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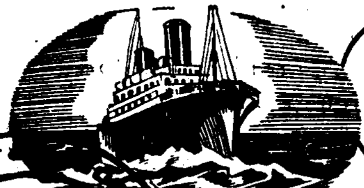

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810

CONTENTS

THE INDIAN POLICY-HOLDER

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Reduction in Life Insurance Premium Rates.

THE latest news from Bombay that the Executive Committee of the Life Insurance Council, appointed by the Government of India has decided that the existing rates of premia would continue and there would be no further reduction before the end of 1955, will, we hope, put a stop for the present all sorts of agitation by any group of Insurers, whether small, medium-sized or big Companies. But, one point has been made clear as a result of all the controversy and agitation that took place during the past four months consequent on the New India Assurance Company announcing a reduction in their premium rates on March, 1st, 1954; and that is that the rates of premia charged by Indian Insurers generally are very high and that particularly the present changed conditions do not warrant such high rates. So far the insuring public are concerned, the unilateral action taken by the New India Assurance Company, Ltd., has benefitted them much. In a Country like ours where Life Assurance is yet to be recognised by the majority as a sure and safe way of providing for the future and where people are not so much educated to know the reasonableness or otherwise of the rates of premium charged by the Companies, it is absolutely necessary that the Insurance Companies should conduct themselves in a most exemplary manner, lest they may fall in disrepute, in course of time. Insurance Companies, it may be recalled, raised their premium rates about a decade ago when the interest yield on first class investments went down much below the rates assumed in the premium calculations with no immediate prospect of a reversal. The cheap money policy adopted by the Government of India then was the primary reason for such a situation. Now that policy has been revised and the Government of India themselves are eager to float loans on high rates of interest with a view to find enough funds to successfully implement their Five Year Plans. Insurance Companies, consequently, have earned higher rates of interest on their investments. There is no prospect of again the situation taking a turn for the worse in the near future. Even if the other two factors, Mortality and Expenses, are left out of consideration, Insurance Companies should at least revert to their old rates of premia, i.e. the rates existed before the World War 2. But, Mortality Experience in India has very much improved. Particularly Life Insurance Companies have fared well during all these years. Practically every Company has reported that only about 60% of the deaths expected occured. In the matter of expenses, though the present period is most unfavourable as compared with the pre-war times, Insurance Companies have been compelled to confine their expenses within certain specified limits by the Government of India and even those Insurers who would not have ordinarily reduced their expenses, are now complying with the required provisions. So much so, there is a definite case for proving beyond doubt that the present situation calls for a substantial reduction in the rates of premia. The agitation by a group of Insurers against such a reduction is opposed to all moral principles. Their argument that the high rates of premia may be maintained as they are and that the excess, if any, may be returned to the policyholders by way of increased bonus would not stand to reason. One will not be attracted so much to Life Insurance when the premium rates are high as when they are low, By reducing the premium rates to a reasonable level according to times, the Companies will only stand to gain by a larger volume of New Business. It is only prudence to take note of the signs of the times and face the situations with earnestness, enterprise and imagination. And the New India Assurance Company should deserve congratulations for their bold step. The Management of the Company can be accused, if at all, only for its sudden announcement without the prior consultation of the other Insurers in the field. The only justification for the action is that as a Business Institution and as one of the many competitors the Management had its own way. At the same time it is well to remember that the Company could not have taken the course without complying with the provisions of the Insurance Act. A panicky situation of the kind, following the announcement of the New India Assurance Company, would not have arisen if either the Indian Life Offices' Association or the Life Insurance Council made it obligatory on the part of everyone of its members that every such decision of importance should be brought before them and approved. Now after everything has been done, and all Insurance Companies have had their own way in revising the premium rates and conducting the business for about five months, the position does not warrant any detailed enquiry or interference in the discretion already used by the individual insurers. Though every Insurer was in a hurry to announce a reduction in their premium rates, following the New India Assurance Company's decision, no one would have reduced the rates to an unworkable level. "Floor Rates" suggested by the Sub-Committee appointed by the Life Insurance Council to examine the position, may appear to be alright from their view point. But, the remedy is likely to give rise to new problems for solution. In the circumstances, the best way, one could think of at the present moment, is to leave the situation as it is.

Revision of Premium Rates by Life Assurance Companies

By H. BALARAM RAO, B.A.,

Agency Manager, United India Life Assurance Co., Ltd., Madras.

I understand that the Executive Committee of the Life Insurance Council at their meeting held in Calcutta last month considered a further revision of the rates of Premiums charged by Life Insurance Companies operating in India. The general public have been made aware through Press Advertisements and Direct Mail literature issued by the Companies that as a result of improvement in their Mortality Experience, a rise in the rates of interest earned on their funds and a general fall in Expenses, they, the Life Insurance Companies were in a position to offer substantial reduction in the rates of premium on new Policies.

The New India Insurance Company, Limited, one of India's leading Companies was the first to give effect to these favourable trends by reducing the premium rates drastically. The Insuring public responded to this move and it is now public knowledge that the Company wrote bumper business within the very first week of its announcement of this cut in their rates.

The drastic reduction in the Premium rates and the volume of New Business written by the New India created a stir in the Insurance circles and within less than a week the Oriental Life Assurance Co., Ltd., — another leading Company followed suit. The rates of Premium quoted by the Oriental were in many cases even lower than those offered by the First Company Viz., the New India.

The medium and small sized Companies grew alarmed at this situation created by the two Leading Indian Companies. A wave of panic seized all the Companies, big, medium and small and within about a fortnight, practically every Indian Company brought its premium rates in a line with those charged by the big two.

At this state it is necessary to bring the Controller of Insurance into the picture. Under the Insurance Act, he has certain duties to perform. Before revising these rates of premium, Insurance Companies too have certain formalities to observe. Section 3B lays down that.

Section 3B. If, when considering an application for registration under section 3 or at any other time, it appears to the Controller that the assured rates, advantages, terms and conditions offered or to be offered in connection with life insurance business or in any respect not workable or sound, he may require that a statement thereof shall be submitted to an actuary appointed by the insurer for the purpose and approved by the Controller and may by order in writing further require the insurer to make within such time as may be specified in the order such modifications in the said rates, advantages, terms or conditions, as the case may be, as the said actuary may report to be necessary to enable him to certify that the said rates, advantages, terms and conditions are workable and sound.

It will be seen the rates proposed to be introduced by any Company have to be certified by the Company's Actuary as workable and sound. He has to communicate to the Controller of Insurance the bases he adopts in arriving at his rates. The Controller of Insurance is required to go through these bases and see if they are justified by the Company's experience and by the general trends of interest obtaining in the country. If he has reason to believe the rates submitted to him by any Company under a Certificate of workability and soundness by its own Actuary, are not justified by the standards mentioned above, he is required to submit these bases adopted by the particular Company's Actuary to an independent Actuary. The intention of the Legislature in incorporating a salutary provision of this nature in the Act is to vest the Controller with powers to see that no Company works on uneconomic rates and thus jeopardize the basic security offered by the Policy Contracts.

We have to presume that before the various Companies, big, medium sized and small — announced a reduction in their premium rates, they produced these Certificates from their Actuaries to the effect that the revised rates were workable and sound with particular reference to each Company's own experience and that the Controller of Insurance likewise satisfied himself as to the workability and soundness of these new rates. If this presumption is correct, there seems certainly no need for all this agitation sponsored by so many Companies — big and small. Seeing, however, the intensity and persistency of this agitation, it is not unfair to infer that either both these parties i.e. Controller of Insurance and the Company's Actuaries or one of them have not acted either in good faith or applied themselves seriously and sincerely to their respective tasks; in other words, one of these two, or both, have neglected their duties. If this inference is partly or wholly correct, the obvious course appears to be to remedy the defects and not to create more confusion as is being done now.

In all this controversy, one of the parties most interested in the Whole business — the public — has been most unceremoniously relegated to the background. So far no one has cared to assess the damage that is likely to be done to the cause of the Indian Insurance by such callous neglect of the views of the Public. I shall try to put the case of the existing as well as the prospective policyholders now.

As I said in the earlier paragraphs, a drastic reduction in the Premium Rates was effected by the New India on 1st March 1954. On 6th March, the Oriental followed suit. By the end of the month, practically every Company fell in line. The public were told that in reducing their premiums, the Companies were only passing on to the consumer the savings effected by them, consequent on (a) an improvement in their mortality experience, (b) the increased yield they got on their investments (c) the reduction in their operation expenses. Side by side, the Companies were also carrying on an agitation through their Trade Associations and Delegations to the Government protesting against the initiative taken by the New India in effecting such a drastic reduction in the rates, and pleading for restoration of the old rates.

A meeting of the Executive Committee of the Life Insurance Council met at Bombay and as a result of their discussions, they advised all the Companies to readjust their rates providing for normal remuneration to the agents and restore the minimum sum assured to the old levels. Companies were given time till 30th April to make these adjustments in their published rates. The Executive Committee also took another decision and appointed a small Sub Committee of four Actuaries to report how far any revision in the rates charged as on 1—1—1954 by the Companies operating in India was necessary and called for.

The Sub Committee in reporting to the Executive Committee has recommended that a "Floor Rate" be adopted by all Companies. It will be seen, that while upto now in India and every part of the world where the institution of Life Assurance is in operation as a private enterprise, each Company has its own rates of premium depending on its own experience an entirely new principle of tariff rate is now sought to be introduced. This new "Floor rate" recognises the need for giving the least efficient of the Companies to have a chance to survive the present competition in the trade. While, therefore, in the case of a small Company, the "Floor Rate" recommended may be just adequate, in the case of a big Company, it will allow them adequate margin for Extravagance. One important point that has been overlooked by the Committee of 'technical' experts is that competition is not always solely based on the price of an article. If that were so, both in the past and even to-day, some of the Companies big and small charging low premiums should have the monopoly of the business written in India. To quote an example for a long time, the premiums charged by a Company like the Empire of India were substantially lower than those charged by say a Company like the Oriental operating from the same City. The financial strength of both these Companies was beyond question. The security they offered to the Policyholders was unassailable — yet the Oriental always wrote a much bigger volume of business than the Empire of India. Coming near home, there is a Company of over 25 years' standing operating from Madras whose premium rates are very low and about 10 years ago a new Company was started in Madras whose premium rates were substanteally higher than those charged by the Company mentioned above. Yet this new Company writing a business in the same competitive market was able not only to hold its own but write practically the same volume of business as the older Company did. As I said competition is not restricted to rates only; it is just one factor — the success of a Company depends more on the strength of its organisation, on its service to policyholders, and the confidence it creates in the public mind about its ability to meet the obligations (this is judged by the standing of the Board of Directors, its investment policy etc.)

It, therefore, appears to me, that not only some of the Companies but the Executive Committee also, have been completely swept off their feet by a wave of panick. The drastic reduction of premiums by a Company may not have attracted so much attention in the normal course but for the tremendous volume of New business written by that Company following the reductions in rates. Back of all this agitation, therefore, is the "Fear Complex". It is all the more necessary now, in view of the imminence of a third revision of premium rates, to judge the issues calmly and dispassionately and take a long range view of the issues involved. The contemplated revision of Premium rates will naturally mean an upward revision because the measure in fixing the "Floor Rates" will be that which will allow the weakest of the particular group to operate with a reasonable chance of success. The result would be straighaway it would give an unearned bonus to the bigger Companies of that group. This will naturally enable the bigger Companies not only to declare a much higher rate of bonus thus increasing the attractiveness of their Policies but also provide them with more funds to spend on their organization. The result is, therefore, likely to be just the opposite of what is intended i.e. the bigger and more efficiently managed of each group will throw out of the field the weaker units of that group thus pave the way to a monopoly of the big ones again — the only difference being that whereas under the present system of "free enterprise" there is a need for bigger Companies with lower premiums to always keep a vigilant watch over their expenses (as the margin for any extravagance is very small), the situation created by the adoption of these "Floor Rates" will encourage recklessness and start a "Bonus War" in the place of the present "Rate War". Competition is the very breath of and the only healthy check on private enterprise and if we remove by these healthy checks we are paving the way for nationalization and all that it means in terms of State-monopoly and lack of enterprise.

For the purpose of illustrating my point, I take two Companies with a business in force of over Rs. 10 Crores Company A. Renewal expense ratio is say 13%. Its mortality experience is 60% of the Oriental Mortality table. It earns a net interest of 3.75% on its investments. Company B: Expense ratio is 15%. Its mortality exerience is say 80% of the Oriental Mortality Table. It also earns the same rate of interest on its ivestments. In a competitive field, if both these Companies are required to operate on the same premium, the advantage which Company A derives as against Company B is obvious. Yet all this agitation is to-day carried on by Companies of 'B' type in the mistaken belief that the adoption of the new principle of "Floor Rates" will help them to maintain their place against Companies of "A" Type.

I shall examine the principles underlying the fixation of "Floor Rate". In General Insurance a Tariff rate may be workable as practically every risk underwritten by a big or small Insurer is shared by a number of other Insurers. In Life Insurance, however, the number of policies each Insurer gets under which he is required to reinsure the excess over his retention limit is a very small percentage. Each Company builds up its own underwriting practice — in every case it is an individual risk that is assessed and the experience of each Company is different. In many cases, even the policy conditions and privileges vary. So standardization is not only not called for but definitely unworkable. It will only stifle the will to improve one's standards; it will encourage extravagance in administration and definitely lead to lowering underwriting standards. Who

will be the beneficiary of all these lowering of standards? The Milch Cow — the Policyholder. As long as he is kept in the dark, he may keep quiet. — but once he is awakened to the realities of the situtation and learns that he is required to pay a higher price for no corresponding benefit to himself but to keep alive a few struggling units in the Industry, his reaction will definitely be not to the liking of those who are sponsoring this agitation. Before I proceed to suggest positive measures for helping the smaller and younger Companies, I shall make a passing reference to the activities of the Postal Life Insurance.

