he were uninsured. If I have a valuable jewellery which is not insured I will take all the care a reasonable human being will to protect it from the predatory hands of a burglar. If after insuring the jewellery I begin to be careless in its protection I will deserve to be accused of unethical conduct. The crux of such unethical conduct will be noticed clearly when I say that premium rates are based on averaging out accidents arising in a community of reasonable human beings. Being reasonable is being ethical. Therefore if after insuring one does not behave like a reasonable human being then he is detracting from the straight and narrow path of ethical behaviour. An attempt to get normal wear and tear of an automobile repaired under the pretext of an accident is unreasonable and hence unethical. From these illustrations I am quite certain, that you can judge several other unethical conducts on the part of an insured.

Let me now turn to the Insurance Companies. The Insurance Company is only a mechanism to put into operation the urge in a collection of people for community service. The insurance Company can take for this service a reasonable remuneration from the pool created by the collection of premiums. It cannot otherwise abuse the pool money. If it pays back to any insured part of the premium due from him it is unethical. The insurance Company is not justified in making such payments which as you know are called "rebates". I suggest that it is an unethical act that deserves every discouragement and the strongest moral reprobation. The Insurance Company has no right to make such payments. The Premiums with which the Insurance Companies deal are contributions by the community for the succour of the unfortunate in the community and therefore they have no right to take any part of it and give it to any other than the ones who actually suffer a misfortune. It the collections in the form of premiums exceed disbursements by way of claims by a large margin the benefit of it must go to the entire insuring public by way of reductions in rates of premium. Ethical considerations demand it. Again, as you are all aware, the Insurance Companies do not need to keep in cash form all collections of premiums as such collections will not all be needed at the same time for disbursements as claims. Therefore a part of such collection is invested in Securities, Shares of Companies and buildings. The Insurance Companies must take the greatest care in making such investments. The money must not be devoted in buying shares which are not worth the paper on which they are printed. The administration of the funds of Insurance Companies must be taken as a sacred trust imposed on the Directors in charge of the Companies and the strictest moral code must guide them in properly investing the funds. Ethics must guide the activities of Insurance Companies in other respects too. You know Associations are formed by Insurance Companies for the common purpose of rendering efficient service to the insuring public, to avoid suicidal competition, to evolve common codes of behaviour and to adopt many other agreed lines of tackling the business of insurance. It is not uncommon on the part of some members of such Associations to disregard the rules. This is unethical conduct. It is hitting below the belt. The advertizements that Insurance Companies publish in newspapers must conform to truth. They should not exhibit the financial strength of the Company in a coloured fashion or twist the nature of benefits obtainable under an insurance policy.

Besides the insuring public and the Insurance Companies there are others also connected with the business of insurance for various purposes and their conduct should no less be based on ethical principles. When an insured automobile is brought to a garage for repair following an accident the garage must conscientiously examine the damage caused by the accident and must bill the Insurance Company only for repairing such damage. If in collusion with the insured or out of a wrong impression that Insurance Companies have enormous funds to be looted, the repairer either includes in his bill items not due to accident or

charges which he will not demand from an uninsured person, it will amount to unethical conduct on the part of the repairer. By such action the repairer is making the Company pay out of a trust fund money not legitimately chargeable to the fund. If it is not legitimate it is unethical. Similarly an assessor who is deputed to assess the loss to an insured property on account of a fire must correctly assess the loss in terms of the policy conditions and on the basis of the actual material loss incurred. He is in the position of a Judge deciding a Civil case. He must act within the bounds of ethics as must as the Judge. He should show favour neither to the Insurance Company nor the insured. He is in the position of a trustee. He must act without fear or favour. There should be no collusion. Another party connected with the business of insurance is the Agent. The first ethical obligation of an agent is to know correctly what he is selling. He must equip himself with the technical details of the policies he is selling and he must see that when the prospective insured signs on the dotted lines of the proposal form it is done under no wrong impression created by a deliberate prevarication by the agent. There should be no "suggestio falsi or suppressio veri". Otherwise it is unethical. Also an agent must canvass business on the merits of the ware he is selling and not by decrying similar ware put out by his competitor. Scoring a march over another by such practice is reprehensible. Also the agent's duty does not end with selling a policy. Servicing after sale is a moral obligation. The insured must be visited by the agent periodically to find out if the policy already sold requires any alteration on account of any change in circumstances since sale. Before leaving the agent let me point out that the unfortunately growing practice of either paying commission to individuals either under the guise of agencies or paying by other means is an inequitable behaviour towards bona fide agents whose livelihood depends on commission earned by selling policies to the public. This course is distinctly unfair. The Company who adopts it as a rule is professing to aid its Agents by employment on the one hand, and on the other is depriving them of their rightful return for patient, and often thankless, toil.

The duties of General Managers, Branch Managers and other executives of an Insurance Company impose on them the solemn duty of providing, with sagacity, trained and tested skill, and foresight, the right administration of the business, the economy of its expenditure, a mental honesty in dealing with claims and an instinctive attitude of service. It is the General Manager of a Company who should set the standard, and if he lived up to the high ideals of service and integrity, everyone in his organisation will likewise function on right lines. The utmost importance of selecting the proper man for this post cannot be exaggerated, particularly in the field of insurance where he occupies a position of trust vis-a-vis the Community. The efficiency, standing and reputation of an Insurance Company will naturally depend on its General Manager. I am sure you Rotarians will be able to appreciate my remarks in this connection especially as Rotary Clubs. I understand, lay particular emphasis upon selection of the cream of the Trades and professions for their membership.

In the short time at my disposal I have tried to measure with the ethical rod the conduct of various elements composing insurance. I have not tried to teach ethics to any of you but have only attempted to trace its working in one walk of life viz., Insurance. The Calcutta Rotary Club is composed of leaders in different vocations and I am certain that every one of you will have some contact or other daily, with insurance. Rotary being based on high ethical conduct I have no doubt that you will carry the message of correct behaviour into the World of Insurance whenever you get the chance. Rotarians are the flower of humanity. I have no doubt that if such a band of men makes it one of its aims to uphold the high moral principles of insurance, the benefit to the community will be immense. I recently read in the papers that the Calcutta Rotary Club have started a Clinic for the cripple. I request you to make the Rotary movement a clinic also for the morally cripple. What greater good can you confer on the World than this. The propaganda for ethical conduct that you launch on must be of such vigour that correct behaviour must become a magnificent obsession with everyone connected with Insurance.

(Address at the Calcutta Rotary Club recently)

SINEWS OF STRENGTH

New Business	... Rs.	10,06,97,031
Premium Income	... Rs.	2,56,54,578
Total Business in force	.... Rs.	50,44,24,171
Total Claims Paid	... Rs.	7,86,15,118
Life Assurance Fund	... Rs.	10,60,92,792
Total Funds	... Rs.	11,61,76,938

Follow these figures for Safety and Security.

NATIONAL
Insurance Co., Ltd.
Head Office: 7, Council House St., Calcutta.
Madras Branch: 362, Netaji Subhas Chandra Bose Road, Esplanade, MADAS.

The Investment Aspect of Life Insurance!

M. ALBERT LINTON

Chairman of the Board, Provident Mutual Life Insurance Company

THE primary mission of life insurance is to provide against the financial consequences of death, mostly that of the head of a dependent family which would suffer should he be taken away. That life insurance in addition takes on the characteristics of an investment is a by-product of the natural reaction against paying year after year a continually increasing price for a fixed amount of life insurance protection. When a person insures his life on a term plan the premiums increase with age for the obvious reason that death rates increase with age.

For example, the one year term insurance premium rate for $10,000 of protection at age 35, using a low non-participating rate, is $73 in round figures. This rate increases steadily until, for the year before attaining age 65, it is $446. Now people don't like that kind of upward rate progression which makes their life Insurance cost more with each passing year. Accordingly, the life insurance actuary was asked to devise a plan under which the cost would not increase even if the insured should live to the extreme limit of life. This was the genesis of the level-premium whole life plan which forms the basis of the great bulk of life insurance issued and outstanding in this country. How then does the cost of this type of life insurance compare with that of the term insurance above mentioned? To find an answer ten well-known mutual life insurance companies supplied figures on their regular whole life policies now being issued, giving the net costs that would be realized should their current dividend scales be continued unchanged.

On the basis of the figures of the ten companies, the average first year's net cost, taking into account first year's dividends, where paid, for a $10,000 whole life policy issued today, is $237. This is more than three times the one year term rate of $73 above mentioned. However, if we go to the other end of the scale we find the situation spectacularly reversed. For the year preceding age 65 the term rate is nearly three times the whole life net cost—$446 vs. $158. Further-more over the whole period of 30 years the term will have cost $5,618 and the whole life $5,759, only $141 more. But, that, of course, is not the whole story. The whole life policy will have a guaranteed cash surrender value of $5,543 as against nothing at all for the term policy!

We now see what the actuary has done in his levelling process. In the early years of the whole life policy he has charged more for the policy than the current mortality rates required. The excess was put into a reserve fund to be invested to yield interest. In due course, as mortality rates increase and the term premium rises above the whole life premium, the accumulated reserve funds makes it possible to meet death claims without having to increase the whole life premium. That of course was the primary objective of the levelling process. But, as a by-product, a reserve fund is created which takes on the characteristics of an investment or savings account.

A Combination of Term Insurance and Savings

This suggests that the whole life policy might turn out technically to be a combination of term insurance and savings. That is to say we might compute the amount that would have to be set aside each year from the issue of the policy to accumulate its face amount by the time the extreme limit of life of the mortality table had been attained. This limit according to the table in current use is assumed to be age 100. Therefore, for a $10,000 policy at age 35, a yearly amount would be computed which at an assumed rate of interest would accumulate to $10,000 over a 65 year period. Then to that yearly amount would be added the *level* premium for a type of insurance, decreasing as the accumulated fund builds up, which each year would in effect provide just enough insurance protection to cover the difference between the then accumulated fund and the $10,000 face of the policy.