Till very recently the Postal Life Insurance Department has been catering to the needs of the Government Servants. It was not required to pay commission to any agent for cancassing business. The fees fixed for the conduct of the medical Examinations by Government Doctors is comparatively low. It was not necessary for the Department to send out any renewal notice as the premiums were adjusted from salary bills. Only two types of policies were issued. Loans were not given till very recently. So the administrative work was reduced to the minimum. The premiums quoted were naturally low. This was one attraction to its clientele and secondly the premiums were deducted from the Salaries thus the employees did not feel "the loss of income". In recent years, the Postal Life Insurance has become more aggressive — they are producing Sales' literature They have been giving full cover to Military Personnel at normal tabular rates of premiums. Loans are also given. They have not only thrown open its doors to Local Bodies but are actively canvassing business from Semi Government Industrial concernslike Chittaranjan and other factories. Yet the Public — the taxpayer — rarely gets an opportunity to know the working of this Department. We have all been reading in the past few months interesting revelations about these State Managed institutions. Reports of the Auditor General and the Public Accounts Committee are revealing. When the Postal Life Insurance Department thus enters a competitive field, is it not reasonable that this Department also should subject itself to the same standards as are required to be maintained by private Insurers. Take for instance the grant of full cover to Military Personnel at no extra cost. The Department advertised this as a selling feature. In fact they have even gone so far as to get the Defence Department to issue a Circular to all Army Personnel to get their existing policies with private Insurers paid up and go in for fresh assurances with the Postal. It is a recognised fact that an assured engaged in Military Service is because of his occupation not a normal risk. An occupation extra is called for. If this is so how can the Postal Life give free cover? Evidently the Government is giving some sort of subsidy treating this expenditure as an item of the National Defence Budget. I do not see any objection to this provided the Government extends this concession to Private Insurers also; for after all, it is the Country's tax payer, who pays for it and I am sure he certainly will have no objection to bear this additional burden, in the interests of the defence of the Country. I am mentioning this point only to say that Postal should also accept Floor Rates if it is ultimately decided to have them; it should also be required to submit and publish all the returns on the same lines as any Private Insurer is required to; its investments also should be within the framework of the restrictions imposed by the Insurance Act. In fine, the Postal Life Insurance should not enjoy any special privilege.

In actual working too, the adoption of Floor Rates will lead to good many administrative difficulties. To mention just one:—

Take the case of a Company with a business in force of say Rs. 9 Crores. Under the present classification, it would be a small Company and the loadings for bonus expenses etc. will be those applicable to the Group Rs. 3-10/- crores business in force. Next year if the business in force exceeds Rs. 10 crores will the marginal Company be required to revise its Premium rates again? The remedy to my mind does not lie in adopting these artificial stimulants but in creating conditions under which there is free and full scope for the healthy growth of both small and big units, at the same time, give the Policyholders a square deal. By introducing "Floor rates", we are definitely going to alienate the sympathies of the one person who in the ultimate analysis is our boss — The Policyholder.

I am of opinion the following measures will, while helping the bigger units to develop their own individuality and offer better returns to the Policyholder give scope for the smaller well managed units to grow.

(1) If the present expense provisions now allowed are found to be inadequate, an increased provision may be made for a definite period of years e.g. if a Company with a business in force of Rs. 3 Crores is to-day allowed to spend 90 % of the First Year Premium and 18 % of the renewals allow the Company to spend for the first six years from now 20 % of the renewals for the first two years 19 % for the next two years and then 18 % for the next two years. This extra provision of 2 % of the renewal premium income is not going to materially affect the bonus earning capacity of the Company.

(2) Give scope for the Companies to develop their own pattern of organization. Under the present Act, a special agent is allowed an over riding commission of only 15 % of the First Year Premium income. This rule applies to both small and big Companies. It is common knowledge today that no Company big or small is able to get a bona fide special agent on this remuneration. The present day special agents are only ordinary agents drawing a higher rate of first year commission because of their bargaining power. They are invariably above average producers who are not prepared to work on the schedule First Year commission. The section in the Act providing for 80 % of the renewal commission in the event of their leaving their own Insurer and going to another (under certain conditions) gives them a good handle to hold the Companies to ransom. If small Companies are to build up a sound organisation without at the same time entering into onerous heavy and long term fixed commitments they should be allowed to offer higher rates of over-riding commission to the Special Agents. Bigger Company may for a period of say 5 years be precluded from appointing special agents on the present terms. The minimum qualification must be raised in the case of bigger Companies to atleast six working agents each contributing a business of Rs. 10,000/- and a first year premium income of atleast Rs. 9,000/- a year — the bases will have to be changed from the present face value (Rs. 50,000/-) to First Year Premium income basis.

(3) A sliding scale of over-riding commission may be allowed to special agents so that there may be an incentive to the bigger producers to produce more and earn more. I am confident this provision will at one stroke eliminate on the one hand all the present bogus appointments of Inspectors who are nothing more than pro rata organisers and on the other hand help the Insurer to avoid the need for manipulating their accounts and issuing fictitious letters of appointment etc. The present Code of Conduct has not yet eradicated this evil and under present conditions will never do it.

(4) The smaller Companies may be allowed to pay a higher rate of commission to ordinary agents — say for a period of five years from now.

Incidentally, this opportunity should also be utilised to examine the question of removing the present ceiling on agency commission. If this is done and Companies are allowed to pay on a sliding scale commission to ordinary agents say upto 60 %, most special agents will automatically disappear. It is also worthwhile examining whether this enforced reduction in agent's and Special Agents' commission has in any way reduced the expenses under Procuration cost. If it is not under agency commission etc. the expenses appear under the head of salaries and allowances — the net result is the same amount is being spent. It would perhaps be better to illustrate this point with reference to the experience of India's biggest Company the "Oriental". Prior to the statutory recognition of the special agents, the Oriental had no special agent at all in its field force. Agents who were producing 1 Lakh and agents producing even Rs. 10 Lakhs were all paid a maximum commission of 40 %. Once the institution of special agency was recognised in the Act and minimum qualifications were prescribed and the Section 42-A & the Sixth Schedule found a place in the Statute Book the Oriental had to make a departure from their 75 years old tradition and for fear of losing their productive agents offer special agencies to these very people and pay them instead of the original 40 % and 5 % of renewals, 50 % of the First Year Premium and 7½ % for the next two years and 5 % thereafter on the renewal premiums. It is not therefore, necessary for the Powers that be to consider the effect of piling unworkable and unenforceable restrictions one upon the other without considering whether they have helped to remove the malpractices they were supposed to eradicate and help the growth of healthy traditions and standards.

(4) Even as we now recognise the need for giving some sort of preferential treatment to smaller Companies to help them know, the desirability of fixing some common standards for adoption of Valuation bases may be considered. Otherwise, instead of a "Rate War" which we are now trying to fight, we may soon find the need to apply our minds to fight a "Bonus War". It appears to me far more easy and desirable to evolve certain definite standard of Valuation basis as it would also be easy to enforce these standards. The Controller will have before him the actual mortality experience, the nett rate of interest earned and the actual expenses incurred by each Company whose Valua-

tion he is scrutinising and see how far they conform to the standards fixed. The smaller Companies may be allowed preferential treatment in this case also for a definite period.

(5) Even as Life Assurance Companies are not allowed now to issue to the General Public policies for less than Rs. 1000/- the bigger Companies may be precluded for a period of 5 years from competing with the smaller Companies in booking Policies for less than Rs. 1500/-. This would help the small Companies to have a monopoly in one field. From the point of view of the bigger Companies also, it would be helpful as they can thus try to increase their average sum assured — and thus reduce their expenses. The agents of the bigger Companies will then be enabled to increase their output and thus earn more.

and lastly,

(6) All the Companies have now been working on the reduced premiums for atleast 3 months i.e. from 1st April 1954. By the time the Executive Committee meets in Bombay, the Companies would have about four month's experience. Let there be no disturbance just now. Let the Controller with the assistance of three or four *Independent* Actuaries (either practicing or employed in Part B States or in Departments other than Insurance Department) go through the bases adopted by the Companies who have submitted their revised rates and find out how far the bases adopted are justified and in accord with the Experience of the respective Companies. Let him submit his findings together with the views of the panel of Actuaries to the Executive Committee before the close of the year, for their consideration. By then, the atomosphere would have changed and the Executive Committee will also have the benefit of the experience of not only the Companies working on the new rates but also the public reaction to the situation. They can then take a decision in a much calmer atmosphere. Any hasty decision now taken under this emotional stress is likely to cause permanent and irrevocable harm to the larger interests of Indian Insurance. Insurance is a long term business. We are dealing with the life savings of a large section of the middle class — any false step we take may lead to the shaking of the public confidence in our capacity to handle this very essential economic service to the Community.

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Bonus Earning Capacity in Relation to Premium Structure and Valuation Reserves

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Introduction

In order to give the readers of this paper a ready background for the subject matter dealt with here, I felt it desirable to explain certain concepts and definitions which I trust will enhance the value of the paper by making it as far as possible complete in itself.

The Office Premium

The financial solvency of a Life Insurance Company ultimately depends not quite on the valuation but on the adequacy of the premiums charged for the benefits granted. This 'adequacy' depends on the assumptions regarding the three basic constituents of the Office Premium viz., Interest, Mortality and Expenses. An estimate of these three elements does not, however, relate specifically to any particular policy or even type of policies but to an entire group with a separate fund and containing policies on a large number of homogeneous lives. Any deviation from homogeneity (which often means only sub-standard mortality) is allowed for by a separate (and usually more than adequate) loading to the normal premium and is not considered at length in this paper. The assumptions in respect of the three elements depend on the estimates regarding:

(a) the mortality likely to be experienced by the group of lives as a whole at successive attained ages (allowing sometimes for a short pariod of selection at entry);

(b) the likely average interest yield which the fund made up of the excess of income over outgo will fetch during, say, the currency of the policy, or the group of policies;

and (c) the initial and renewal expenses expected to be incurred in respect of the group, suitably apportioned in respect of policies of different kinds and terms.

A 'safety margin' in favour of the Office is normally included before deciding the numerical values of the three elements. Further, an additional loading is provided for with-profit policies for meeting a part of the cost of the future bonus that may be declared in respect of them.

The Law of Averages

In this context, I would like to point out an incorrect application of the law of averages *for any particular premium rate*. Considering, for example, the premium rate for a with-profit Endowment Assurance at age 35 and term 20 years, it is not correct to say that in order that this rate may be justified by the law of averages, there should be a large number of entrants (within a reasonably short duration) at age 35 taking participating 20 year Endowment Assurance policies. This view is tenable only in unlikely event of there being a separate fund relating exclusively to such simultaneously effected policies of the same type. Where, as is usual, there is a single Fund, and the assumptions regarding the elements are the same for policies under all plans and terms, any specific rate with only a single policyholder therein, is quite justified by the law of averages, as this policyholder is, in fact, part of a large group of homogeneous lives, who are all assumed (and probably expected) to experience, say, the same rate of mortality irrespective of the types of policies they have taken. This is so, because, the average relates to the mortality rate and not the premium rate. Similar arguments hold in regard to the interest yield and (perhaps to a smaller extent) expenses, although they may appear rather less obvious in these cases than in the case of the mortality element.

Profit And Surplus

In this paper, I would like to make a distinction for convenience between "Profit" (say P) and "Surplus" (say S). Considering the policies in force on a valuation date, the surplus is, of course, the excess of the Life Assurance Fund (say F) over the estimated total net adjusted liability (say L). Supposing the Fund is closed to New Business and no bonuses are declared, there may be a residue after the last policy goes out of the Fund. This is the Deferred Absolute Profit (say D.A.P.). The present value of this D.A.P. at the rate of interest yielded by the Fund from time to time is what I define as "Absolute Profit" or "The True Underlying Profit," or "Profit" in short. Just as a tabular rate of mortality is only an estimate of the true underlying mortality of the community of lives in question, similarly the "Surplus" (apart from deliberate margins) is only an estimate of the "Profit" as defined above. The reason for making this distinction is to emphasise the fact that whereas the Surplus is a product of the valuation assumptions and also of the continuity of the business so that a heritage derived from the part is passed on to posterity, the Profit is entirely independent of such considerations. It is, of course, true that (assuming a closed Fund) the exact value of the Profit is absolutely indeterminable on account of lack of specific information regarding lapses. surrenders, Profits or Losses on Investments, expenses, etc., apart from mortality nevertheless, it is useful to bear this conception of the Profit in mind.

Bonus

Although it is commonly said that bonus depends on the "Profits" of the Company, it is indeed directly related only to the distributable surplus disclosed at successive valuations. These surpluses are but a particular pattern (depending on the valuation assumptions) of the *incidence* of the true underlying profit. The surplus is an item of difference (i.e. $S = F - L$); therefore, any "disturbance" to the value of "S" may be due to the 'treatment' of assets constituting the Fund, which, however, is beyond the scope of the prescribed title to this paper. We shall consider here the bonus earning capacity relative to two causes only, viz., (i) Premium Structure and (ii) Valuation Reserves.