For example, if in a given year the accumulation should be $3,000 then the amount under the term feature would be $7,000, and the current cost for that amount of one-year's term protection would enter into the calculation. If death should occur in that year the $10,000 death claim paid would in effect be made up of $3,000 drawn from the accumulated fund, plus $7,000 from the term coverage. As may be imagined the calculation of the whole life premium by this process is more complicated than the usual method set out in the standard text books. I well remember as a young actuary how thrilled I was to discover that the two methods produced the same premium exactly to the penny.

So that's the way the investment aspect of life insurance came about—a by-product of the process of creating a form of insurance policy on which during its life the premiums would not rise above a given figure established when the policy was issued. At the same time it turns out that the policy thus created may be looked upon as a combination of decreasing life insurance protection and savings. And it is the savings element that produces the well-known and valuable cash and loan values that are in all policies on the life or endowment plans.

Having reached this point the question naturally arises, why combine these two elements in one contract? Why not have a separate insurance—separate investment program in place of the single contract? It is a fair question that will repay thorough investigation.

The savings which create the life insurance reserve fund are in about the safest place that could be devised. They are invested to an over-whelming extent in high grade obligations of corporations, governmental bodies, and owners of real estate. In each instance there is a substantial margin or cushion of safety. Only a small proportion of the funds—less than 3½ %—is invested in common or preferred stocks, thus providing the

stability in times of economic stress that is so valuable a feature of the life insurance contract.

The life insurance policyholder enjoys the advantage of wide diversity of investments. His Company may have say 10,000 separate investments. The cash surrender value of his policy may be say $1,000. Then on the average he has the equivalent of 10 cents invested in each of the 10,000 conservative investments. Losses may come to some. Gains may be realised on others. The whole, however, will be extremely stable and free from wide fluctuations.

Performance in Emergencies

While security and stability of principal are of great importance, another characteristic ranks exceedingly high. It is prompt availability, without loss, in economic emergencies. Millions of Policyholders found this out in the greatest depression this country has known—that of the 1930's. It was then that policyholders discovered that their life insurance cash and loan values topped all other assets when it came to raising funds to meet emergencies. The amounts they could obtain were guaranteed in their policies. To realize on them, either by cashing in or borrowing, no red tape was involved. No credit statements were required for loans And, no matter how high the rates on bank credit, the rates for borrowing from the life insurance companies were guaranteed in their policies. Moreover the loans could not be called.

At a time when the amounts that could be realized on stocks, second grade bonds and even investment trusts were melting away like snow in the spring, the life insurance guarantees stood unshaken by the storm. During the years 1930-1935 the total paid out on account of life insurance cash and loan values alone is estimated to have exceeded seven billion dollars.

The policyholder who had a contract with a substantial loan or cash surrender value found it a godsend. The man who had his funds in a separate investment fund was not in an enviable position. Attempting to sell, he found buyers very scarce except at prices which meant heavy loss. Attempting to borrow he was not likely to be in a much better position. When the loan was granted it was for but a small fraction of the normal value of the collateral. Moreover, the rate of interest was likely to be high and the loan could be called.

The man with the life insurance contract was in a far better position. His policy had from the start guaranteed exactly the amount he could borrow as well as the rate of interest. The loan could be left outstanding as long as the policyholder wished. As he continued to pay premiums and interest the cash values increased from year to year in accordance with the values guaranteed in his policy. During the depression no investment was as liquid or as available in an emergency as was the life insurance cash value.

How was it possible for life insurance to make such a fine record during the depression when so many other forms of investment were severly undermined? For one thing, of course, it was the conservative nature of life insurance investments with their substantial margins of safety. However, that was only part of the story. Even though a security were gilt-edged, purchasers were few. Many who had money were afraid in a period of crisis to buy any type of security. They were keeping their funds liquid. The outstanding factor in enabling the institution of life insurance to meet the enormous demands made upon it was the steady volume of premium income which kept flowing in even at the depth of the depression.

In the possession of this sustained flow of income life insurance stood unique. No other financial institution had it to anything like the same degree. The flow of premium income from those groups of policyholders who still had money enabled the companies to meet the demands of those who were finding that their life insurance values provided the surest means of obtaining emergency cash.

Incidentally, the urge to continue premium payments is one of the strong reasons for combining the protection and savings elements in one contract. Policyholders go to considerable length to avoid default. Independent investment programs on the other hand can be diverted with relative ease and involve rather long deferred consequences only. Even in good times that holds. When the savings are tied in with life insurance it is harder to interrupt the program and endanger the protection that goes with it. Many people need this self-discipline and later, as they come to look back, are most thankful that they had it.

Other Advantages of Combined Contract

In reviewing the experiences of the depression our minds naturally revert to the unprecedented banking crisis in 1933 when panic fear swept the country and millions of people, finding the banks closed, sought to obtain money from their life insurance policies. Many wanted to draw out their money merely because of fear. Naturally, in such an utterly abnormal situation, it would have been impossible for the life insurance companies with their premium incomes temporarily cut off, to have liquidated their investments and paid out huge quantities of cash. In consequence, the insurance commissioners of the various states cooperated in promulgating rules which protected the companies against the possibility of panic runs and the country against the consequences of having the life insurance companies throw their choice securities upon demoralized markets.

The relatively short time during 1933 when the restrictions were in force did not detract from the remarkable emergency service of life insurance in furnishing cash to policyholders during the long, hard years of the depression. Millions who had contracts issued long before found when the storm of the Great Depression broke and continued its devastating course, that of all their investments their life insurance policies proved the most reliable tested by any standard.

Another important advantage of having the savings or investment element combined in one contract with the protection element is the absence of delay in having the proceeds at death reach the beneficiary. Since in the usual course of events the separate investment fund would pass through the estate there would be the inevitable delays and costs involved in the settlement of estates. Settlement under the life insurance contract on the other hand is prompt and free of extra costs and hampering red tape. At the time of

death this valuable service of the life insurance contract is most important. Those who have experienced the delays, costs and sometimes frustrations of estate settlements know what I am talking about

Return on the Savings Element

A question that naturally arises when considering the combined contract vs. the separate insurance—separate investment program, is the net rate of interest which the separate investment fund must yield in order to duplicate the guaranteed cash value of the life insurance contract at some age say 65. The computation is not simple since to make a sound comparison the amount of term insurance protection for which charge must each year be made will decrease as the accumulated savings increase.

The problem therefore is this: Each year the amount assumed to be invested in the separate insurance—separate investment program, is the amount called for under the whole life insurance program. Under the former the current charge for the year's insurance is taken out of the current year's payment and the balance is assumed to be invested in a separate fund. What we want to discover is the net rate of return at which the separate fund must be invested in order to have in it at age 65 exactly the amount of the guaranteed cash value under the life insurance policy. In making the term insurance charge each year we have used the lowest guaranteed one-year renewable term rates we could locate. As representative net costs for the whole life policy the averages for the ten mutual life insurance companies, previously mentioned, were employed, assuming that their 1954 dividend scales would continue unchanged.

It was my privilege first to make this kind of a computation in 1927 when interest rates were high. It was done again in 1936 and in 1949. The results show that the rate that must be realized upon the separate fund has fluctuated roughly with the rate of return on high grade bonds.

The results of the calculations are shown in the following brief tabulation based upon a whole life policy taken out at age 35 and carried 30 years to age 65.

Year	Net Yield to Enable Separate Fund to Duplicate Insurance Cash Value at 65	Yield on High Grade Long Term Bonds
1927	5.36 %	4.65 %
1936	4.35	3.34
1949	3.34	2.65
1954	3.88	3.08

Similar computations to age 65 were made for ages 25, 45, and 55. According to the present study the results for the four ages are:

Age	Yield
25	3 84 %
35	3.88
45	4.00
55	4.11

These yields speak for themselves. They show that the net rates that would have to be earned by the separate fund are substantial. And, they must be *net* after all charges and taking into account all gains and losses.

Two questions are likely to arise in connection with a table like this. When a policy, for example, is taken out at age

35 does the yield as then computed remain unchanged thereafter? The answer is no. As dividend scales are changed the actual yields rise or fall with the dividends.

A second question relates to the yields in the table as compared with the rates of interest being earned on life insurance company investments. The rates in the table are higher. The reason is that term insurance purchased separately costs more than the charge for term insurance involved in the combined program. For one thing, there is an expense saving by combining the insurance and savings elements in one contract. Likewise it has been demonstrated that those who maintain their insurance for long periods on the renewable term basis are likely to experience higher rates of mortality than those who carry whole life policies over similar periods. The reason is that as the term premiums increase, more healthy than unhealthy lives drop out. Hence, the mortality rates on the remaining policyholders rise faster than the normal rate of progression from increase in age alone. The cheapest life insurance charge is therefore to be found in the combined program.

In considering the separate investment program, investment trusts, or mutual funds as they are frequently called, naturally come into the picture. These funds perform a useful service. They enable an investor to obtain a wide diversity of investment, both as to classes of investments as well as to investments within a given class. Some mutual funds own bonds and preferred stocks as well as common stocks. Some consist entirely of common stocks. There is a wide choice. If well run, with fair charges for administration and for the sale and purchase of securities, they are worthy of an investor's confidence.

However, mutual funds have certain limitations which an investor would do well to keep in mind. For one thing a mutual fund would not dare to guarantee the value at which its shares could be sold or redeemed.

What the investor can realize at any particular time, generally speaking, is his proportion of the then market value of the securities owned by the fund. This of course is in marked contrast with the life insurance contract with its series of exactly guaranteed cash and loan values. The reasons for the ability of the life insurance company to make these guarantees have already been covered—conservative investment and steady flow of premium income even in bad times. This life insurance guarantee is of tremendous advantage in times of adversity and may be especially so at time of death of the policyholder. That was vividly demonstrated in the 1930's.

Lifetime Compensation.

"Lifetime Compensation" is the fundamental principle of our association with our Representatives. It is in consonence with that principle that we offer to all our Agents PERPETUAL RENEWAL COMMISSIONS. If you desire profitable agency contract which will last your lifetime, come and join our field force.

Transacting:

LIFE, FIRE, MOTOR & MISCELLANEOUS INSURANCES.

THE HINDUSTHAN IDEAL Insurance Co., Ltd.,

(Incorporated in India in 1935)

Masulipatam.

Central Office: Post Box No. 1601,
32/33, Linghi Chetty Street,
Madras. 1.

General Manager: S. RAMACHAR

Insurance Business in India

BY H. K. SEN, M.Sc., F.F.A.,

(Extracts from the Presidential speech delivered at the 24th Annual General Meeting of the Indian Insurance Institute, Calcutta, held on 28-5-1954)

JUST a year before you and the Institute steps into its jubilee year without making one jubilant about it. As I look back, I do feel we have achieved in no small measure but much more is yet to be achieved. Collective advertisement through the Institute's organisation has had its due share of recognition in general and in particular in the last Kalyani Congress Exhibition. In the matter of Insurance education the Institute has no doubt successfully organised several lectures with a view to helping the candidates sitting for the Life Offices Association Examinations. All these achievements can be appreciated being only the modest beginning but cannot make one feel complacent at that. I need hardly emphasise that we have been and are still passing through very difficult and stirring times. We are, as it were, caught up in the post war spiral nexus. To get out of it-to attain our objective a determined effort-a concerted co-operative effort is required. Most of the insurers, if not all, should rally round the Institute without delay for the purpose of collective publicity and training up field staff. Message of insurance should be conveyed to the remotest village, farm yards and industrial areas through media of news papers, hand bills and leaflets. Health and insurance propaganda squads can be profitably organised and lecture tours with the help of lantern slides arranged. True salesmanship - a noble sense of social service - a sort of missionary spirit should be infused into the minds of field workers. Let the Institute outgrow the static status of a forum for exchange of academic views - let it be revitalized with a dynamic creative force. The Institute must attain such stature as may be looked upon as the vantage ground by the talented and enthusiastic youths willing to start a career of insurance. It should be in a position to refashion and readjust the attitude of insurers, field force and prospects alike to suit the needs of the changing conditions.

A study of the increase in the volume of new business since the war and increase in the wholsale price index appears to indicate a strong correlation between the two. The middle class, consisting mostly of the fixed earning class, from which we used to draw the bulk of the business in the pre-war days, is too hard hit to-day to afford any proper measure of insurance. The field of insurance activity appears to have shifted either to the trading class or to the artisan class or to the producer class in the villages whose income has more or less kept pace with the increased cost of living. All these latter classes were formerly less insurance minded and to make them conscious, it would be necessary to make an intensive propaganda; I mean the need for concerted and collective advertising is more apparent today than it was formerly.

The secret of success in any venture is the ability to meet any challenge that time brings. It is the flexibility that ensures expansion in insurance and for that matter, in any business. It is the flexibility and alertness in the changing circumstances that makes for progress. I can envisage a stage when to maintain the flow of new business it would be necessary to study the individual needs and to cater each prospect according to his actual requirements. To do this it would be necessary to have constant use of the services of technical staff. It may be difficult for smaller companies to maintain such a staff but for that matter it would be difficult for such companies to face the high pressure competition of her bigger sisters. Hence a process of fusion to form economic units is also welcomed and the sooner it comes the better.

Economic progress and commercial activities of a country depends upon economic pattern. War inflation and price spiral did, as you all know, give a great fillip to the development of insurance business during the early years of World War II. With the end of inflation the price index does not show any appreciable or proportionate downward trend. This again is responsible for widening the gulf between the price and income causing a continuous shrinkage of consumer's market. The falling of consumer's demand coupled with the baffling problem of unemployment in consequence of the cessation of war activities has already been producing a falling effect on the insurance industry. The ebbing tide of business during last few years bears testimony to this disastrous tendency. Five year plan and other development projects and industrial expansion could not, in spite of high hopes held out by the Government celebrities, cope with the swelling surge of increasing unemployment. Nor could it create enduring employment opportunities. It may appear paradoxical to you - but it won't be so if you care to examine the issue a little deeper. An artificial price level - inordinate war-price inertia, if I am allowed to say so, unrelated to money supply for years and years together cannot endure long. It is sure to shatter our national economy with its unrelented cumulative force. It pains me to see that our business magnates and industrialist being intoxicated with war-price-drug are still out to reap the best harvest in the seller's market. A stable buyer's market - a steady consumer's demand is a condition precedent to a healthy recovery of our national economy which fact is being lost sight of by our business men, industrialist and financial experts. It is however a good augury that our insurers, rightly or wrongly, are taking initiative in that direction but their modus operandi merits a careful examination.

In the context of the prevailing economic conditions of the country reduction of premium rates is no doubt desirable and justifiable too and particularly so, to create consumer's demand - to attract buyers of insurance policy. But how and to what extent? I fail to see the reason for the violent movements of premium rates in our country. The tendency in our country appears to be in favour of drastic changes. Our insurers increased

the rates beyond all proportion in the years 1946-47, and in 1954 when conditions are by no means more favourable than what they were immediately prior to 1946, they again made a precipitate reduction. The justification for such reduction has been said to be the improvement in the experience of the companies. A closer analysis of the issue discloses only the hollowness of this argument.

The elements entering in the premiums are mortality, interest or investment yield and expenses. An improvement on the mortality side as manifested itself tends, no doubt to encourage reduction but such reduction except for whole life, whole life limited payment and very long term Endowment Assurances would be very slight indeed. The difference in the rates of premiums due to mortality would of course be more pronounced in cases of policies under whole life categories. But could we safely say that the lives under these classes enjoy the same mortality as those under Endowment ones? Moreover, is the total volume of business under the whole life class so large as to preclude altogether adverse fluctuations from the average?

Coming to interest yield, I do admit that a trend towards higher interest earning has been noticeable in the recent past. But, is this higher earning a permanent feature? It is highly doubtful regard being had to the large scale deficit financing adopted by our Government. Higher and still higher wholesale price index, without any sign of declining, simply gives lie to the wishful thinking of our Finance Minister that we are on the road to normalcy. The present financial policy of our Government would, no doubt result in inflationary tendencies which would naturally bring down interest yield on investments. The interest earning which we are having now has hardly stabilised, and if the present Government policy continues I can only envisage a lower rate of interest in the near future. As a matter of fact the recent reduction of Bank rate in U. K. will very likely hasten India following suit in view of the closely interlinked economy of the two countries.

Looking to expenses — an important factor in the premiums, I do not feel inclined to subscribe to the views that economy in expenses has been effected to such an extent as would warrant general reduction in premiums. It may also be argued that the bigger companies which have attained a stature conducive to economic working would not have any problem under this head. To this, I may venture to point out that the expenses which are directly proportionate to the premiums have not changed much. On the other hand the other fixed commitments have increased enormously and would perhaps continue to increase for sometime more. This is evident from the fact that renewal expense ratios of most of our leading insurers are showing an upward trend so much so that the danger of expense loadings in the premiums exceeded and bonus loadings encroached upon could hardly be averted. Soundness and security of our insurance structure should by no means be sacrificed at the altar of cheap and temporary popularity. Aggressive competition leading to Rate war may undermine the stability of our insurance companies to the detriment of all concerned-the insurers, insuring public and our national economy. It will not be out of place if I draw your pointed attention to the pitfalls that the insurance business is beset with in its path of expansion. A faulty judgment or an erroneous decision may, instead of revealing its immediate adverse effects give a false impression of prosperity and well-being for the time being, and the actual loss may manifest at such a later stage when the chance of mending it may be remote. I should not be misconstrued as being opposed to reduction of premiums. Personally I feel that there should be reduction of rates from those prevailing in 1953. But the process of change must be fair and cautious with an eye to soundness and public interest. Sudden and violent changes in the rates are the very antithesis of insurance as they lead to instability in the field organisation and to inflated new business at the expense of enormous lapses, surrenders and paid ups.

Reverting to the phenomenal increase of new business, the question naturally arises whether such a rapid growth would be healthy in the long run. I am rather sceptic on this point. The massive new business flow has, I am afraid, increased the renewal expense ratios of even many of our bigger companies goading them to an uneconomic border and the consequential heavy lapse is precluding the possibility of recovery in near future. As a matter of fact lapses mean economic loss to all — the insurers, field workers and the insured. The extent of lapse can be judged from the following figures. The total business in force of the Indian insurers in the beginning of 1943 was Rs. 251 crores (inclusive of bonus). New business affected during the 10 years ending in 1952 was Rs. 1191 crores. The total business existing on 31—12—52 was Rs. 790 crores. The outgo by claims, death and maturity during this period was Rs. 83 crores leaving Rs. 564 crores which went out of the books by lapses, surrenders and paid ups. That is to say approximately 40% of the business went out of the books by causes other than claims. Taking the average lapses according to duration about Rs. 228 crores worth of business lapsed during the first two years of the policies. In other words, about Rs. 10 crores were lost by way of premiums paid by the lapsed policyholders during this period without any return to them. Nor this money comes as a profit to the insurers since they had to spend large amounts by way of procuration cost which cannot be wholly recovered in the second year. Obviously such lapses leave the insurers with a possible loss which they cannot reimburse themselves.