Bonus is earned by with-profit policies primarily because the Office Premiums are usually, and often deliberately, more than necessary to provide the basic guaranteed benefits on an 'experience' basis. It is, however, inadvisable to determine the net liability on an experience basis (i.e. on the best possible estimate of the future experience) relating only to interest, mortality and expenses, and then distribute the *entire* surplus thereby disclosed. Some additional reserve should be set up now towards meeting the cost of a portion of the future bonuses, in order to eliminate (or at any rate minimise) the fluctuations in the bonus rates from time to time, especially as the Office Premium normally contains a loading for bonus, apart from the loading for expenses. I have in mind the reversionary bonus (i.e. bonus allotted as an addition to the sum assured) which has established itself as the most popular type of allotment in India.

Gross Premium Valuation

In the "Gross Premium" method of Valuation, adopted, I believe, by almost all Indian Insurers, this provision for future bonus is indirectly made by reserving either a percentage of the value of future office premiums or an annuity, for the future duration of the policy, of a specified annual amount per Rs. 1000/- sum assured, or sometimes as a mixture of both. The exact reversionary bonus which is reserved is not revealed by such a nebulous procedure and this indeed is claimed to be its chief merit! As, in theory, bonus is not guaranteed, any explicit statement of the amount of future bonus reserved in a present Valuation, will cause considerable embarrassment to the Office on the one hand and resentment to Policyholders on the other, if the Office later on finds itself unable to declare bonus at the 'reserved' rate. This 'blanket' provision for future bonus is made on grounds of simplicity; but it will 'reserve' in effect different rates of future reversionary bonus for policies with different attained ages and outstanding terms (and office premiums too, if the reservation is as a percentage of the premiums). This differential provision for bonus by implication, which is beyond the ken of the public to whom the valuation report is addressed, is suited to conditions where economy of labour through simplicity of calculations, financial considerations and a safety valve in public expenditure (for example, regarding the stringency of the reserves on the one hand the non-guaranteed nature of the bonus on the other) are called for. This undoubtedly accounts for its almost universal adoption by Indian Insurers, and the Government departments are also amply satisfied with this form of presentation.

Bonus Reserve Valuation

For the purpose of discovering the bonus earning capacity of a Life Fund, however, the best course is to make a 'Bonus Reserve' Valuation. The interest, mortality and expenses assumed for a Bonus Reserve Valuation are naturally a close estimate of the actual experience of the Fund in question. The cost of a future reversionary bonus at any specific rate assumed (say K per thousand per annum) is then added to the normal reserves. The excess of the Fund over this augmented reserve gives the surplus which is available (apart from provision for tax, Shareholders' portion, etc.) for a distribution at the present valuation. From the cost of a bonus of Rs. 10/- per thousand per annum at the present distribution, the actual rate of bonus that can be declared (say B) from the available surplus is obtained easily by proportion. It should be obvious that if 'K' is assumed at a higher rate, the value of 'B' will be lesser and vice versa. If either 'K' or 'B' is fixed, the other is automatically determined. The relative values to be assigned to 'K' and 'B' are a matter of actuarial judgment, but normally 'K' is made less than 'B', as there may be some miscellaneous profit from, say, lapses, surrenders, etc. (and also from non-profit business) which may not be taken into account in the valuation. (See, however, the Table under the section 'Results' later). Thus although we have 'reserved' only 'K', it is quite likely that we will declare more in future, perhaps as much as 'B' or even higher. The rationale of this is that, under normal conditions, fluctuations in bonus rates from time to time should be reduced to a minimum.

Examination of Some Recent Valuations

I have made an analysis of the actual reserves set up by thirteen leading Indian Insurers*, at their latest available valuations, for with-profit Endowment Assurance Policies issued at 'current' rates. These valuations were made as at the end of one of the years 1650 (4 cases), 1951 (7 cases) and 1952 (2 cases), and thus relate to a recent period. In order to keep the numerical work at a minimum, I restricted my investigation to Endowment Assurances issued at only four entry ages (viz., 25, 30, 35 and 40), all maturing at age 55. I determined the reserves (say V) on the valuation bases adopted by each company, for policies issued at the above ages, at quinquennial durations since entry. The corresponding reserves (say R). for the same policies and at the same durations, on the "experience basis" of each company was also determined, as described in the following paragraphs. The difference (D=V—R) which is the excess of the actual reserve made at the official valuation over that required on an experience basis to pay only the Sum Assured, is the amount available towards the cost (also on an experience basis) of future reversionary bonuses. From the cost of a future bonus of Rs. 10/- per thousand sum assured per annum, I determined the actual future bonus (say K) which this "D" will support for the ages and durations considered.

Before proceeding to consider the results, I should explain how I have selected the "experience bases" in regard to mortality, interest and expenses for each company.

Mortality

It is very difficult to say what the likely shape of the "experienced" mortality curve will be, merely from a knowledge of the percentage of actual to expected deaths during the intervaluation period. I have adopted for all companies a uniform mortality basis, viz, that the mortality experienced at each attained age (say 'y') is the same as the tabular Oriental (1925-35) ultimate rate of mortality corresponding to an age five years lower [i.e., '(y-5)']. Although this assumption has been made on grounds of simplicity (viz., facility of using tabular functions by rating down appropriately), yet I believe that this rule is quite a reasonable overall estimate of the experienced mortality, with perhaps a small margin of safety. Mortality is the only element in respect of which a uniform assumption has been made for the thirteen companies selected for the investigation.

* Eleven, out of the 13 Offices selected had a fund of more than Rupees Five Crores on the valuation date. Two Offices with lower funds were included as they each had over one lakh of policies in force on the valuation date.

Interest

I have used the average net yield during the intervaluation period. Where, however, the intervaluation period was more than 3 years, I have used the annual yield of the last 3 years only, ending on the valuation date, for arriving at the average, in order to exclude any peculiar fluctuations of the immediate post-war period. The average net yield was corrected to the nearest 0.05 per cent. and the values of the functions required were arrived at by interpolation, where necessary.

Expenses

Everyone connected with insurance knows that the expenses (including commission) of the first year (due, mainly, to the cost of placing the policy in the books of the Office) are much higher than the annual renewal expenses. In fact actual first year expenses may even exceed the first yaar premium in many cases, although, it should be admitted, the proportion of division of several common items of expense into "First Year's" and "Renewals" is often quite arbitrary. Further, if the expenses are analysed on a cost-accounting basis, it will be seen that (i) one part is a fixed amount for each policy or class of policy; (ii) another part depends on or may even be proportionate to the sum assured; and (iii) the third part depends on (and is usually proportionate to) the annual premium. Such refinements are, however, clearly inconsistent with the limited scope of the investigation I undertook. As the valuation relates to policies already on the books (the 'experience' premium for New Business is considered later), I had to estimate only future *renewal* expenses on an 'Experience' basis. After carefully thinking over the considerations mentioned above, I came to the conclusion that the best course to adopt regarding the expense provision is to use the average of the renewal expense ratios during the last three years of the intervaluation period, calculated according to Rule 25(b) of the Insurance Rules, 1939, and always given in the Fourth Schedule of the Valuation Abstract. This average, expressed as a percentage, was corrected to the higher first decimal place.

General

Past vested bonuses have been ignored for convenience both in "V" and in "R", but this omission is unlikely to significantly affect the value of "K", which is a function of the difference (D=V—R). As the assumption of annual bonus declarations in future simplified the algebraical work, the determination of the value of "K" was made accordingly. This will only very slightly understate the true value of "K" based on a triennial bonus distribution. For, both "V" and "R", which were the reserves just before payment of an annual premium, the prospectus *tabular* office premium current on the valuation date, was used without any modification for rebates, etc. Special reserves, such as those for immediate payment of claims, were not made for either "V" or "R".

Results

The results of the investigation, viz., the future annual bonus (K) hypothetically 'reserved' on an experience basis, by the actual reserves (V) set up according to official valuation, are given in Table I of the Appendix. A scrutiny of the figures in the appended Table I will reveal a remarkable degree of constancy in the amount of 'bonus reserved' at the fourteen durations considered for each office. The variations are within reasonable narrow limits, and this, I felt, justified in computing the 'average bonus reserved' for all Endowment Assurance policies in force, on the basis of certain probable weights at each of the durations, assuming, of course that all these policies were issued at 'current' rates (If allowance is made for the fact that some of the policies would have been issued at the earlier lower premium rates, the value of "K" will be different.*) This 'average bonus reserved' is also given in Table I of the Appendix.

It will indeed be very useful if I give alongside the 'average bonus reserved', the actual bonus declared at the latest valuation (say "B") by the same office for Endowment Assurance policies issued at current rates. Nevertheless, I have refrained from yielding to this temptation in order not to reveal the identity of the offices too easily. It may, however, be stated that nine offices declared bonuses exceeding the 'average bonus' reserved and four offices declared less, as broadly indicated in the following Table:

TABLE

Difference between "B" and "K" lies between:	Number of Offices for which "B" exceeds "K"	Number of Offices for which "K" exceeds "B"
0 and 1	3	1
1 ,, 2	2	-
2 ,, 3	2	-
3 ,, 4	2	2
4 ,, 5	-	1

It will be idle to stretch the principle of average too far, but out of curiosity. I estimated the "weighted-over-all average bonus reserved" by all the thirteen offices, the weights for this purpose being the Life Funds on the valuation date. This gave a value of 8.97 for the "weighted-over-all bonus reserved" (K) as against 10.12 for the similarly "weighted-over-all bonus declared" (B) by the 13 offices. According to the Indian Insurance Year Book for 1952, the thirteen offices select-ed account for more than 80 % of the total Life Funds of all Indian Insurers as at 31st December 1951. I therefore, venture to suggest that the latest available valuation reserves of all leading Indian Insurers support, on the average, a future annual bonus of Rs. 9/- per thousand for Endowment Assurance policies, apart from future profit from miscellaneous sources, including that from non-profit business. This indicates, broadly, the "bonus earning capacity in relation to Valuation Reserves."

Examination of Premium Structure

The premiums charged (on the valuation date) for New Business policies by the thirteen companies for non-profit Endowment Assurances maturing at age 55 and taken at the same four entry ages mentioned earlier have been compared with the corresponding premiums derived on experience basis. The first year expense was assumed as 90 % of the Office Premium (as the term is not less than 15 years in all the four cases), and the renewal expense was retained, as before, at the same level as the renewal expense ratio. Mortality and Interest bases were the same as those described earlier under valuation. In Table II of the Appendix is given the excess (say "E") of the "Office Non-profit Premium" over the "Experience Non-Profit Premium". Only in two cases, both relating to entry age 40, does the Office Premium fall short of that required on an experience basis; in most other cases it substantially exceeds the experience premium. The non-profit section, therefore, contributes a good proportion of the profit shared by the with-profit policyholders. It may be recollected that this was not taken into account in the investigation made under valuation.

As regards with-profit Office Premiums for New Business, the rate of bonus (say "N" supported by these premiums on the "experience" basis was arrived at by equating the "With-profit Experience Premiums" loaded for an annual reversionary bonus of "N" per thousand with the corresponding Office Premiums, and then solving for "N". The values of "N" are given in Table III of the Appendix. While comparing these values of "N" with the trend of the related set of values of "K" for the same entry age (in Table 1), it should be remembered that the method of calculating "N" implies that the value of "V" at entry is taken as nil, whereas in fact "V" at entry will not be zero prior to adjusting it by excluding negative values, if any. Where the unadjusted "V" at entry age is negative, "N" will be greater than the value of "K" exterpolated for duration zero from the figures in Table I of the Appendix. Where "V" is positive at entry, "N" will be less than the exterpolated value of "K" at duration zero. For these reasons, it is "K" (in Table 1) that gives the correct idea of the future bonus 'reserved" for the business as a whole, and not "N" (in Table III).

As, in practice, the reserves during the first few years are usually negative and they are eliminated by setting up an equivalent amount as a separate Special Reserve for the purpose, these adjusted nil reserves (V) during the earlier years of the policy will support a greater rate of bonus on an "experience" basis than the positive reserved (V) at later durations do. This is technically known as "profit from realisation of negative values," as a large portion of the premiums paid at early durations in respect of such policies falls into the current surplus, there being no need to set up adjusted reserves higher than nil, until the unadjusted reserves turn positive. This is another source of "Miscellaneous" profit, which goes to increase the "bonus earning capacity primarily in relation to Premium Structure."

Conclusion

The conclusions relating to Endowment Assurances have already been stated in the last paragraph of the section headed "RESULTS". Due to pressure of time, I had to confine my investigation to Endowment Assurance maturing at age 55 and to illustrate with reference to only

*If the Office Premiums are reduced. the value of "K" comes out lower throughout in the case of 6 offices (whose valuation provision for expenses and profit was a percentage of the Office Premium only), higher throughout in the case of 3 offices (which made the expense-cum-profit provision as percentage of the office premium plus a constant per thousand sum assured), mostly lower for 3 offices and mostly higher for one office.

four select but representative entry ages. I expect, however, that an analysis on similar lines of Whole Life Limited Payment Policies will show the same general trend and perhaps give a greater value for the "hypothetical bonus reserved" (K), on account of the more favourable "experience" rates of interest and mortality (the latter with some reservation) operating over a longer average duration than in the case of Endowment Assurances. This, then, is an additional justification for the almost universal practice of declaring a higher rate of bonus for Whole Life Policies. Endowment Assurance Policies, however, constitute a very high proportion of both New Business and the Business-in-Force, and I hope that the tentative conclusions to which the analysis of Endowment Assurances in this paper has led us will be of some interest and perhaps of some use to all those concerned with the management of Indian Life Assurance Companies.