The remedy against this colossal loss lies in the improvement in the salesmanship of our field workers and the services of our insurers. In both these respects our system is not what it should be. I agree that the problem of giving adequate service to the insured is rather difficult in a country so vast as India. It is high time that our insurers should evolve a system by which the insured may get the requisite service. To do this it may be necessary to follow some system of decentralisation by giving adequate powers to the branches and regional offices. It may also be necessary to increase the number of men trained in technical side of the business in these branches and regional offices to which agents and field workers should look forward for proper guidance.

This brings in the question of management. One of the fundamental facts in the management is to provide for succession in such a way that each new management is better than the preceding one. To do so it would be necessary to attract young and energetic men to this line when alone it would be possible to improve the insurance technique. I am emphasising this point because I have been noticing that our best young men as they are reaching the beginning of their career are not being attracted to insurance. The reason no doubt is the lack of security and adequate remuneration which they can get elsewhere. Our industry must be virile to be progressive. It can certainly offer opportunities for individual talent but persons at the helm must be capable of recognising and rewarding such talents. Otherwise the really capable men would drift away to those places where they are better appreciated to the detriment of the future of insurance.

I have heard remarks and not infrequently, specially from the admirers of foreign concerns, that the insurance business in our country is not progressing in the way it has done in other countries. They generally cite as examples the weaker companies in our country which are either on the verge of winding up or amalgamation. They forget the fact that insurance in our country is still in its infancy and such disasters are bound to happen. There would however be others which will come out of the trying early period successfully with their finances entrenched on sound footing — as sound as any of our foreign counterparts. If we look back to the history of insurance in such economically advanced countries as U. K. we find that during the middle of the last century as many as 286 insurance companies had been promoted in that Century. Of these 157 transacted life insurance business and the rest did fire and other types of insurance. Out of these 157 life offices 120 were amalgamated, 13 were wound up and only 24 exist today. We observe a close parallel to the conditions of our own country, only that the time element has lagged behind by a economy. In U. K. however the Government did not come forward with impractical legislation to put obstacle in the expansion of those with reasonable chances of survival. They did not cripple the initiative of insurers by framing legislation hindering their progress. The process of weeding out of the weaker ones was allowed to follow its natural course and the result has been the emergence of the British Insurers of today, the envy of the insurance World. The peculiar aspect of the insurance finances, specially those of life insurance, exposes itself to temptations, fraud and irresponsibility, and some persons succumb to it. In the frenzied growth of all sorts of business during the inflationary period immediately after the war such ailments have been irresistible. I have no doubt that the insurance business of our country would soon be purged of its disreputable elements. It is no good decrying Indian Insurance when there is a strong need of greater public co-operation. It is also desirable to frame legislation in such a way as not to hinder the growth of those who can thrive well and in a healthy manner. Indian insurers will, I believe, emerge successfully out of their present difficulties and take their stand side by side with their sisters in other countries in discharging their services.

THE
EMPIRE OF INDIA LIFE ASSURANCE CO., LTD.,
(Established: 1897)
Head Office:- Empire House, Hornby Road, BOMBAY.
HIGH LIGHTS FROM
1952 Annual Report

Total Business in force	...	29,60,56,165.
Total Assets	... ...	11,52,70,583.
Total Claims paid	... ...	13,24 80,080.

VALUATION REPORT AS AT 31—12—1951

Bonus per 1000 per Annum

Rs. 10 Whole Life Assurance
Rs. 8 Endowment Assurance

Administrator:
Dewan Bahadur R. VARADACHARI.
A Company to Represent and Insure with
Branches ALL OVER INDIA.

STEP BY STEP
UP THE LADDER!
New Business in 1953
Rs. 8,76,69,750.
SPECIAL ATTRACTIONS OF 1954
Competitively Reduced Premium Rates!!
&
Special Estate Duty Policies!!!
Apply to our nearest Office:
THE METROPOLITAN
Insurance Company, Ltd.,
H. O. CALCUTTA.

The Indian Insurance Companies' Association
26th Annual General Meeting
Difficulties and problems facing insurance interests in the country

EXCERPTS FROM THE SPEECH DELIVERED BY THE CHAIRMAN,
MR. LAXMIDAS P. GOCULDAS,

Working of General Insurance in 1953

THE overall picture of the working of Indian General Insurance is that the premium income is shrinking. The era of war and post-war expansion of premiums has definitely ended, and the market has got to get accustomed to a lower level of income. By itself it is not a bad feature because it would represent more stabilised trading free from the influence of variations of inflationary trends. From the point of view of claims experience, the year 1953 has been a good year but this cannot be said of the period since the beginning of the current year when there have been far too many fire losses. I must emphasise that these losses are a form of national wastage, considerable part of which could be avoided by a little more care. The insurers may compensate the sufferers, but unfortunately it is the insuring public who bears the incidence of these losses.

Fire Brigade facilities

The fire brigade facilities in this country are very limited, and greater attention is required to be paid to the provision of efficient fire brigades throughout the length and breadth of the country. The problem is far too large for the local authorities to tackle. They have their own increasing commitments in many directions, while their resources are limited. There are countries in the world where there is hardly a spot which a fire brigade cannot reach in the matter of minutes. In our country for the large rural areas and small towns it would be many hours before any fire brigade service could be brought into action. A fire uncontrolled in its early stages grows into a conflagration. The consequent national wastage is substantial and the need of spreading the fire brigade facilities to a much wider field than at present is an urgent one.

Handling of goods at the docks

The standard of handling of goods at the Docks has deteriorated. India is importing capital goods in the form of machinery for industrial plants. A careful unloading of them would prevent another form of national wastage and will prevent the delays caused in securing replacements.

Taxation of General Insurance Companies

I envisage a bright furure for the Indian Insurance business as our companies will be called upon to play a significant role in the country's economy with the progressive implementation of the various schemes of agricultural development and industrial expansion provided for under the Five-Year Plan. It is, however, necessary that the companies should have adequate reserves in order that they may be able to perform their obligations satisfactorily in the coming years. The problems of underwriting capacity and reserve building are so interlinked that the strength of reserves is of paramount importance for the companies' progress not only in the home market but also in the foreign market. As it happens, however, Indian insurance companies, having come into the picture later, did not have the same opportunity to build up proper reserves as companies in other countries who started operations earlier when the going was good and business worked out to be more profitable and taxation much lower than at present. A strong reserve position makes for greater underwriting capacity. Again, there are a number of markets outside India where opportunities exist for Indian companies to have profitable operations. It is, therefore, very essential that Indian companies should be enabled to attain a stronger financial position by affording them reasonable facilities to build up ample reserves which will enhance their competitive strength in the home market and would also help their development in the international field.

Insurance companies are now not allowed to carry any amount from their profits to 'Additional Reserves' without attracting taxation. The only reserves now permitted by the Tax authorities as an expenditure are 'Reserves for Unexpired Risks' and companies are allowed to set aside in this connection up to 50 per cent. of their premium income for fire and miscellaneous insurance and 100 per cent. for marine. These percentages of reserves do not take into account the peculiar conditions attending the general insurance business in this country. The operations of Indian non-life companies are mainly confined to India. The bulk of the business is derived either from industrial risks or from storage risks in the congested bazaar areas. The liabilities are thus highly concentrated and do not provide any large spread of risks territorially and by class. In the circumstances, it is very desirable that Indian insurance companies should be allowed to build up by stages 'Additional Reserves' free of taxation by permitting at least a five per cent. additional increase in the reserves free of tax.

It would be pertinent to mention here that only recently the Government of Japan had conceded certain tax exemptions to Japanese insurance companies to enable the companies to build up reserves against 'extraordinary' losses. I must add that the risk of earth-quake is not catered for by the insurers in the Japanese market.

The appointment of the Taxation Enquiry Commission affords the opportunity for a comprehensive examination of the incidence of taxation on insurance and it is hoped that as a result of its labours taxation of insurance companies will be placed on a scientific and equitable basis and companies will be freed from the handicaps that hamper expansion. Your Committee have taken the opportunity once again to press for necessary facilities for insurance companies in the country to consolidate their position with the help of adequate reserves and have submitted a detailed Memorandum in this connection in response to a questionnaire issued by the Commission. I earnestly

hope that our request would be sympathetically considered and companies would be allowed at an early date to create 'Reserves for Unexpired Risks' and 'Additional Reserves' to the total extent of 100 per cent. of their premium income of the year in respect of fire and miscellaneous insurance, 150 per cent. in respect of marine cargo business and 200 per cent. in respect of marine and aviation hull business, as suggested in our Memorandum.

Reduction of General Insurance Rates

Whilst on one side we are clamouring for increasing our reserve strength, a problem of very vital interest both to insurers and the insuring public is raised — I refer to the requests for reduction in the level of general insurance rates. Recently questions concerning the rates structure in life assurance attracted considerable publicity in the press, as a sequel, the Tariff Committee has been directed by the Controller of Insurance to consider the feasibility of a downward revision of rates in general insurance business. I should take this opportunity of referring to this subject at some length in order to remove a misconception that the tariff rates in this country are abnormally high. That is not at all the case. Taking firstly cargo marine insurance, the rates for the bulk of the business are dictated by international factors, and the complaint all over the world is that cargo rates have reached an uneconomical level. Motor insurance constitutes by far the largest source of premium income to most insurers in India. The rates for Motor insurance had to be slightly enhanced last year and even so, they stand at a much lower level than elsewhere in the world.

The rates structure for fire insurance business has attracted greater attention on account of the importance of its size. Our fire rating system closely follows the pattern and the level of the tariffs in the general foreign field. In the discussion of the problem it is overlooked that the rates for the various important industries have been reduced so often during the past thirty years that they stand today more or less on a par with those charged in the western world. Recent claims experience of the major industries in this country reveals how the process of reduction has been carried a bit too far. In the general risks, rates for the moffusil have attracted attention. They may apparently appear to be high but it is not too often appreciated that by far the largest proportion of the business drawn from the moffusil consists of inflamable stocks, of risks situated in congested bazaars and of short-term business. These are to be judged in the light of the complete absence of any organised fire fighting facilities to which I have already referred. In addition, the high operating costs of this business are also to be taken into account. The insurers are required to maintain a full-fledged servicing organisation at various centres in our sub-continent, the cost of which must in all fairness fall on that class. I wish the volume of actively available business in the moffusil was sufficiently large for lower rates being offered for them. The large latent potentiality of the business is of little assistance to insurers so long as the business is not received by the offices.

It has always been the primary concern of Indian insurers to offer their services at an economic cost. Since the entry of Indian companies in the field, the fire rates have on an average gone down by over thirty-five per cent. This process will continue but a reduction of rates cannot be made to order. The basis of rates in general business is entirely different from that in life assurance. Interest rates play such a large part in the latter, while the interest-earnings of general insurers are only incidental. The life insurers may expect improved mortality experience, while in fire and marine business the claims-ratio has a tendency to shoot up in a period of depressed trading conditions. The moral hazard is enhanced during such period — a feature almost non-existent in life business. It is, therefore, improper to look upon the two as alike.

An examination of the past working of many of the general insurance units will show how any serious downward revision in rates would force them into a loss position. The insuring public has been well-served by the insurers and there has hardly been any case of profiteering by insurers throughout the past fifteen years. Insurance rates have gone down when the price of almost every other commodity or service has increased substantially. The administrative expenses that had gone up during the inflationary period still continue to rise against the background of a stationary or lower premium income.

I earnestly hope that the Tariff Committee will stick to its duty of maintaining just and fair rates and not yield to pressure from sources not conversant with the mechanics of our rating system.

Taxation of treaty offices

As you are aware, insurance companies operating in the country have been faced with a new problem as a result of the demands made recently by Income-tax Officers on some of the companies requiring them to make payment on behalf of their foreign treaty reinsurers of income-tax on profits earned by them, treating the local companies as statutory agents of their reinsurers. The proposal constitutes a departure from established reinsurance practice and is viewed with apprehension by Indian companies. If carried through, it would put the clock of progress back in general insurance, which plays such an important part in the country's economy. Our Association has submitted a detailed representation in this matter to the Central Board of Revenue. Opportunity has also since been taken for discussing this question with its Chairman. It was urged by us during discussions that with a view to avoiding unnecessary hardship to Indian insurance companies a circular should be issued by the Central Board to the Income-tax Officers directing them not to treat Indian insurers as statutory agents of foreign insurance companies with whom they had bona fide reinsurance treaty arrangements. It would appear however that the Government, while appreciating the hardship that would be caused to insurance companies in the country, have now in view the difficulties of Income-tax Officers and in order to guide the Officers in this matter it was suggested by them that the Association should evolve a suitable formula, which would help to distinguish a genuine reinsurance treaty arrangement from other relationships. We have explained to the Government the difficulty inherent in devising a fool-proof formula satisfactory in all cases, as desired by them and have indicated to them at the same time certain tests which would be helpful in determining the bona fide character of a reinsurance arrangement.

I would like to observe in this connection that reinsurance is an indispensable adjunct to direct operations. Any move that affects reinsurance will recoil on the progress of general insurance. In view of these considerations, it is very essential that in all cases where the reinsurance transactions are bona fide and undertaken for the sole purpose of obtaining protection by means of reinsurance, the present position of treating the reinsurer as not liable to tax in India should be continued. I earnestly hope that the Central Board of Revenue will issue appropriate instructions to the Income-tax Officers, as requested by us without further delay.

Competition from Government Departments

That brings me, to the growing tendency noticed on the part of the Central and certain State Governments to encroach upon the sphere efficiently served by private enterprise. I would like to refer in this connection to the proposal of the Central Government for extension of the insurance facilities it provides through the Postal Insurance Fund beyond the restricted sphere of the Central Government employees to whom the Scheme applies at present to embrace other categories of employees in quasi-Government, commercial and industrial undertakings. Another case in point is the proposal of the Mysore State Government to enlarge the scope of its general insurance scheme, now confined only to motor insurance, so as to include new lines of business such as marine insurance, burglary insurance, air accident insurance etc. Insurance interests in the country naturally look with disfavour upon these incursions into a field which has all along been regarded as one best served by private insurers.

Indian Insurance has grown from small beginnings to a respectable stature The achievements of Indian Insurance are quite remarkable considering its young age and the difficulties it had to contend with in its chequered career. The industry has reached its present stage of progress through its own efforts, without any governmental support under the old regime. With the attainment of Independence one would have thought that the cause of such an important arm of the national economy would receive considerable direct encouragement. Schemes such as are in vogue in some of the Indian States fragmentize the business and deprive the active indigenous market of a slice of business which is quite important for its reciprocity value. The present proposals for the extension of the Postal Insurance Scheme and expansion of the activities of the State-owned sector of insurance would bring Government into direct active competition with private insurance companies — a course which should be avoided when the crying need of the country is to distribute the efforts and the responsibilities of catering for the country's requirements to organisations most suited to meet them especially from the viewpoint of the consumer.

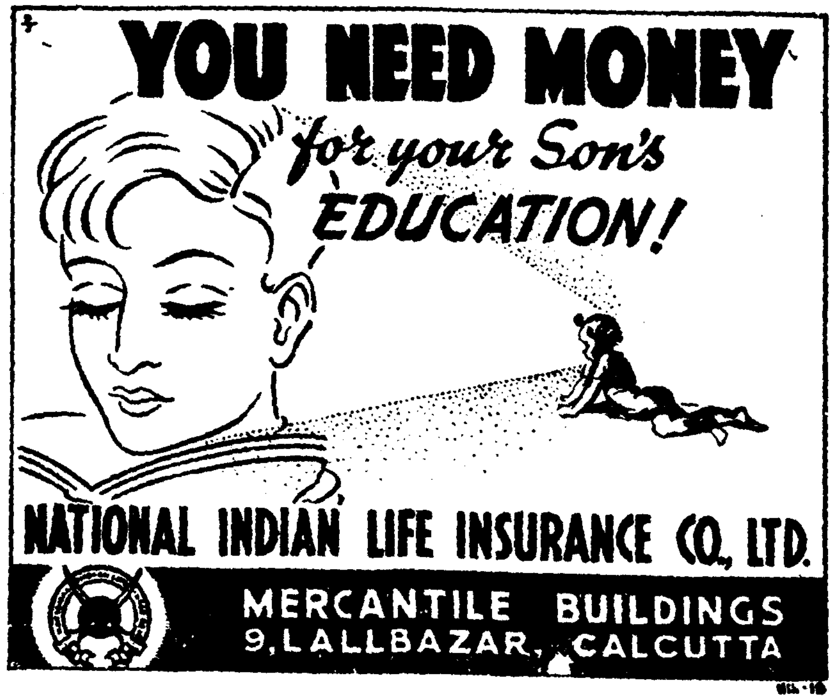
Support Indian Insurance

The cause of Swadeshi seems to have suffered a set-back during recent years as there would appear to be a general feeling in the public mind that with the attainment of Independence the question of insistence on Swadeshi does not now possess the same significance. The economic importance of Swadeshi to the future well-being of our country should be readily apparent. It is necessary that industrial concerns and Government should utilise the services of Indian undertakings for all their requirements in the sphere of Services like Banking, Insurance etc. It would appear that some of the quasi-Government undertakings and public bodies, local authorities etc. still continue to place their banking and insurance business with non-Indian companies. Government should therefore make necessary provision to ensure that banking and insurance business under the control of these semi-Government bodies is placed with Indian undertakings. I might mention here that financially and numerically Indian companies have now reached a stage when they can absorb all available insurance business in the country offering a standard of service comparable to any that can be obtained from other sources, and there is no reason why preference should be shown to any non-Indian company for placing insurance business under the control of any industrial undertaking or business establishment or Government or semi-Government body in the country.

Situation in the insurance market

Before concluding, I would like to say a few words about the situation obtaining in the insurance market, which has been exercising our minds for a considerable time. The basic weakness of Indian Insurance, as we have all along realised, is excessive costs arising from unhealthy competition amongst insurance companies inter se. The changes made in the Insurance Act in 1950 providing for the trade itself to supervise and control its activities with a view to safeguarding its own interests had given rise to hopes that there would be substantial improvement in the general conditions through the elimination from the market of payment of illicit commissions, illegal rebates and such like malpractices which have hindered the growth of insurance in India on healthy lines. These hopes, however, do not seem to have been realised to any marked extent. For the Administrative Machinery, which has been set up for the purpose of enforcing the Code of Conduct, evolved by the Executive Committee for observance by general insurers, has been functioning for about a year now and still there would appear to be no appreciable improvement in the market conditions. Cases of illegal rebates and payment of commissions in excess of the statutory rates and of deflection of business from one company to another by questionable means still continue. I would therefore like to sound a note of warning that if we fail to put our house in order betimes, we will be inviting further restrictions amounting perhaps to vexatious and detailed interference in the day-to-day working of our companies.