APPENDIX.

TABLE I.

Values of "K", the hypothetical bonus 'reserved' in a valuation on 'experience' basis, by the actual reserves set up in the official valuation.

Plan : *Endowment Assurance With-Profits*

Number of the Office:	*(1)*	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*	*(10)*	*(11)*	*(12)*	*(13)*	
Duration Since Entry:	*Age at Entry 25 years: Term of Assurance 30 years.*													*Assumed Weights*
5 years	9.6	8.0	8.7	5.2	10.7	7.8	9.4	6 1	6.7	10.3	13.4	7.8	9.1	8
10 "	9.9	7.9	8.7	5.5	11.3	7.7	10.4	6.9	6.9	10.7	13.3	8 0	9.6	7
15 "	10.0	7.8	8.5	5.6	11.5	7.5	11.0	7.4	6.8	11 2	13.3	8.3	10.1	7
20 "	9.9	7.6	7 9	5.3	11.4	7.2	11.0	7.5	6.7	11.0	12.8	8 5	10.2	7
25 "	9.1	6.8	7.1	4.6	11.2	6.3	10.9	7.2	6.0	10.6	11.9	8.0	9.7	6
Duration	*Age at Entry 30 Years: Term of Assurance 25 Years.*													
5 Years	9.8	8.8	7.8	6.0	11.8	7.1	10.5	6.8	6.3	9 6	13.2	8.3	9.9	8
10 "	9.9	8.8	7.8	6.0	12.1	7.0	11.1	7.5	6 5	10.2	13.2	8.8	10·5	7
15 "	9.7	8.5	7.4	5.8	12.2	6.6	11.3	7.5	6.3	10.3	13.0	9.0	10.8	7
20 "	9.4	7.5	6.6	5.0	11.9	5.8	11.1	7.2	5 5	9.8	12.1	8.5	10.2	7
Duration	*Age at Entry 35 Years: Term of Assurance 20 Years.*													
5 Years	9 8	10.2	7.5	6.9	13.0	6.2	11.6	7.5	5.8	8.6	13.2	9.4	11.0	8
10 "	9.9	9.9	7.2	6.5	13.2	6 0	12 0	7.8	5.7	9.0	13 0	9.6	11.3	7
15 "	9.1	9.0	6.4	5.8	12.9	5.3	11.6	7 5	5.0	8.8	12.1	9.3	10.9	7
Duration	*Age at Entry 40 Years: Term of Assurance 15 Years.*													
5 Years	9.7	12.2	6.9	7.8	14.9	4.9	12.9	8 2	4.9	6.9	13.1	10.7	12.3	7
10 "	9.1	11.1	6.2	6.7	14.6	4.1	12.9	8.2	4.1	7.1	12.6	10.0	12.2	7
Weighted Average value of "K"	9.6	8.9	7.5	5.9	12.3	6.4	11.2	7.4	6.0	9.6	12.9	8.9	10.5	(100)

TABLE II.

Value of "E", being the excess of the Current Office Premium over that required to provide the benefit on an "Experience" basis.

Plan: *Endowment Assurance — Without Profits*

Office Number		*Age 25 Term 30*		*Age 30 Term 25*		*Age 35 Term 20*		*Age 40 Term 15*	
		Rs.	*a.*	*Rs.*	*a.*	*Rs.*	*a.*	*Rs.*	*a.*
(1)	...	6	12	6	8	5	15	4	4
(2)	...	4	12	4	7	3	11	1	9
(3)	...	5	5	5	3	4	4	2	13
(4)	...	3	7	2	15	1	10	-(1	12)*
(5)	...	6	8	6	4	5	9	3	8
(6)	...	4	15	4	6	3	9	0	11
(7)	...	6	9	6	2	5	1	2	7
(8)	...	3	13	2	14	1	2	-(2	12)*
(9)	...	4	14	4	5	3	4	0	3
(10)	...	7	7	7	8	7	4	6	5
(11)	...	5	5	5	3	4	10	3	0
(12)	...	6	9	6	4	5	6	3	3
(13)	...	6	6	6	5	5	11	3	14

* Negative cases, i.e. Office Premium does not support the benefit on an 'experience' basis.

TABLE III.

Values of "N", viz., the Bonus (per thousand per annum) supported on an "experience" basis by the New Business Premiums current on Valuation date.

Plan: *Endowment Assurance — With Profits*

Office Number		*Age 25 Term 30*	*Age 30 Term 25*	*Age 35 Term 20*	*Age 40 Term 15*
(1)	...	15.7	14.3	12.8	10.3
(2)	...	14.0	13.0	11.5	8.8
(3)	...	15.0	14.1	12.5	10.5
(4)	...	11.8	10.6	8.8	5.1
(5)	...	17 3	16.0	14.3	11.2
(6)	...	14.5	13.2	11.5	7.9
(7)	...	[illegible]	15.8	13.6	10.2
(8)	...	11.4	9.7	7.4	3.3
(9)	...	14.3	12.9	11.0	7.4
(10)	...	17.4	16.2	14.7	12.5
(11)	...	14.7	13.8	12.4	10.0
(12)	...	16.7	15.2	13.3	10.1
(13)	...	16.4	15.2	13.5	10.6

Explanation of Symbols

Symbol		*Explanation*
F	...	Fund.
L	...	Adjusted Liability.
P	...	True Underlying Profit.
S	...	Surplus = F − L.
V	...	Crude Reserve on valuation basis (There was only one case wherein "V" was a *small* negative at duration '5'. This was taken as Zero).
R	...	Reserve for basic benefit on 'experience' basis.
D	...	V — R = Amount available for future bonus.
K	...	Future bonus assured to be "reserved". (Note: "D" supports a bonus of "K").
B	...	Bonus declared by the Office at the latest valuation.
N	...	Bonus supported by tabular Endowment with-profit premiums on "experience" basis.
E	...	Excess of tabular Endowment Non-Profit premiums over that required on "experience" basis.

Paper read at the 9th Indian Insurance Conference.

Value of Life Assurance to the Community

By Professor S. P. SHARMA, M.A., M.Com., Research Scholar,
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"IF I had my way I would write the word "ASSURE" over the door of every cottage and upon the blotting book of every public man because I am convinced that for sacrifices which are inconceivably small, families can-be secured against catastrophies which otherwise would smash them for ever. It is our duty to arrest the ghastly waste not merely of human happiness but of national health and strength, which follows, when through the death of the bread-winner, the frail boat in which the fortunes of the family are embarked, founders and the women and children are left to struggle hopelessly on the dark waters of a friendless world."

—Rt. Hon'ble Winston S. Churchill.

Life assurance is one of those greatest movements which make benevolent and beneficient contributions towards human happiness. Its value is alike in private and public finance. It contributes to the internal and international stability, peace and security in a Planet poisoned with discord, hatred and jealousy. The office bearers of Indian Life Assurance Offices Association deserve to be congratulated in selecting the topic 'Value of Life Assurance to the Community', at this juncture when careful thinking, planning and discussion thereon is vitally necessary.

In a country lacking insurance consciousness and where the value of life assurance is not realised, its value can never be undermined. In the absence of a demand viz. spread of insurance consciousness among the public at large, the importance of other aspects of insurance is reduced to naught.

Life Assurance and Social Security

"There is nothing more uncertain than Life and nothing more certain than Life Insurance." (Page 4. The Business of Life Insurance—Miles). Average life is subject to manifold hazards and every new invention increases their number. None in this complex world knows what may happen the next moment. Through pooling of risks and operations of the Law of Large Numbers Life Assurance replaces certainty for uncertainty. An estate is created whereby in case of accidental death or disability, the insurance policy serves as a true helper, and a friend and saves the family from the financial ruin.

It is a constructive community service. It helps insurant provide for the rainy days, stabilise income and maintain his family. It builds a bridge spanning the gulf of sorrow and hopelessness. Orphanages resound with wailings of the children of those who did not believe in life assurance. The life insurance curtails to an appreciable extent, the public expenditure on alms houses and orphanages, police and military force, prisons and courts, and hospitals and asylums.

It has a great influence upon the sinews of socio-economic life, and pours a relief upon the bereaved and suffering family and extends a helping hand in a future of sorrow. In short the community has not to hear the sighs and sobbings of orphans, widows, helpless destitutes and beggars, and bear their burden to the same extent as in the absence of a life assurance policy. Life insurance helps in a constructive manner and not merely by showing lip sympathies. In fact, "Life assurance is a husband's privilege, a wife's right, and a child's claim." (P. 17. Life Insurance—S-S-Huebner). It promises a decent standard of living to the community leading a parody of life and service as a respectable asylum for those who are threatened with a life of chill-penury, semi-starvation, filth, disease and poverty with incredible dimensions.

Life Assurance and Mortality

The risk is normally medically examined. In course of the examination some such ailments may be discovered which need immediate attention of the prospect. It may well serve to be a stitch in time. With quick eradication of slip-shod medical examinations such discoveries shall be better known and to that extent insurance will serve their clients in removing the ailments. Moreover, leading Western insurers issue and circulate among policyholders valuable literature on prevention and elimination of hazards. It is suitably illustrated for the layman. Through educative propaganda and publicity they make them realize that most of the ailments can be escaped and cured. They are not a part of the divinely ordained scheme of things. Through group effort life insurers make available to the policyholders medical aid and attendance. All this goes a long way in reducing the mortality amongst insurants.

Life Assurance and Employment

Life assurance is one of the channels which employ a large number of hands scattered throughout the land. It helps the part-time worker to make both ends meet. Soliciting life business is an art which can be learnt while earning. Never a sign board of 'No Vacancy' is hung at the doors of a life office, if one is prepared to work and is able to awaken his latent spirit of adventure. In these days of chronic unemployment and under-employment, this service is of great value.

The Life Assurance and Production

A life insurance policy removes anxiety and worry from the minds of the insurants. They work with a heart and a mind concentrated in work and work alone. The employer as well as the employee, work with a carefree mind. Their moral and mental circumstances increase efficiency. This invariably stabilises and enhances production. Absence of a financial burden creates a favourable psychological effect in commerce and industry. Not only the person in the field, but also the whole community get the advantage of more production of a better quality and that too at a lower price.

To the labour force made to believe by astute brains the extremist ideology as a brand of social philosophy which will serve as a panacea for their manifold ills, life insurance promises a secure future. Through its manifold services, it can check their wanton acts of violence and consequent demoralising implications with a service which act on our economy.

Life Assurance, Credit and Business

'Credit' is an essential factor in modern production technique. Life Assurance extends its helping hand in stabilising and promoting the 'credit' of those who have none. Once persuaded to purchase, life insurance assumes the nature of a compulsory savings campaign. Financial commitments can be discharged easily with the life assurance proceeds, as well as burden of inherited debts can be very much scaled down. Few banks and other financial institutions grant loans in periods of depression and financial stringency. The life insurance companies are prepared to extend their helping hand in such difficult times and that too at a very moderate cost. It may serve as a collateral security too often. Thus by insuring themselves they insure their credit and stabilise business, and save themselves from financial ruin. Their services are not lost to the community and recession is checked to some extent.

Life Assurance & Taxation

In these days, when practically all governments are taxcrazy and taxation pursues us even beyond the funeral pyre or grave life assurance is granted exemption. By insuring on a large and diversified scale and careful planning, it is possible to remove or reduce this liability of contributing towards the Exchequer.

Term life insurance of personnel and officials, too important for business or certain contracts has been found very useful to keep the business going. Partnership life assurance is the sure saviour in discharging the financial commitments without serious blow to the enterprise. This again stabilises production.

Value of Life Assurance as Investment

It is the only investment where, the first meagre payment builds up the desired investment. Life Assurance is better than any other form of investment, because it does not shrink in value to an extent others do. Since the Wall Street crash of 1929, investors have begun to realise it. Such a safety is ensured through the specialised management of life insurers which invests the funds in diversified channels and insurants save the expense of this vigilant watch. Moreover, such a scientific management is not possible for the layman. Then again, this most profitable channel is available to all and sundry insurables without discrimination. It is not so in case of some type of profitable channels of investment which are issued to a favoured few only. Thus investment value of life assurance can never be over-emphasised.

Life Insurance, Capital Formation & Economic Planning

In the face of an all round scarcity when all hopes of betterment are blunted and depression and unemployment threaten our economy, rapid economic development is the crying need. Without finance, ideals of the plan may remain on paper alone. Insurance is an agency which can be made to play a better role in this direction than envisaged in the First Five Year Plan.

Insurance teaches thrift and collects savings from scattered policyholders from diversified regions and it accumulates fund in a better manner than the banks or other financial institutions do, for it resists the temptation of their being squandered away by occasional withdrawals. Lapses shall lose their notoriety in a sound and well managed insurance system and thus increase the pace of capital formation.

Life Assurance & Prosperity

The insurance funds grow at a very fast rate. Even in a poor country like India, annual accretions amount to Rs. 15 crores on an average. These huge funds have got to be invested in channels prescribed by legislation. But those funds need not blur the vision of the arm-chair politician who has not been schooled in business prudence or economic administration. More often than not, cry for nationalisation hits the head lines of press. In the absence of initiative and incentive,- the prime movers of private enterprise,—the haughty bureaucrat shall not be able to serve the policyholders well. Without eradication of corruption from the public management, and enhancement of efficiency therein, commercialised social service, as life assurance is, shall not be able to benefit the community. Besides other complications, it will give a severe blow to the pace of capital formation and economic amelioration.