The main difficulty facing the market at present would appear to be that not satisfied with their present rate of progress, many units are trying to force their development beyond their natural optimum growth and this can only be done by adopting aggressive methods of uneconomic competition. One cannot but deprecate this scramble for business arising from a greed for premium income. For, although there may be a temporary recession in premium income, there is nevertheless enough business to go round and, what is more, there would be still further opportunities for insurance companies to develop new lines of business and add to their premium income in the years ahead as the various developmental projects under the Five-Year Plan get into their stride. I therefore hope and trust that our companies would take a long range view of things and conduct their affairs on sound and healthy lines so that Indian Insurance can attain a position of eminence and play its destined role at home as well as abroad.



Madras Office: 334, Thambu Chetty Street, MADRAS
Mathurai Branch: Post Box No. 121, 271, Goods Shed St., MATHURAI.

IMPORTANT ANNOUNCEMENT

We have pleasure in announcing that our Life Premium Rates have been substantially reduced from 27th April 1954. For particulars apply to the Head Office or to any of the Branches:

JUPITER GENERAL
INSURANCE COMPANY, LTD.,
(Established 1919)
Head Office: **BOMBAY**
Principal Office in South India: **"Jupiter House"**
167, Broadway, Madras.

THE LAKSHMI INSURANCE CO., LTD.,
offers
THE PROTECTION YOU NEED
at
Reduced Premium Rates
Buy a 'LAKSHMI' Policy to-day

For particulars, apply to:—
Head Office, **New Delhi-1.**
or
any of its Branches in India & B. E. Africa.

MADRAS BRANCH	BANGALORE SUB-OFFICE	COIMBATORE BRANCH
4/105, Armenian St. G. T. Madras-1	52, Gandhinagar Bangalore 2.	10/2, Dewan Bahadur Road R. S. puram Post, Coimbatore.

Reviews & News

South India Co-operative Insce. Society, Ltd., Madras.

New Building at Mount Road, Madras, opened by Mr. V. V. Giri, Union Minister for Labour.

Mr. P V. Rajamannar, Chief Justice, Madras State, presided.

The sturdy and imposing structure built on strong foundations in an area of about 9 grounds in Mount Road, recently acquired by the South India Co-operative Insurance Society, Limited, was opened by Mr. V. V. Giri, Union Minister for Labour before a large and distinguished gathering on the 7th June, 1954 Mr. P. V. Rajamannar, Chief Justice of Madras, presided.

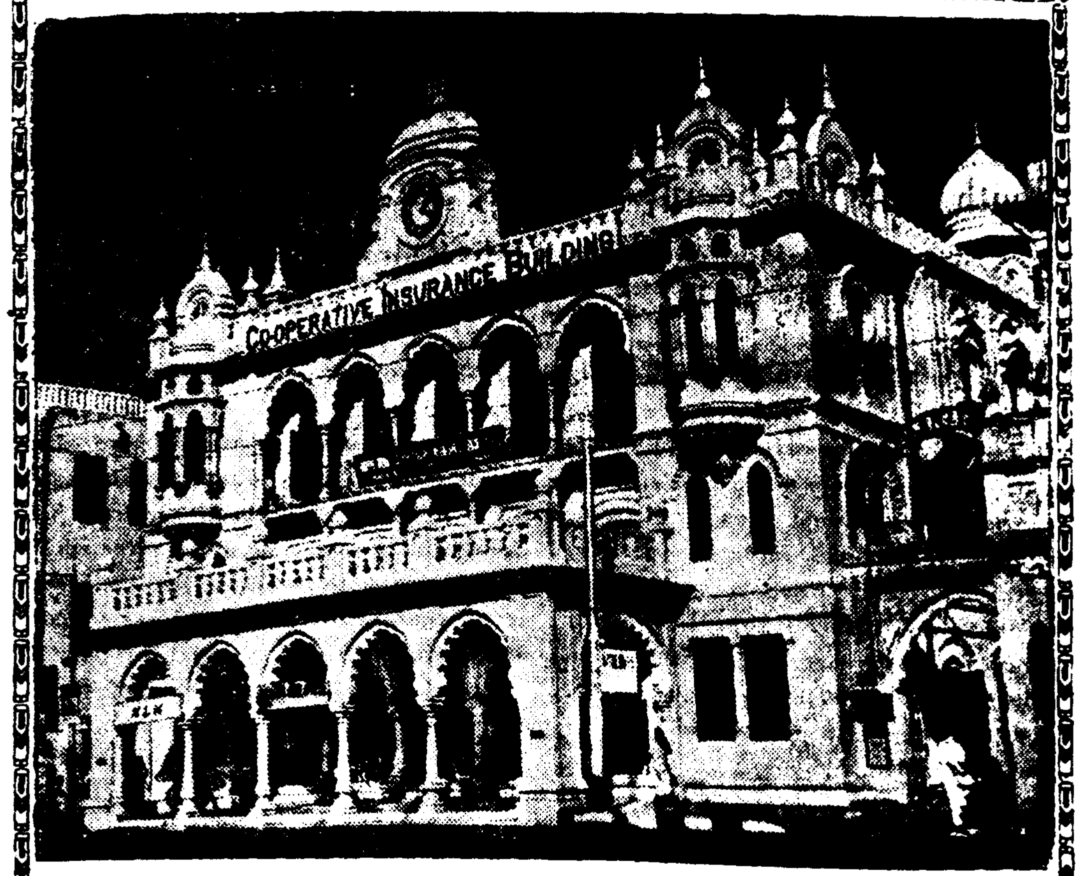
The Society, started in January 1932 by the late Sri Hon'ble V. Ramadas Pantulu, an outstanding personality in the co-operative movement, has grown from strength to strength and enjoys public confidence in an abundant measure. It is in the fitness of things that the Society is located in a building of its own, situated in such a prominent business centre as Mount Road. The Directors and the Secretary deserve congratulations for their foresight and efficient handling of the society's affairs.

After tea, Mr. V. Parthasarathy, President of the Society, welcomed the gathering. Referring to the record of the work of the Society, he said that the total business in force was of the order of Rs. 4½ crores and it had a life fund of Rs. 1¾ crores.

"Co-operation and Insurance are alike in one respect", Mr. Parthasarathi said, "The keynote of both is service. The Co-operative movement is a service which must not cease to be business. An insurance organisation is a business concern which must be run as a social service. It is a realisation of this aspect of Co-operation and Insurance that forms the background of our activity and that animates our hopes for the future"

Referring to the work ahead, Mr. Parthasarathy said that it was their ambition to see that each policyholder got expert advice on diet, water-borne diseases, the latest methods of treatment, etc., and free medical examination and check-up once a year.

Mr. V. Venkatachalam, Secretary making a rapid survey of the progress of the Society since its inception said that the late Mr. V. Ramadas Pantulu was instrumental in starting the Society in January 1932. From a humble beginning it had grown from strength to strength on well-laid foundations. At present it occupied a foremost position among the institutions of such type and also ranked among the first 30 insurers in this country. It was one of the few insurers that had de-



The South India Co-operative Insurance Society Ltd.,
5 & 6, Mount Road, MADRAS-2.

DO YOU KNOW

Life Insurance has become cheaper now. Improved mortality and increased Interest yield have made it possible.

WHY WAIT TILL TOMORROW

Secure Insurance protection today and ensure a carefree future.

South India Co-operative Insurance Society offers all that is best in Life Insurance

AT REDUCED Premiums.

Policies issued from Rs. 100 onwards.
Profits entirely belong to Policyholders.

Bonus-1952 Valuation
Rs. 12 and Rs. 10 on Whole Life and Endowment per Rs. 1,000 per annum.

clared bonus to its policy-holders during the war period. Outside the States of Madras and Andhra, it had branches in Bihar, Uttar Pradesh and Hyderabad and had extended its business activities to Orissa and West Bengal also. To serve rural population and persons of small and limited means it issued policies for sums below Rs. 1,000 also.

Mr. Venkatachalam read messages received on the occasion from a number of persons including Mr. P. S. Kumaraswami Raja, Dr. Pattabhi Sitaramayya, Mr. Sri Prakasa and Mr. B Jagannatha Das.

Training Ground for Democracy

Mr. Rajamannar paid a tribute to the late Mr. Ramadas Pantulu, "one of the greatest names in the history of Co-operation in this country", and said that he laid a strong foundation on which the Society had built a mighty edifice. The Society had now acquired a premises worthy of its standing. The basic and fundamental principles of co-operation, Mr. Rajamannar said, were the same as that of democracy and there could be no better training ground for the democratic way of life than the way of co-operation. The co-operative movement started with credit societies to relieve rural indebtedness and extended to other spheres of activities as well. He hoped to see the day when co-operation would be able to cover every aspect of the life of the common man in the villages.

One of the difficult problems of the common man with small income and with no inherited wealth or accumulated saving, Mr. Rajamannar observed, was to provide for his family in case of death or in his old age. That was where co-operative insurance societies could step in and provide policies for sums less than Rs. 1,000. Co-operative societies encouraged thrift and were in all ways of very great help to the poorer classes of persons—and this country was full of them.

Wishing the Society all the best, Mr. Rajamannar made the suggestion that "there can be co-operation among co-operative insurance societies by way of merger or amalgamation."

Mr. V. V. Giri's Speech

Declaring the "Co-operative Insurance Building" open, Mr. Giri associated himself with the sentiments expressed by Mr. Rajamannar about the late Mr. Ramdas Pantulu and said that he would continue to be a source of inspiration to every co-operator in this country and elsewhere

As a trade unionist all his life, Mr. Giri claimed, he was a fellow-traveller with the co-operative movement, because "each for all and all for each" was the ideal of both the movements. It was only when the people of the country realised the advantages of this great movement that all the ills economic and otherwise, of this country would disappear. Mahatma Gandhi rightly said on the day of the declaration of Indian independence that he would not rest content until economic swaraj or economic emancipation was also secured for the masses. That was the reason why their Constitution had laid down certain fundamental rights for the people, like the right to work. The securing of these rights would continue to be the ideal to be achieved of the Government under the

distinguished leadership of Mr. Jawaharlal Nehru.

The fundamental rights, Mr. Giri said, could be put into effect only through the great movement of co-operation, which strove to lessen the strife between capital and labour, and as was rightly said the co-operative movement was a half-way house between Capitalism and Communism. He entirely agreed with Mr. Rajamannar that the co-operative movement was even better than State Capitalism. He would like to see co-operation extended to every sphere of activity. If in that way all of them co-operated, then a Co-operative Commonwealth would come to be established in this country.

Mr. Giri observed that the co-operative movement had been built on strong foundations in Madras and expressed the hope that other parts of the country would follow their example so that the movement would spread throughout the length and breadth of the land.

Mr. V. Parthasarathy proposed a vote of thanks.

New Guardian of India Life Insurance Co., Ltd., Madras

Extracts from the speech delivered by Mr. A.R. Ramanathan, Chairman of the Board of Directors, at the 19th Annual General Meeting of the Shareholders of the Company held on Friday the 4th June, 1954.

I have pleasure in welcoming you to this, the 19th Annual General Meeting of the Shareholders of the Company.

Before we commence the business of the Company, I would like to record with profound sorrow the passing away on the 13th March, 1954, as a result of a tragic plane crash at Singapore, of this Company's highly esteemed patron Mr. M. Ct. M. Chidambaram Chettyar. We have all lost in him a most outstanding leader who had built up with great foresight, understanding and sympathy a number of Institutions of great strength and usefulness to the Public. The New Guardian of India Life Insurance Company, Limited, and everybody connected with the Institution owe a deep and permanent debt of gratitude to him, and the loss caused by his death is irreparable.

Mr. Chidambaram Chettyar had been the Chairman of the Company from 1940 to 1950. As Chairman he had steered the Company through difficult times in its earlier years with great ability and vision. The strong position reached by the Company to-day is entirely due to his valuable guidance, help and love for the Institution.

It is also a serious loss to the Banking, Insurance and Rayon industry (of which he was a pioneer) in particular among others and his death has created a void in the business and social life of South India which it is impossible to fill.

I am sure it will be your wish that we should place on record our very high appreciation of his most valuable services and help to this Institution. May the revered soul attain eternal bliss.

I am also sorry to record with profound sorrow the death on 31—12—1953 of Mr. K. C. Mammen Mappillai, a greatly esteemed founder of the Company. His contributions to the success of the Company specially in its early years were unique. In his death the Company has lost an esteemed friend who was intensely devoted to its interests and whose valuable goodwill and help were always at its service.

I am sure it will be your wish that we should place on record our very high appreciation of his valuable services and help to this Institution."

The Meeting observed a few minutes' silence, all standing, in memory of Mr. M. Ct. M. Chidambaram Chettyar and Mr. K. C. Mammen Mappillai.

"The Directors' Report, Balance Sheet and Accounts for 1953 have been in your hands for some time and I hope that as usual we can take them as read.

The Reports and Accounts give a full account of the Company's work during the year and position. I may, however, refer to some important points.

The total New Business completed by the Company during the year amounted to Rs. 52,49,000 and annuities of Rs. 1,600 per annum. The Assurances in force at the end of the year exceeded Rs. 3,27,00,000/- inclusive of bonus additions.

As a result of the year's operations and after providing for claims and expenses of management, we were able to add a sum of Rs. 11,85,496-9-10 to the Life Assurance Fund, which stood at Rs. 76,15,438-11-7 at the end of the year.

During the five year period 1949 to 1953, the annual premium income has risen from Rs. 12,17,605-12-0 to Rs. 16,50,676-7-0 and the Life Assurance Fund has risen from Rs. 39,03,027-9-5 to Rs. 76,15,438-11-7.

The net rate of interest realised was 4.1 % as against the rate of 3 % assumed in the Valuation and this must be considered as quite satisfactory. The renewal expense ratio was 17.2 % against a provision of 24.5 % made in the Valuation. Every attempt is being made by the Directors to ensure that the administration is conducted as economically as possible consistent with efficiency.

As you are aware, the last Valuation was made as at 31st December, 1950. The Valuation for the Triennium ended 31st December, 1953 has now been completed by our Actuary Mr. N. V. Nayudu, M.A., B.L., F.I.A., and the Valuation shows extremely gratifying results. The Valuation has been made on bases more stringent than those adopted in the last Valuation. The Report will be placed before you at an Extraordinary General Meeting to be convened shortly. I am glad to advise you that the Actuary has recommended the declaration of a Bonus for this triennium substantially higher than that declared at the last Valuation and it may also be possible to pay a Dividend to the Shareholders. The Bonus recommended is Rs. 12/- per thousand per annum in respect of Whole-Life with-profits Policies and Rs. 10 per thousand per annum in respect of Endowment with-profits Policies.

The "New Guardian" holds reserves to its Policyholders on a basis as strong as that of some of the oldest offices and its

OUR FINANCIAL OPERATIONS IN 1953 AT A GLANCE!

Our Policyholders number	...	1,16,923
Life Assurance in force		over Rs. 26,96,57,000
Total Assets	... " "	8,37.53,000
Total Income	.. " "	1,48,69,000
Life Assurance Fund ...	.... " "	7,48,98,000
Total Claims paid in 1953	.... " "	40,00,000

Policyholders' Funds vested in the Official Trustee of Madras exceed Rs. 8 crores.

(Disability Benefits Free. Accident Benefit at Rs. 1/8/- per thousand extra)

Ask for Particulars of our ESTATE DUTY POLICY.

THE UNITED INDIA LIFE ASSURANCE COMPANY, LTD.,

(Established: 1906)

Head Office: MADRAS-1.

Policy conditions are extremely liberal, Its bonus will also be found to be attractive. It is my hope and belief that with the policy of caution pursued by the Directors, the "New Guardian" will grow in strength and prove of the strongest Institutions of public service in our country. May God grant that this be so.

Mr. M. Ct. Muthiah who had been our Chairman joined the United India Life Assurance Co., Ltd., as a Director, and in his place Mr. M. Ct. Pethachi was co-opted as a Director from 15-4-1954. Our sincere thanks are due to Mr. M. Ct. Muthiah for the most valuable services and help rendered by him to the Company

I am also glad to inform you that Dr. U. Krishna Rau was co-opted as a Shareholders' Director from 15-4-1954; and he as well as Mr. M. Ct. Pethachi retire at this Meeting. I have every confidence that the association of Mr. M. Ct. Pethachi and Dr. U. Krishna Rau as Directors would be of very great value in the development of the Company's business.

The Directors are grateful to the Shareholders, Policyholders and the insuring public for their goodwill towards the Company and they look forward to receive the same in greater measure in the coming years.

The agents and Staff both at the Head Office and Branches deserve appreciation for their loyal work for the Company."

The Accounts were unanimously adopted.

The retiring Directors, Rai Bahadur Kedarnath Khandelwal, Mr. T. RM. T. S. T. Thinnappa Chettiar, Dr. U. Krishna Rau and Mr. M Ct. Pethachi were re-elected as Shareholders' Directors.

Messrs. Sastri & Shah, retiring Auditors, were elected as Auditors ror the year 1954.

United India Life Assurance Company, Ltd., Madras.

THIS premier Insurance Institution of South India, though nearly half a century old, owes much of its progress to the late Mr. M. Ct. M. Chidambaram Chettiar, who was its Chairman and Managing Director for more than two decades. Mr. Chidambaram Chettyar was elected as the Chairman of the Company in 1931 and he died in March, 1954, in a plane crash in Singapore. His tragic end is a great blow not only to the United India Life Assurance Company and the various Institutions with which he was connected, but to the industrial and commercial life of South India. It was during the period of his stewardship that the United India was able to forge ahead and attain a stature which is worthy of mention. Latterly the War and Inflation might have also afforded an opportunity to develop, but yet, it was Mr. Chettyar that instilled new life in the management. He had that foresight and enterprise in him that was lacking in his predecessors to establish Branch Offices in the different centres in the Country, erect magnificent buildings and organise the service on up-to-date lines. His enthusiasm and efforts were met with such great success that today the United India Life Assurance Company, can with pride offer security and service to the Insuring public which will excell any other in the field. Its new business for the year 1953 amounted to 15,266 policies assuring a sum of Rs. 3,79,25,695. The average sum assured per policy was Rs. 2,858 as against Rs. 2,757 in the previous year. The business in force as at 31st December, 1953 was 1,16,923 policies assuring a sum of Rs. 26,96,57,855 registering an increase of 3,583 policies and Rs. 2,04,63,897 sum assured during the year.

The renewal premium income was Rs. 1,01,43,600. Income from interest, dividends and rent less incometax thereon amounted to Rs. 28,73,169. The yield on the mean life assurance fund was 4·32 % (gross) and 3.82 % (net).

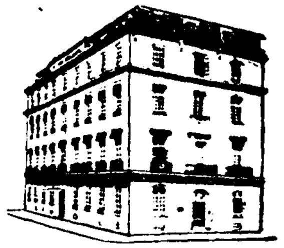
The Life Assurance Fund has increased during the year by Rs. 63,17,545 and now stands at Rs. 7,48,98,593. There is an investment reserve of Rs. 26,50,000 to cover depreciation in investments.