What they want to achieve through nationalisation can well be achieved by legislative amendments and guidance of a special Investment Section of the Planning Commission according to the desired pattern of economic development. The spread of insurance in rural areas would all the more increase funds for this purpose. Thus life insurance which serves the community so well in Capital formation and economic progress, can be made to serve our none-too-stable economy better and get us that Prosperous Era, which Bapu called Ram Rajya.

Life Assurance and International Peace

Life Assurance has not been hitherto utilised on a planned scale as a machinery for international peace. But its value as torch bearer of peace is immense. "Insurance possesses a basic international quality which is capable of transcending national differences and barriers and might, in the fulness of time, contribute something to their removal." (Hinshelwood, Chairman F.O.C. London quoted by Commerce May 2, 1953). The tension between the power blocs with opposite ideologies threaten this planet with the danger of a devastating war. The ignorant mass certainly requires more protection today than ever. Stung by the miseries of the lowest economic class, they run to embrace revolutionary communism. Through its manifold services life assurance can very well help them remove the causes of poverty and help them in distress. Life insurance will certainly contribute towards their socio-economic security. By making a multipronged attack on the causes of war the Institution of Insurance in general and that of Life Assurance in particular can very well help us to achieve our desideratum. On lines of other international economic agencies, a special Insurance Fund may be set up to help a nation heading towards a crash. Will it be building castles in the air, if I appeal to you on this occasion to persuade U.N.O. to give Insurance a place in its constructive programme and set up a special organisation for the purpose? Thus the Institution of Insurance may prove to be an insurer of International Peace,—the mirage that it appears today to the blurred eyes of the War-threatened World!

Paper read at the 9th Indinn Insurance Conference.

Reviews

New India Assurance Company, Limited, Bombay.

INDIA must be proud of owning such well organised and ably managed Institutions like the New India Assurance Company, Ltd., The well known industrial magnates of our Country, the Tatas, taking a leading part in the promotion and development of this leading composite Insurance Company, it has today attained a stature with which everybody should feel proud. Its total Assets as at 31st December, 1953 amounted to Rs. 31,27,75,687. The total premiums earned by the Company in the General and the Life Departments reached a new high level of Rs. 864 lacs. The premiums in the General Departments alone amounted to Rs. 390 lacs, recording an increase of Rs. 4 lacs over the previous year. The details of the Company's progress during 1953 are given below:

Fire Department: The Fire premiums amounted to Rs. 233.32 lacs, showing an increase of Rs. 4.04 lacs. The cost of claims incurred by the Department was 43.1 % as against 38.5 % in the previous year. The ratio of commission, expenses and taxes to premium income was 45.3 % Taking into account the income by way of interest, the department returned a profit of Rs. 29.6 lacs, equal to 12.7 % of the premiums. After making provisions for necessary reserves, an amount of Rs. 26.93 lacs was transferred to the Profit and Loss Account. The Fire Reserves now amount to Rs. 159.0 lacs, i.e. 68.2 % of the year's premium income.

Miscellaneous Department: This Department premium income registered an increase of Rs. 6.82 lacs and amounted to Rs. 72.34 lacs. Claims amounted to 51.2 % of the premiums. Commission, Expense and Taxes amounted to 27.3 %. The profit after taking credit for interest, was Rs. 14.76 lacs. An amount of Rs. 12.69 lacs was transferred to Profit and Loss Account. The Departmental reserves now amount to Rs. 55 lacs equalling 76 %.

Marine Department:

The premium income of the Marine Department for 1953 was Rs. 83.97 lacs showing a decrease of Rs. 7.18 lacs due to a marked reduction in the turnover of imports and exports. The cost of claims was 88 4 % of the premiums. Commission, expense and taxes amounted to 22.4 % of the premiums. After taking credit for interest and providing reserve on 100 % basis, the department showed a profit of Rs. 1.34 lacs. The Department reserves amount to Rs. 125 lacs and represent 148.9% of the year's premiums.

Life Department: In the Life Department the Company issued 57,479 policies assuring Rs. 19.91 crores showing an increase of Rs. 1.87 crores over the previous year. The average sum assured per policy was Rs. 3,464.

The premium income inclusive of consideration for Annuities amounted to Rs. 4.74 crores and the interest income was Rs. 66.4 lacs. The renewal expense ratio for the year calculated in accordance with the Insurance Rules was 14.2% against 24.8% in the previous year. The net claims, paid and outstanding amounted to Rs. 79.55 lacs.

The business in force at the end of 1953 was 2,61,087 policies assuring Rs. 95,16,94,699. 593 Annuity Bonds were also in force with an Annuity of Rs. 8,01,905 per annum. The total Life Assurance Fund stood at Rs. 20,45,65,964.

The overall result of the Company's operations in 1953 was the recording of an increase in the financial resources to the extent of Rs. 3.36 crores which now stands at Rs. 26.64 crores.

Thus, the Institution is progressing on very satisfactory lines and we wish it every success.

Western India Life Insurance Company, Ltd., Satara.

THE Western India Life Insurance Co., Ltd., is one of the best managed Life Insurance Companies in our Country. It has built up very high traditions in the course of its 40 years of existence. The promoters of the Company were more concerned with the quality of service rendered to the public than with the business aspects of the enterprise and though this attitude did not help the Institution to make any rapid progress in the initial stages, it did not take much time for the public to appreciate the sound principles on which the transactions were conducted. Today, the Institution is in a position to offer Life Assurance at the best terms possible with maximum security to the policyholders. Its progress is steady and continuous. And its organisation deserves emulation by sister companies.

The Directors' fortieth annual report gives a good account of the company's very satisfactory progress during the year 1953. 13,687 proposals for assurance amounting to Rs. 3.2 crores were received. 11,539 proposals resulted into policies of assurance amounting to Rs. 2,76,29,512. In addition, 49 policies were issued under Annuity plans. As a result of the year's working, a sum of Rs. 72,46,415 has been added to the Life Assurance Fund raising it to Rs. 6,33,19,627.

The premium income of the Company during 1953 amounted to Rs. 94,06,004. Interest, dividends and rents amounted to Rs. 26,27,423. By way of death and maturity claims, the Company paid during 1953 over Rs. 27 lakhs. The expense ratio was only 24.01 per cent. which is well below the average for all companies, for 1952.

In the matter of investments, the company's position deserves all praise. The Market Value of investments as on 31—12—1953 was Rs. 5,11,98,863 against the Book value of Rs. 5,27,37,089. There is ample Investment Reserve to cover the depreciation.

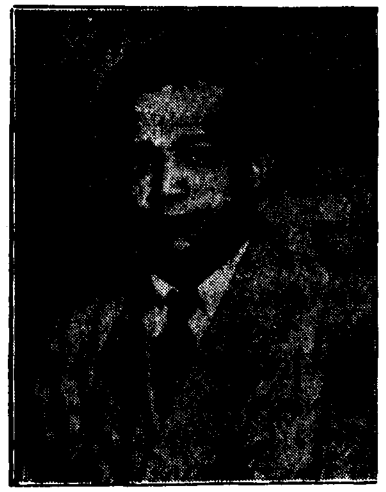
We are glad to know from the Chairman's address that the valuation of the Company as at 31st December, 1953 is already in progress and the results may be expected to be very satisfactory as in the past. We wish the Institution every success.

New Guardian of India Life Insurance Company, Ltd.,

LOW rates of premium, liberal policy conditions, reserves to policy-holders as strong as that of some of the oldest Indian Life offices, attractive bonuses and prompt settlement of claims have not only made this Institution popular amongst the insuring public but have enabled it to make steady progress year after year. In 1953 the Company issued policies assuring in aggregate a sum of over Rs. 52 lacs. The total business in force exceeded Rs 3.27 crores. The Life Assurance Fund that stood at Rs. 64,29,942 at the beginning of the year increased to Rs. 76,15,438, i.e. an addition of Rs. 11,85,496. The Renewal Expense Ratio was only 17.2% against a provision of 24.5% made in the valuation.

The Company has undergone a Valuation as at 31st December, 1953 and the results are very gratifying indeed. The valuation covered a period of three years from 1951 to 1953. During these three years the Company's position has improved greatly. On 31st December, 1951 the Life Fund stood at Rs. 54,77,501, but on 31st December, 1953 it rose to Rs. 76,15,439. The mortality rate was very favourable in that it was only 59.9% of the expected. The interest yield on investments has gone up from 3.62% in 1951 to 4.03 per cent. in 1953. The management expenses are kept under rigid control so that the percentage spent out of the renewal premium income does not exceed 18% on the average despite unfavourable conditions.

Mr. N. V. Nayudu, M.A., B.L., F.I.A., Actuary, who made the valuation on very stringent basis has very high compliments to pay to the management for the excellent progress maintained. The surplus disclosed amounted to Rs. 3,75,176 making it possible to declare a Reversionary Bonus of Rs. 12/- per thousand per annum in respect of Whole Life Assurances and Rs. 10/- per thousand per annum in respect of Endowment Assurances.



Mr. AR. Ramanathan,
Chairman.

It is difficult to conceive in these days when generally Insurance Companies are so much crazy after big new business turnover, an Institution of the type of the New Guardian. The Management is particular to maintain a steady progress but it is averse to employ the methods of very many other companies to step up new business record. Mr. Narayanan, the Manager, deserves high tributes for his ability in keeping a contented field force and managing the affairs of the Institution creditably.

Bombay Co-operative Insurance Society, Ltd., Bombay.

ALMOST from the beginning, this Co-operative Insurance Society is growing from strength to strength. It is well organised and it has representatives throughout the Union of India.

The Directors' report, Revenue Account and Balance Sheet, for the year 1953 reveal that the Society has been able to increase its new business appreciably. 7547 proposals for assurance amounting to Rs. 1,07,08,500 were received during the year Out of these and out of others awaiting completion at the end of the preceding year, 6208 proposals resulted into policies for a sum assured of Rs. 86,75,650 as against 5713 policies for Rs. 81,65,900 during the previous year. The total business in force as on 31st December, 1953 amounted to Rs. 5,06,21,267 out of which business of Rs. 18,16,048 stood reinsured.

Premiums during the year amounted to Rs. 25,67,961, and Interest, dividends, rents, etc., totalled Rs. 5,57,727. These figures represent a good progress when compared with the corresponding figures for the previous year.

The Life Assurance Fund increased from Rs. 1,17,00,639 to Rs. 1,33,34,593, i.e. a sum of over Rs. 16.24 lakhs has been added to the fund during 1953.

While the overall expense ratio for 1953 was 27.01 %, the Renewal Expense Ratio according to Rule 25(b) worked out to 13.17 % which is well below the limit of 17 % laid down under the Insurance Act.

Claims: The Society maintains a good record for prompt settlement of claims. 644 policies resulted in net claims amounting to Rs. 6,73,455 out of which claims by maturity were Rs. 4,63,375 and by death were Rs. 2,10,080. From these and the claims remaining unpaid at the end of the preceding year, net claims aggregating to Rs. 6,49,688 were paid during the year.

The Society is ably managed by Mr. G. H. Thakore, M.A., (Cantab), the Secretary, under the control of a Board of Directors, elected by the Society's members. Mr. A. L. Chandavarkar, B. Sc, the Chairman of the Society, who is a well-known co-operator, is making every effort to see that all Co-operative Insurance Societies in the Country co-operate amongst themselves, get over the competition coming from other Joint Stock Institutions, and serve the public as efficiently as possible. We wish him and the Institution every success.

Central India Insurance Company, Ltd., Indore.

THIS young Institution with very influential gentlemen on the Board of its Directors commenced its career only eight years ago. It has a substantial paid-up capital of about Rs. 10 lacs. Though the Institution has been transacting both Life and General Insurance Business, the management concentrated more on the development of General Insurance than Life Assurance. Lately the Board of Directors have decided to transfer its Life Business to someother sister institution though the department has disclosed a surplus of Rs. 71,605 in the valuation held as at 31st December, 1953.

The progress in the General Insurance Department is satisfactory. During 1953 the gross direct premium received in the Fire and Miscellaneous departments were Rs. 2,67,859 and Rs. 1,33,165 respectively. Fire Department net premiums amounted to Rs. 1,33,424 and that of the Miscellaneous department, Rs. 1,25,453. While the Fire department transactions during the year resulted in a profit of Rs. 43 685, the Miscellaneous Department sustained a loss of Rs. 27,058. The Fire fund amounted to Rs. 53,370 and the Miscellaneous Fund stood at Rs. 50,181 on 31—12—1953.

The net profit for the year amounted to Rs. 29,035 after taking into account the revenue from interests, dividends, refund of income tax, etc., and after making all provisions towards depreciation, etc. It is indeed gratifying to note that the Institution has been able to work on a profit despite the initial difficulties and keen competition that a young company like the Central India Insurance Company, has to face. The management deserves congratulations for the steady progress of the Company. We wish the Institution every success.

News

Life Insurance Council

No further cuts in premium rates

The Executive Committee of the Life Insurance Council appointed by the Government of India met on 26th July 1954, Mr. K. C. Ambegaokar, Finance Secretary, Government of India, presiding.

The Committee decided, it is learnt, that the existing rates of premia would continue and there would be no further reduction before the end of 1955.

Indian Insurance Companies' Association Pool, Bombay

The progress of the Pool in recent years is very encouraging. In the year 1952 the total premium income of the Pool was about Rs. 20 Lakhs whereas in 1953 we have written a premium of about Rs. 30 Lakhs. Judging from these figures, I am sure, we may be writing a premium of over Rs. 40 Lakhs in 1954. Of course, this would not include premium income from our new venture in Aviation and Marine Hull business.