The net benefits paid by the company to its policyholders during 1953 amounted to Rs. 48,12,741 of which claims by maturity amounted to Rs. 29,88,766, claims by death Rs. 10,11,490 and annuities and surrenders to Rs. 8,12,485. The total benefits paid by the company since its inception is Rs. 3,43,07,415.

Mr. N. Rama Rau, a veteran in Insurance and a colleague of the late Mr. M. Ct. M. Chidambaram Chettiar on the Board of Directors of the Company is now elected as the Chairman of the Board of Directors and under his guidance, the Institution can be expected to expand and develop still further on sound lines. We wish the Institution every success.

———

Strength!



ASIAN BUILDING

ASSETS EXCEED
Rs. 4,00,000,00
CLAIMS PAID
Rs. 2,50,000,00

ASIAN
ASSURANCE CO., LTD.
ESTD. 1910

HEAD OFFICE: ASIAN BUILDING
BALLARD ESTATE, BOMBAY 1

BRANCHES IN SOUTH INDIA
Alleppy, Bezwada, Banglore, Madras
Madura, Mangalore & Secundrabad

GENERAL MANAGER
P. U. Patel B. A., B. Com (Lond)

Insurance Club, Madras

The Annual General Meeting

The Annual General Meeting of Insurance Club, Madras was held on 17th June, 1954 at the National Insurance Building, Sri K. S. Ramamurthi presided.

At the outset the members of the club expressed their deep sense of grief at the untimely demise of late Mr. M. Ct. M. Chidambaram Chettiar and resolved to communicate the same to the members of the bereaved family.

The out-going secretary, Mr. M. Venkateswarlu, read the annual report which was adopted by the members and the following Office-bearers were elected to the Executive Committee of the club for the year 1954-55.

All India Insurance Field Workers Association

20th Annual General Meeting

The 20th Annual General Meeting of the All India Insurance Field Workers Association was held on the 29th May 1954 at the Hall of the Bengal National Chamber of Commerce, Calcutta, Sri S. C. Roy, M.A., B.L., (Aryasthan Insce.) and Sri H. K. Sen, M.Sc., F.F.A., Actuary graced the occasion by their kind presence.

After Sri B. N. Mukherjee, General Secretary of the Association read out his annual report on the activities of the Association for the Session 1953-54 Sri Sukumar Chatterjee, M.A., delivered his Presidential speech.

16/10

THE ANDHRA
INSURANCE CO., LTD.
Head Office: MASULIPATAM.
(Estd. 1925)

ANDHRA marches forward with a sound and steady record.

Total Business in force about	Rs.	Ten Crores
Total Assets exceed	,,	Two ,,
Total Annual Income about	,,	Sixty Lacs

Transacts LIFE, FIRE, MOTOR, MARINE and all other Classes of Insurance.

Our Madras Office:
"Andhra Insurance Buildings"
337, Thambu Chetti Street,
G. T. MADRAS.

ALSO OFFICES AT:— Bombay, Nagpur, Delhi, Bangalore, Belgaum, Anantapur, Secunderabad(Dn.), Berhampur, Ernakulam, Bezwada, Rajahmundry, Guntur, Jamshedpur, Calcutta, Visakhapatnam, Dibrugarh, Muzuffarpur, Allahabad, Etc.

THE
BOMBAY LIFE
Assurance Co., Ltd.
H.O.: 45-47 Churchgate Street.
Fort, Bombay.

RECORD Business in 1953.

Proposed over Rs. 5,90,00,000
Paid for Rs. 4,89,00,000

1951 Valuation Bonus — Whole Life Rs. 12-8
Endowment ,, 10-0

PREMIUM RATES REDUCED CONSIDERABLY RECENTLY

FOR SAFETY & SECURITY

INSURE WITH

THE NEW ASIATIC INSURANCE CO., LTD.

Head Office: NEW DELHI.

Chairman: L. N. BIRLA.

Transacts:

LIFE, FIRE, MOTOR, MARINE, ETC. INSURANCE

For particulars apply to:

A. SUBBIAH

Manager, Southern Circle

289, Lingha Chetty Street, MADRAS-1.

The BEST and the SAFEST for Representation & Insurance.

THE NEPTUNE ASSURANCE Co., Ltd.

Clock Insurance Schemes a Speciality,

Last Valuation Bonus: Rs. 10/-& Rs. 8/-per thousand per year Whole life & Endowment respectively.

LIFE FUND: Over Rs. 1 crore

ASSETS: Over Rs. 1¼ crore.

Apply for particulars to:-

104, Apollo Street. Fort. Bombay.

THE HIGHEST RECORD OF INCREASE

When Business in general was at its ebb due to adverse conditions, The "HINDUSTHAN" made, over previous year's business, the highest Record of increase, exceeding

Rs. 2 Crore 42 Lacs.

Its progress in new business has also been exceptional.

1953

New Business ... 18 Crores

Completion exceeds .... 89 Lacs.

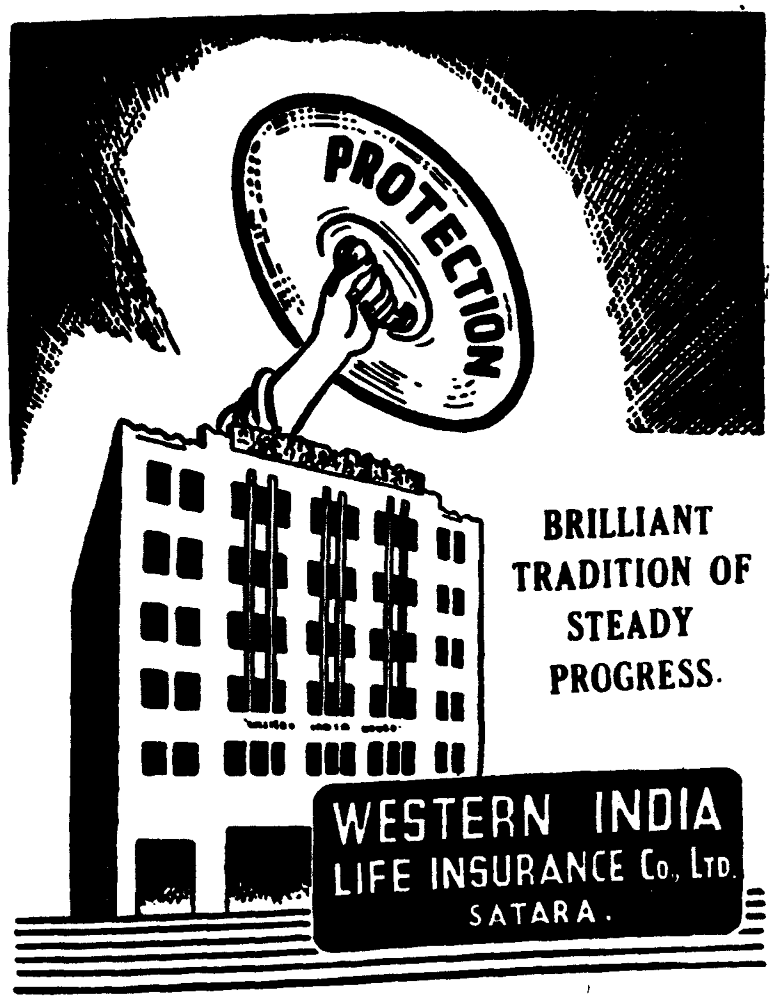
This achievement is a living demonstration of continued public confidence.

HINDUSTHAN CO-OPERATIVE INSURANCE SOCIETY LTD.,

HINDUSTHAN BUILDINGS,

Branches: **All over India & Outside.**

Madras Branch: Hindusthan Buildings, 107, Armenian St., Madras-1.



PROGRESS: New Business for 1953 about Rs. 2·80 Crores

SERVICE: Claims Paid Exceed Rs 2 Crores

SECURITY: Life Fund over Rs. 6.33 Crores

POPULARITY: Over 1,50,000 Policyholders

ECONOMICAL MANAGEMENT: Renewal Expense Ratio 12%

Highly remunerative openings for ambitious and influential persons

Apply to:

V. H. KHADILKAR. B A., B COM., *Branch Manager*,

Purushotham Bldgs., Mount Road, Madras.

Registered No. M. 3297.

Warden since its existence has placed constant emphasis on quality. The attainment of size has been secondary to quality and safety.

However, the company has grown big in size, business in force has now soared to the most spectacular growth of **Rs. 7,00,00,000**

We are happy to step into the GREAT SIZE but faithful adherence to sound principles of Insurance Underwriting has brought us results far more precious than size.

—THE ATTAINMENT OF STRENGTH

Business in Force	..	**Rs. 7,00,00,000**
Income	...	**Rs. 40,00,000**
Assets	...	**Rs. 1,60,00,000**
Claims Paid	...	**Rs. 55,00,000**

In 1954 **WARDEN** and its friendly group of Insurance Companies have planned extensive development of its Business on a nation wide scale and persons with experience will find it to their advantage to investigate regarding the lucrative opportunities available as District Managers, Superintendents or Chief Agents in various cities and towns of India.

WARDEN'S FRIENDLY GROUP OF INSURANCE COMPANIES

1. London Guarantee & Accident Co., Ltd.
2. World Marine & General Insce. Co., Ltd.
3. Union Marine & General Insce. Co., Ltd.

HEAD OFFICE

WARDEN INSURANCE COMPANY, LTD.

"WARDEN HOUSE"

Sir Phirozshah Mehta Road, Fort, Bombay.

Edited, Printed and Published by R. RAGHUPATHY at THE FORWARD PRINTERS, Kumbakonam.

2

(1)	(2)	(1)	(2)