It has been decided by the Aviation Underwriting Committee to underwrite business as from 1st July 1954 in order the Pool might equip itself properly and the experience that might be gained in the next few months might facilitate our accepting the bulk of business that might come to us in January next.

In my experience for the last few years, I have seen that the Pools method of handling of business, settlement of claims and rating of risks are exceptionally good when compared to that of individual insurers. At every stage, proper vigilance is exercised and Participating Companies are interested with shares only in accordance with their capacity. There was a mention in some quarters about Pool being run by honorary underwriters. As far as I could see there are no honorary underwriters and the Pool is fully equipped with adequate staff to run the organisation efficiently and scientifically".

Proceeding Mr. Vijaysinh Govindji remarked: "You are aware, in a number of States either Insurance Funds are maintained or State Insurance Departments are being run. I do not quite see the reason for such things. Government on the one hand recognised the principle of placing the business with Indian Insurance Companies through the Pool but on the other hand allow the States to form their own schemes. If such Insurance Funds and State Insurance Departments are allowed to continue not only the Pool but even individual insurance companies would ultimately starve by want of business.

You are not perhaps unaware of the intentions of the Mysore State Insurance Department to start general insurance business also. I would, therefore, request you all to carefully notice the writing on the wall and by sincere co-operation strengthen the Pool, so that we live and let the Pool live.

Certain Departments still continue to have foreign connections and to our surprise in spite of the changed circumstances prefer to have reinsurance arrangements with them. The Pool has already moved in the matter and I would earnestly request the Government to give the Pool its undivided patronage so that the organisation started with their blassings thrives. I may also warn the Government on the risks involved in running such Funds. In the initial stages this may meet with some success but a major disaster (May God forbid) would have a telling effect. Catastrophe occurs not often but once in a period of years but one catastrophe is sufficient to wipe off all the accumulations of these Funds. I might cite our own experience. At the time of Bihar Earthquake and the Explosions in Bombay certain Companies were compelled to touch their capitals to meet even a small percentage of the total loss. Insurance is not like any other industry. Great responsibilities attach to Companies in specially following sound underwriting principles. The various risks of different types accepted by Companies are distributed worldwide by way of reinsurance and they in turn share in other business available in foreign country in reciprocation and as such, any catastrophic loss could be borne by Companies easily since the same would be met by their sister organisations. These Funds carrying huge risks on their own shoulders without proper distribution of the risks would naturally drain Government resources at the time of big disasters. Government should also realise that they are responsible to public and by encouraging such Funds they would only create more ground for public criticism.

Before I conclude. I would like to make a reference regarding the Financial Corporations floated by various States. There is a feeling that the industries which approach these Corporations for financial help should not be compelled to insure with the Pool. I do concur to a certain extent with this contention, but feel that the Corporations should insist on their borrowers to insure their property with Pool at least to the extent of the loan granted to them. I see no reason why the Corporations should not insist on getting the cover from the Pool which gives them greater security than any individual insurer. Moreover, the Corporations being quasi-Government organisations should aim at extending their patronage to all indigenous insurers and this could be easily done by placing all the insurances under the control of the Corporations with the Pool. This would also eliminate the strain on the Corporations in scrutinising the policies taken out by each borrower. I may mention for your information that the Committee is actively pursuing this matter with Industrial Finance Corporation of India with the co-operation of the Controller of Insurance and I think a definite result would emerge shortly. I earnestly trust that Government would issue necessary directives to all States to take early action to advice the Corporations to patronise the Pool"

Office-bearers elected for 1954.

Mrs. Laxmidas P. Goculdas (Jayabharat) Chairman; D. Das Gupta (Hindusthan General), T. K. Desai (New India), W.E.G. Marshall (Standard General), M. G. Mody (New Great), N. Rama Rau (United India Fire and General), B. K. Setalvad (Ruby General), Vijaysinh Govindji (Indian Globe), Members; and P. R. Krishnaswami Secretary.

Controller of Insurrnce Entertained

Mr. A. Rajagopalan, B.A., F.I.A. (Lond.) Controller of Insurance, Government of India was entertained at a Coffee Party by Mr. B. B. Dotto, Secretary, Police Co-operative Life Insurance Society Ltd. on Friday, the 25th June, 1954 at 3-30 P. M. in the Office premises at 4, Saklat Place, Calcutta-13. Prominent Insurance men were present.

The guests were entertained by Mr. H. M. Vakil with his inimitable Magic Show, which was greatly appreciated.

Messrs. A. K. Bhattacharjee, Manmatha Nath Ghatak and Panna Lal Chatterjee were all attention to the guests.

'Floor' Rates for Life Premiums

Views of The Councial of the Indian Insurance Institute calcutta.

Announcement of drastic reduction in premium rates by a leading Insurer of the country last March aroused confusion in the Insurance Industry. Several other companies, though not convinced of the wisdom of reducing their premium rates, had to take similar action in order to safeguard their competitive position. Thus the 'Rate-war' came, and the situation brought the Industry to the verge of a great catastrophe. The small and medium-sized insurers failed to take their stand at that stage and therefore naturally became panicky. At this juncture the proposal for adopting a 'floor' rate for life premiums was put forward to give a check to the unfair rate-war.

The Council of the Institute feel that the idea of introducing 'floor' rate for life premiums is not quite in keeping with theoretical principles of Insurance. But in the absence of any definite method to check the unhealthy competition, adoption of some 'floor' rates has become a necessity in the present circumstances specially for the main classes of assurance. The main difficulty is to find a common measnre between the rates of insurers which comprise all sorts of companies with varied experience. The difficulty is augmented by some and not the whole body of policyholders participating in the profits. The Council of the Institute would therefore like to suggest that.

(i) in view of the divergence in the experience the most logical conclusion seems to be to have one class of policies — all with profits with a minimum floor rate so that any profit accruing may be distributed amongst all policyholders contributing to it;

(ii) if, however, the course suggested above is not considered feasible, the adoption of floor rates for without profit policies may be justified as a protective measure to safeguard the interests of small and medium-sized insurers.

It is not possible to eliminate competition altogether between small and big insurers. Once the floor rates are fixed for without profit policies for all insurers the rates for with profit policies may be left to be framed by different insurers providing different bonus loading according to their experience and convenience.

I shall be glad if the Executive Committee of the Life Insurance Council take into account the above suggestions while considering the question of a 'floor' rate for life insurance premiums.

Mr. B. B. Dotto honoured

We are informed that Messrs. W. A. Baum Co. Inc. of New York, Originators and Makers of Blood Pressure Apparatuses since 1946, have honoured Mr. B. B. Dotto of the Police Co-operative Life Insurance Society Ltd. of Calcutta by presenting him with the latest invention in Sphygmomanometry, the STANDBY Model Baumanometer, in recognition of his original works on Blood Pressure as affecting life assurance risks. The instrument has been shipped to Mr. Dotto very recently. The STANDBY Model has not so far been in use in India, Pakistan, Burma and Ceylon.

Mr. Dotto is of the opinion that the STANDBY Model Baumanometer is truly a masterpiece, ideally suitable for the busy Doctor's Chamber, Life Assurance Companies, Hospital and Operating Rooms. The STANDBY Model has many unique advantages for office use over all other existing models of Sphygmomanometers.

Conference of Salaried Field-Workers.

Commission of Enquiry Demanded.

Under the auspicies of the Calcutta Regional Committee of the All-India Insurance Salaried Field Workers, a Conference of such workers was called at the Theosophical Hall, at 2 P.M. on the 19th June last. A very large number of Organisers and Inspectors of the leading Insurance Companies attended. The meeting was presided over by Sri S. L. Roy, President of the A.I.I.S.F.W.A., The President related how the Association had been formed, what it has done, so far, and what it proposes to do.

Sri D. N. Chatterjee of New India, in addressing the Conference, said that he had worked both for Non-Indian and Indian Companies, and he could say, without hesitation, that while the Non-Indian Insurers made efforts to see that a worker improved in efficiency and increased his income with the advance of years, the worker of the Indian Companies lost his efficiency in course of years. No Indian Company taught its workers or gave them scope for giving service to Policy-holders. The system, the method and conditions of appointment of salaried men in Indian Companies were such, that unless these workers formed an association and brought facts in the limelight, things would not improve.

Indian Life Assurance Offices Association

Life Assurance Examinations.

The Life Assurance Examinations in Parts I, II & III conducted by the Board of Education of the Indian Life Assurance Offices Association, Bombay, will commence from Monday the 28th February 1955. The last date for receiving applications is 30th November 1954. The permanent centres for the Examinations will be Bombay, Madras, Calcutta and Delhi. Centres at other places will be opened if deemed necessary.

Correspondence Courses.

The Board of Education of the Association provides Correspondence Courses for Papers I & II of Part I, Papers III, IV, V and VI of Part II and Paper VII of Part III of the Examinations, the revised fees being Rs. 30/-, Rs. 50/- and Rs. 10/- respectively. Candidates desiring to join the same are requested to write for details to the "Hon. Secretary, Board of Education, Indian Life Assurance Offices Association, Industrial Assurance Building, Churchgate, Bombay".

Sri S. C. Roy entertained.

Sri S. K. Mazumdor met Sri S. C. Roy, M.A., B.L., President Indian Insurance Institute at a Tea Party on Wednesday, the 7th July 1954 at 5-15 P.M. at the Hall of the Bengal National Chamber of Commerce, Calcutta when a galaxy of prominent Insurance men of the City assembled. Prominent amongst those present were: Sjts. A. T. Pal, A.I.A., H. K. Sen, F.F.A., D. N. Bhattacharjee, P. M. Dalal, F.I.A., P. Balan, A. B. Chatterjee, B. P. Roy (Registrar of Jt. Stock Companies, West Bengal), Sri S. R. Biswas (Secretary, B.N.C.C.), B. N. Banerjee, K. C. Khanna, B. B. Mukherjee, T. Ghosh, F.I.A., N. G. Lahiri, H. Dutt, F.I.A., S. N. Roy Chowdhuri, U. N. Chatterjee, K. L. Bhuiya, S. Lahiri, S. C. Chatterjee, A. Roy, B. N. Mukherjee, S. K. Acharyya Choudhury, B. E. N. Bose and others.

Sri B. N. Chowdhury, General Secretary, F.I.A., and Sri Sukhamay Sarkhol were all attention to the guests.

Obituary

Mr. S. N. Bhargava

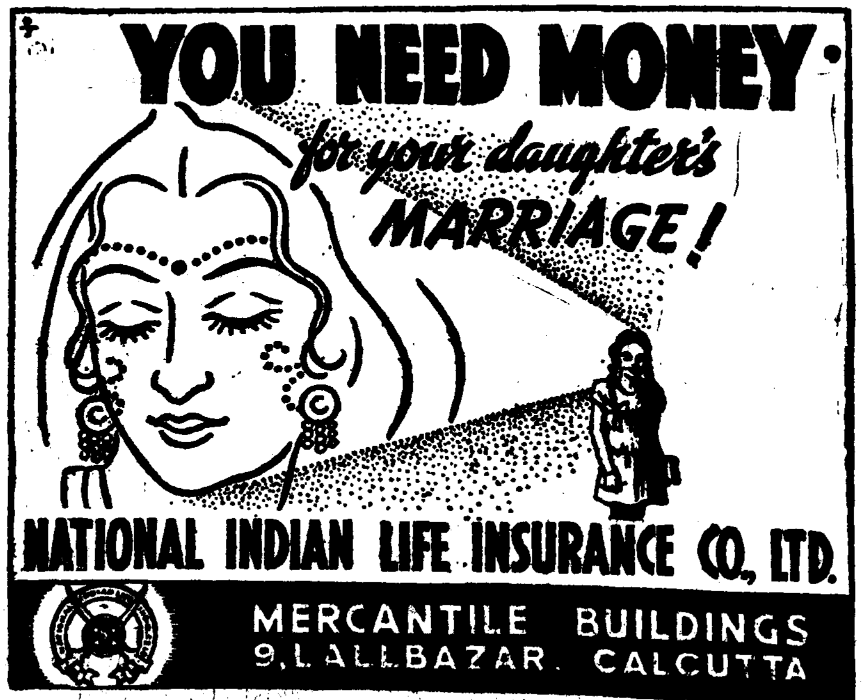
The death occured on 3rd July at Lucknow of Mr. S. N. Bhargava Branch Manager of Bombay Life Assurance Company Ltd., Lucknow Branch. He was 48. Mr. Bhargava was a popular figure in the local insurance circles and his sudden death is very much regretted by the local insurance men and policyholders.

He was connected with insurance since 1932. For ten years he was associated with the General Assurance. In 1942 he joined Bombay Life which he served till his death.

The Lucknow Insurance Club called an extraordinary meeting on 5th July at the Hindusthan Life Office under the presidentship of Mr. C. D. Johri, Branch Manager of Lakshmi. Mr. Johri paid a loving tribute to the memory of Mr. Bhargava and said that his death was a distinct loss to the Lucknow Insurance Club.

Shri Navalbhai Chhotalal Jerajani, J. P.

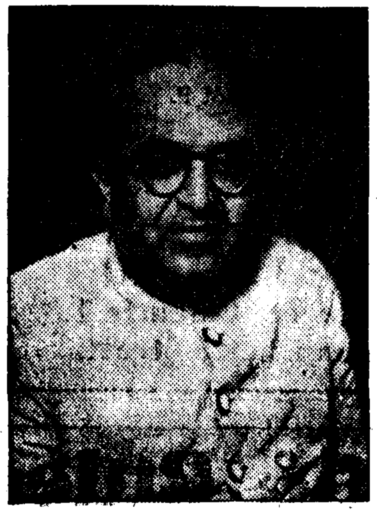
Shri Navalbhai Chhotalal Jerajani, J.P. & Hon. Magistrate, General Manager & Director of The Indian Globe Insurance Co., Ltd., a prominent businessman and



social worker, expired of heart attack at Bombay in the early hours of Saturday, 17th July 1954.

He was the first Chairman of Bombay Regional Council of Insurance Association of India. He was also a Member of the Committee of the Indian Insurance Co.'s Association, Bombay.

He has made a considerable contribution to the National Movement and had courted jail on several occasions. He was actively engaged ever since the dawn of Independence in constructive work which touched the Social and Economic uplift of the masses.



Late Shri Navalbhai Chhotalal Jerajani, J.P.

Shri Navalbhai took up the cause of the smaller Insurance Companies and through his tireless efforts evolved a formula which did justice to the smaller Companies.

Shri Navalbhai organised Khadi and Village Industries Movement and was the Secretary of the Bombay Suburban District Village Industries Association and Sarvodaya Samaj, and Kora Kendra and Improved Rice Cultivation Method, and Hon. Secretary for the Emporium Section of All India Khadi & Village Industries Board.

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INDIAN Policy-Holder MADRAS

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CONTENTS

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VOL XX AUGUST 1954 NO. 4

CROP INSURANCE IN INDIA

THE havoc caused by what has been described as some of the worst floods of the century, in Assam, Bihar, West Bengal and Utter Pradesh during the past few days, emphasises once more the importance of putting into practice some scheme that would cover atleast partially, the loss sustained by agriculturists. On the face of it, it would be evident that damages sustained through such large scale disastrous floods or continuous periods of drought as was experienced in the recent past, can never be adequately compensated especially in an economically backward Country as ours. Though measures calculated to provide against such contingencies are considered absolutely essential all over the World, only few Countries have actually attempted to do something and even in the United States of America, a Country that is economically quite well of, Crop Insurance Schemes are still in an experimental stage. On this and various other points connected with "Crop Insurance", the article contributed by Dr. S. P. Sharma, M.A., M.Com., Ph.D., published elsewhere in this issue, throws much light. He has taken pains to collect and present not only details of schemes experimented in other Countries and the success or failure attended on them, but also the steps taken in our Country to do something in that direction. On a detailed study of the various aspects of the subject, one has to necessarily arrive at the conclusion that no scheme could be drawn with an assurance of cent. per cent. success anywhere in the World and much less in India. It is not merely a question of mathematical calculations, taking into consideration the average for the losses sustained by agriculturists for sufficiently a long number of years, which is by itself an almost impossible task, and then fix up rates. In the first place how far the average worked out on the experience of the past will apply for the future and with what exactitude, must be determined. Secondly, whether the rate worked out on such experience is within the competence of our Country's poor agriculturists to pay will prove a bigger problem for solution. Besides these major issues, there are other equally complicated issues such as the machinery for the collection of premia, assessment of risks, assessment of damages, etc., etc. On careful consideration of all these issues only, some of the gentlemen, specially deputed in the past to study the position and report, were of the opinion that it is only Provincial Governments with the cooperation of the Central Government can implement some scheme on the lines worked out in some of the Western Countries with suitable modifications, as an experimental measure, in selected areas. Mr. Sharma's suggestion for the establishment of a public corporation on the lines of the industrial Finance Corporation, both at the Centre and in the States and the collection of premia either in kind or cash by Co-operative Societies is well worth consideration by our National Government. But, as he himself has put it, any such scheme would only serve as a preventive measure to check famines and foodshortages, and it would therefore constitute only the first step in the attempt to provide complete cover for damages to agriculturists on account of crop failures.

Crop Insurance In India

BY DR. S. P. SHARMA, M.A., M.COM. Ph.D.
Victoria College Lashkar (M. B.)

IN the present context of an over-all shortage economy of India, the necessity of crop insurance cannot be over emphasised. As a long term plan too, crop insurance is essential since nature is unkind, the fertility of the soil is deteriorating and the population is growing. According to one authority, "between 1875 and 1900 India lived through 18 famines which took a toll of 26 million lives and there has been no change for the better since then." For many the shortage has resulted in death by inches on account of usury and the zamindari system. The mercy ships of food supplies are certainly no long-term cure, and an industrial economy dependent on foreign supplies of raw material cannot have a sound growth. Where more than 60 % of the population depends on agriculture as their main occupation and 82.5 % thereof live in villages, crop insurance is certainly an important wing of the economy. No sacrifice calculated to improve the real economic position of the agriculturists is too great. There are so many risks from the sowing of seeds to the final harvesting and storing the crop, that not a year passes without the crops being exposed to risks. Too much or too little rain or unevenly distributed rainfall, hailstorms, frosts, windstorms, cyclones, insect pests, plant diseases and a host of other causes are responsible for crop-failures. Thus, agriculture is an occupation which has to face the largest number of risks beyond human control.

The financial burden of such risks may be minimised to individual ryots, through the principle of co-operation and mutual help which are present in the institution of insurance and which have benefited other economic institutions. The financial burden of losses sustained by the unfortunate farmers is shared by all the farmers of a certain group. He has to pay a definite amount as premia for an indefinite loss and the reserves are thus created for contingencies. "Crop insurance is thus the counterpart of unemployment insurance for the industrial population." (Report of Co-operative Planning Committee, page 152).

Operation of the Scheme

Under the Scheme of crop insurance a premium is charged on lines of other forms of insurance The unforeseen contingencies are insured against. The hazards of losses are reduced to a minimum. The premiums may be paid in cash or kind. The latter basis is commonly adopted. 70 % of the normal yield after the payment of premium are indemnified in some countries where the premiums are paid in kind. When the premium is payable in cash a monetary return is usually guaranteed and vice versa. In U.S.A. since 1947 a provision has been made that the percentage of indemnity (70 % -

75 %) must not exceed the value of investment in the crop. The moral hazard prevents the grant of full indemnity. The property insured is a future one, which has yet to come into existence. The success solely depends on the efforts of the farmer. Crop insurance has been prevalent in many countries but only on an experimental basis.

As in the field of industrial social insurance, Germany has been the first country to introduce crop insurance against frost and hail. The State actively organised some public institutions and supported and regulated the private institutions so as to carry on the schemes in the interests of the public. Recurring and non-recurring grants were given to these institutions. Under one scheme the State pays additional premia to insurance companies, besides the farmers.

The Agricultural Insurance Institute of Greece grants insurance and offers facilities of reinsurance to private local associations. Indemnification is limited to 90 % of value of the crop. The Government of Greece supports the Institute. Hail and frost are the main risks insured against, and tobacco, vine, wheat and fruits are the main crops covered. The co-operative insurance organisations of France carry on crop insurance. The membership extends to joint stock companies, mutual societies and agriculturists. The loans are liberally granted by the National Bank of Agricultural Credit and the State also subsidizes the schemes. The Regional Banks of agricultural credit allow some bonus interest to these societies on their loans.

United States Scheme

U.S.A. crop insurance was introduced in 1880. There are three classes of crop insurance carriers, the State Departments of Agriculture, joint stock companies and mutual companies. They insure against wind, storm and hail since 1911; the State of North Dakota provides a State insurance fund against hail. It was optional to insure. The rates proved to be inadequate and so the scheme failed. But in 1919 it was started again. The tax assessors collect the premia. But the great defect there has been that politics come into play in the settlement of claims. Of course, quick inspection of claims saves a lot of excess claim being presented. The indemnification is normally based on the average yield for a number of years of many farms by conducting random sample crop-cutting surveys. They balance yield over long periods. In case of admitted loss, the insured farmer now receives the full cost of planting, cultivating and harvesting next crops.

U.S.A. underwriters met the demand of crop insurance of citrus and deciduous fruits against frost damages. It was difficult to assess the actual loss. Loss may take place when the fruits are perfectly matured or when they are in any other period of ripening. It is difficult to measure the loss in monetary terms. The market value cannot be the basis because when a part of the total harvest is destroyed the market value of the remaining is enhanced. Private companies were not very successful. Hence in 1938 the U.S. Government set up the Federal Crop Insurance Corporation with 10 crores of dollars. The Government actively supported the organisation by granting subsidies and underwrote crops on a nonprofit basis. But the premiums were found to be too inadequate and the cost of administration further widened the gap. It did not show a satisfactory result due to adverse selection of risks, and over insurance. The judgment and discrimination between avoidable and unavoidable causes was found to be difficult. The area of operation was big, hence a uniform and enthusiastic official force was not available. As a result, the programme was suspended. "Insurance was against production risks through insurance of yield and hence premiums and indemnities were to be determined in terms of the volume of the commodity". (Report of the Co-operative Planning Committee, pp. 153.) Formerly, it covered wheat alone but three years later cotton was also covered. The insurance was granted for the risks of production. Now some 27 crops are covered by the scheme.

As crop insurance occupies an important place in the economy of every country, the U.S. Department of Agriculture has put a revised scheme into operation. The report of the Corporation Manager for 1948 reiterated that insurance on a new commodity should be started on a small scale and later on experience should be the basis for its expansion. This is the story of developments in a country where pests and orthodox methods of irrigation are no great problems. The insurance is voluntary and any 200 farmers or onethird of them when they are less than 600 residing in a locality may join the scheme. The rates of premia range from one to three dollars for every ten dollars invested in the farms. For countries with good crop-years premiums are reduced as also to a farmer with a continuous no loss record of seven years.

Experience in India

In India as early as 1878 a Famine Insurance Fund was set up, out of which the Government of India granted relief to provinces according to their needs. The Central and Provincial Governments bore 2/3 and 1/3 of the expenditure respectively. When financial decentralisation came in 1919, the respective provinces maintained their funds separately. Relief of famine, construction of works to prevent famines and loans to cultivators were the main items on the list of objects of these funds. The provincial Governments contributed to the funds with reference to their liability to famines. This was hardly an insurance, and in 1926-9 a correct name was given to it in the Famine Relief Fund. The relief measures, suspension or remission of taxes, and rehabilitation loans touched only a fringe of this grave problem and were not insurance either in form or in principle.

There was a broad gap and, as late as 1943, a small Indian State-Dewas Junior (now a part of Madhya Bharat)-introduced a compulsory crop insurance scheme. The rates of premia were based on the assessment of the field in which proportion the loss too was indemnified. The scheme was on a miniature scale, but it shows the initiative of the then authorities.

Recent Developments

Then in 1946 Dr. B. V. Narayanaswamy Naidu submitted a report on the need for crop insurance on U. S. model to the Government of Madras. The Insurance Advisory Committee, the Co-operative Planning Committee & the Asian Regional Conference, 1947, have all emphasized the urgency of crop insurance and providing a certain degree of security for the income of the farmer. The Government is also committed to crop insurance through its February 1947 resolution in the Central Legislative Assembly. Later, Dr B. Natarajan, Economic Advisor to the Government of Madras, submitted a scheme of crop insurance on the U. S. model. It covered all the major crops of Madras e.g., paddy, millets, cotton, tobacco and groundnuts, which are subject to occasional failure in the State of Madras. Only a certain percentage of normal yield would be indemnified. A public corporation was designed to administer the scheme. It was to be empowered to collect premia. The Government would have the right to surplus accruing after setting up a Reserve Fund. The Provincial Crop Insurance officers, assisted by two regional officers, crop adjusters and a Village Advisory Committee would operate the scheme. Indemnity up to 75% or 50 % of the normal yield was to be covered. The rates of premia would differ but within a homogeneous region they were to be uniform. The scheme was to be compulsory for all the cultivators in the region with selected crops. In the beginning paddy was intended to be covered as it is the major crop, covering 1/3 of the total cultivated area. When this experiment was found to be successful, insurance would be extended to other crops also. Further, this would be beneficial not only to the agriculturists and agriculture but to the whole economy of Madras.

The Indian Council of Agricultural Research also suggested crop insurance as an experimental measure in certain selected areas of Madras for rice and cotton, Bombay for cotton, Madhya Pradesh for Wheat, cotton and rice, and U. P. for sugarcane. Its estimated total cost was only Rs. 6 lakhs, the allocation being fifty percent. each between the Centre and the States. The cultivators were to be guaranteed 2/3 of the actual loss in yeild below 75 % of the standard yield. Indemnities were to be calculated in terms of the commodity insured but the payments were to be made in cash at a price declared to be current price at the time of payment. Co-ordination was ensured by the proposed location of office in each State. The scheme was a modest attempt and entailed no heavy financial burden on the country's finances. The Centre was to pay the initial instalment of Rs. 10 lakhs to ensure indemnification of loss in early stages. Even if implemented, it would have touched only a frings of the whole problem. But the respective states refused to share the burden.

Priolkar's Scheme

Soon after idependence attempts were made to make the country self-sufficient in food. Mr. G.S. Priolkar was appointed special officer to prepare a scheme for cattle and crop insurance. He submitted his report after laborious researches which were put before a committee of experts on actuarial science, animal husbandry and agriculture. The scheme was an all-risk one but they recommended only 3 or 4 major crops for insuring as an experiment and these too in a particular region which had more or less homogeneous agricultural practices. The indemnification was fixed at 2/3 or the actual loss on the insured value of 75 % of the standard yield. State survey of crops was recommended. Like Dr. Natarajan,

Shri Priolkar was in favour of the compulsory scheme. But he was afraid that this might prove an extra burden on the peasant, hence he wished to introduce the scheme only in selected areas of assured rainfall and other methods of irrigation. The scheme covered rice, wheat, cotton and sugarcane and in the first instance it was to be piloted for 5 years and at the expense of the Government. The conference of experts recommended exclusion of permnanently settled areas from the operation of the scheme. They suggested areas of homogeneity in agricultural practices according to the availability of irrigation facilities and suitability of soils. The idemnities were to be paid on the basis of seasonal conditions in each division and supplemental benefits for local calamities like hail, locusts, pests etc.

Originally directed by the Ministry of Agriculture, two special officers have prepared cattle and crops insurance schemes on a five-year basis. They are to cost about forty lakh rupees to the nation The schemes have been approved by the Indian Council of Agricultural Research. The crop insurance scheme covers rice, wheat, cotton and sugarcane crops at 18 centres.

The lack of statistics of crops yield and failure is a grave defect in our economy. The help of the Indian Council of Agricultural Research would be very much indispensable in the matter of collecting the statistics and arranging the various insurance preliminaries. The crop insurance scheme should be started by the State on an experimental level in collaboration with the statistical, agricultural and actuarial experts. The Council of Agricultural Research should try to evolve suitable antidotes to various plant diseases to reduce physical hazards.

Advantages

The credit-worthiness of the agriculturist will increase. He will be able to borrow more funds because the assets against which he borrows will become more secure. Many evils of unhealthy borrowing will be done away with. The money lender will be more certain of the income and capital and will lend on easier terms. The community as a whole will be benefited by the storage of food reserves against scarcity. The food shortage and hard currency drain will be removed by a comprehensive crop insurance scheme. The Government revenue and budgeting will become more stabilised as no remission of taxes and relief operations would eat away the funds. As a result the society at large will be benefited by stabilisation of the price level. The prices of raw material for industries will lose their speculative nature and industries will be more firmly established.

Private enterprise due to the uncertainty of agriculture and the speculative nature of the crop insurance business, is not attracted to this kind of business. The U.S.A. experience shows that there are many actuarial difficulties to face. A degree of compulsion is required to have a successful spread of business for which private agency is not capable and suitable. Again this is very difficult in the present context of things. Many will object to this form of assistance, which they may like to call taxation. The State too will not be a suitable agency due to the rigidity and bureaucratic management of offices.

Besides this, the technical difficulties of crop insurance and the uncertainty of Indian weather and the environment are unfavourable to the piloting of the scheme. The masses, for whose benefit the scheme is to be operated, are illiterate and ignorant of good agricultural practices. An atmosphere congenial to the scheme must be created for a compulsory adoption of crop insurance. A voluntary scheme may result in an adverse selection of risks. The small holdings should be turned into economic ones.

The Way Out

A public corporation on the lines of the Industrial Finance Corporation should be set up at the Centre. The States should set up their individual Corporations. Co-operative societies should be appointed as agents to collect premia. It is desirable to collect the premia in kind and to build cement godowns at district places for quick disposal. A levy may be charged from the crops enjoying insurance benefits and exported to foreign countries to help the Corporation. But crop insurance is only a preventive measure to check famines and food shortages. It must be supplemented by higher training in agriculture and its equipment. The soil and climate of our country favour a rapid development in intensive cultivation. The quality of soil needs to be improved through constant manuring and unremitting labour on experiments. New land must be brought under cultivation and a check be put on soil erosion. The average span of life (27 years) in India and deaths of 40% children before reaching 5 years of age can be stopped only through a qualitative and quantitative increment of FOOD. Should we not try to defeat our Enemy No. 1-food shortage-by insuring our crops in right earnest?

A Week in Madrid

By S. D. SRINIVASAN, M.A., F.I.A.

(Mr. S. D. Srinivasan attended the International Congress of Actuaries, held in Madrid in the first week of June as Indian representative. This article recounts his experiences at the Conference and his impressions of Spain.)

IT was raining in sunny Spain on the morning of the 1st June. As I moved into Madrid, travelling all the way from Zurich with Dr. Griesbaber in his car, the lovely city looked like having a beauty bath. And it brought nostalgic memories of my Calcutta and its monsoon. When I had left Dum Dum a week earlier, I thought I had once in my life cheated the monsoons. But here I was in Madrid and the monsoons were here too. I did not know how similar was the temper of the Bay of Biscay to that of the Bay of Bengal.

Yet, it was so differently delightful. I fell in love with Madrid at first sight, even though that first sight was through the hazy screen of rain. The buildings, gothic and ornate, were majestic and the roads were so clean. Again I was reminded of Calcutta under a shower. But before I could recover from the shock of the contrast, I had reached my hotel.

It was the Palace Hotel. No hotel I have gone into, and their number is quite a few, here, there and everywhere, more deserved to be named Palace. Of course, it was a luxury hotel, catering to all sorts of creature comforts which the tourists might ask for. And this catering is done with a Spanish charm which is something you get for nothing.

Of course, I had not come here to serenade the lovely city of the senors and senoritas. My mission as a delegate to the XIV *International Congress of Actuaries* was far too prosaic for this purpose. Yet, if I mention all these things this is because it appeared to me that colourful Madrid was not the exact setting for such a matter of fact congregation. But the actuaries are calculating people; possibly they are calculative too. They might have felt that the Spanish sights would offer them the maximum compensation for their dry and drab discussions. It was actually so.

The Congress opened on June 2. It was ushered in by the Organising Committee's Cocktail and lunch at Restaurant 'Pavilion'. It was intended to be an informal get together. But unfortunately, its main purpose was not fully achieved. The Organising Committee could not be blamed if they failed to organise the weather. It was again a rainy day, far from the ideal for a curtain raiser. Water flowed outside and drinks inside. But the get together was mostly in small groups. And then the lunch as well was too big an affair and a gathering of 2,000 people managed as best as they could. But time dragged on and when one could get out, it was almost too late for the inauguration of the Congress at 4 p.m. It was held at the Theatre Madrid and the Minister for Finance was the Chief Guest. Still it was a tame affair and all over inside of 40 minutes.

The first business session of the Congress was held at 9 a. m. on the day following. They must have discussed business in all seriousness, but I was sitting in a Tower Babel. They were talking in so many languages none of which, except English, I understood. Still I could listen to it and that was the most interesting part of the business for me.

I listened to the discussion through earphone which could translate the speeches in six different languages and you could select your own language simply by dialing the appropriate number. This is what is done in the U.N.O. I listened in English and the interpreter compelled my admiration. He kept at the heel of the original speaker with amazing fluency but the subjects of discussion being too technical he had to stammer and stumble at times making concentration difficult for the listener.

Such an effort of following the original speaker through an interpreter with the help of an earphone made me hungry and I felt I had earned my lunch. And I had earned it at an expenditure of roughly Rs. 10/- for nothing more substantial than some boiled vegetable, macaroni and butter followed by a cup of coffee. This would show how money melts in Madrid. But then you have to remember that Spain again is one of the cheapest places in Europe.

Then followed the evening session but the paper not being available in time for studying, I found difficulty in following the discussion and left it rather early.

The next day dawned bright. It was rather a lucky break for we went on an excursion to EL ESCURIAL, a spot about 50 kilometers from Madrid. It was pleasant driving in the countryside but we enjoyed most our visit to one of the finest churches there. Returning in the evening we attended the reception given by the Mayor of the city of Madrid. It was a gala event, but the best portion of it was the wonderful Spanish band which played charming selections.

On June 5, I attended both the sessions and the day following was again devoted to excursion and I took the opportunity of visiting Prado Museum where I saw the wonderful collection of paintings and sculptures by the old Spainish masters. It was a sublime experience.

But an experience of a different sort befell me in the evening. I wanted literally to be a Roman while in Rome and went to PLAZA de TOROS to see the typically Spanish sport of bull fighting. It was blood-curdling experience to see as many as six bulls killed. I must have looked a little bit dazed and one of my companions said, "Thank your stars that there was not a matador added to the list." What a consoling thought! The hangover you get from such a spectacle can only be soothed by music and so at night I went to Teatro Lope De Vega where I listened to Spanish music and watched the graceful movements of Spanish dancing.

There was an evening session of the Congress on the day following and it was capped by the reception given by the Finance Minister at Hotel Castellana Hilton. On June 8 we had an excursion to Toledo where we saw how different people have contributed to the hoary antiquity of Spanish culture. Toledo, which is a peninsula within a peninsula, being surrounded on three sides by the river Tagus, was the former capital of Spain. There we saw churches which have been converted into such from the old synagogues and mosques showing how at times the place had nursed Jewish and Islamic culture. It was a grand day pleasantly passed.

This brings me to the last day of the Congress when I attended the final technical session in which the Minister of Finance was present but I absented myself from the Gala supper and Ball because I was due to leave Madrid on the early morning of the following day. I should possibly mention here that only three subjects, namely (1) Conditions That Must Subsist For A Risk To Be Assured, (2) Actuarial Problems Appertaining to Re-insurance and (3) Methods Of Obtaining Financial Equilibrium In Assurance Concerns were discussed in the different sessions of the Congress. A feature of the Congress was that every evening a bulletin used to be issued in French giving the details of discussions. One of these bulletins also published an interview with myself about my impressions. This gave me the unique experience of having my own interview interpreted to me. It had to be so. I spoke in English and the bulletin, as I have told you, was in French.

Thus I bade adieu to Madrid. But it was Au revoir in my mind. The Congress had been a grand experience and I felt that we in India should take more interest in such international meetings. I may mention in this connection that though actuaries from all over Europe and the Continent were present in Madrid, Asia and the Middle East had very poor representation. The only other Asian whom I met was Mr. Shigemichi Hamada who is the President of the Institute of Actuaries of Japan and the Chief Actuary of Asahi Mutual Life Insurance Co., Dr. R. M. Makar, B.SC., PH.D., F.I.A., of the Ministry of Finance and Economy, Egypt, was one of the very few representatives of the Middle East.

Before I conclude I must give you some idea of insurance in Spain. Though it may not be generally known in India, insurance is very well developed in Spain and there are several companies transacting huge business. They are also very much interested in Indian insurance but, as I told you previously, unless you can talk in their language or in a language which is known to them, such interest will not lead to anything concrete. The problem of language has been my main difficulty and I feel that the executives of Indian insurance should do well to learn a foreign language, preferably French, in addition to English if they must establish contacts in the European market.

I must say that Spanish Insurance is worth knowing. But much more worth knowing are the Spanish people themselves whose wonderful hospitality and warm friendship will ever remain among my happiest memories.

The Value of Life Assurance to the Community

BY SHRI G. SOMASUNDARA ROW, M.A.,
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HUMANKIND is essentially social and can hardly afford to be totally self-centred. It is this fundamental characteristic of human nature that has helped through ages to shape and enrich the many-sided usefulness and purposiveness of man's existence. In this great context of human relations does the blessed concept of Life Insurance tower up before us in the modern age as a hope-giving Neon-Sign for the speedy amelioration of the condition of the masses. The unprecedented scientific approaches to the numerous economic problems that confront the present day society have played all the world over a great part in giving to the art and science of Life Insurance the form and status that it is its privilege to receive and enjoy.

Whatever its course in the Nineteenth Century. its dynamic power, utility and contribution to social welfare in the present Century have made their permanent impress on a global level and have come to stay. Hence the value of Life Assurance to the community is no longer a matter of detached individual opinion but one of all-inclusive significances and wide-spread interest alike to the Insurers and the Insured. It is perhaps this all-pervasive aspect that has brought to the fore today the consideration and application of the principles of Life Insurance for the promotion of human welfare.

Until recently, Economics and Political Economy had carried a meaning not too close to the realistic human picture. The want of human touch had been greatly in evidence. It was Dr. Marshall and Dr. Pigou that had greatly helped to bring about a great revolutionary outlook in the very definition and interpretation of this supple branch of science. When they began to state that Economics is but the study of man in his ordinary walk of life and national economy is concerned with the promotion of human welfare, the emphasis on wealth-production and its hoarding totally shifted from the all too material concept to a stress on a new set of human values with the result that we have through them eminent works like "Economics of Welfare" with their powerful bias towards a new order of society The keynote of the changed outlook has been co-operation and good-will and not competition and frustration. The fulcrum of human effort thus started moving round these life-giving ideas the beneficial effects of which are now found interwoven into the fabric of modern Insurance methods and organization.

The upsurge of the new outlook and way of life has resulted in the extended application of the principle of the joint family to the entire community. The result was the formation of Mutual Benefit and Provident Fund Societies and the thoroughgoing types of Life Insurance Companies that we now see working all the world over. The sphere of their activity having so widened that their operations are on an international scale level, the value of Insurance to the community at large has acquired an added meaning year after year. It is also increasingly felt that the science on which assessment of lives is based, lends itself to a more universal treatment and from the business point of view the burden of risk is more and more lightened as it gets distributed over a wider area and with varied people in different climes being brought within the scope and survey. Thus an altogether new note is being struck of late that in order that Insurance may prove more and more beneficial and less and less costly ideas of narrowing it down and keeping it confined to individual nations are rapidly changing. More specialised methods in the form of Reinsurances in this direction are being adopted and Companies incorporated in various countries are on the run to take advantage of this special knowledge and facility so that militant nationalism of the old era is fast giving place to a spirit of universal co-operation and goodwill with a greater feeling of cordiality by way of "give and take" and "live and let live".

The highly complicated modern world and the smallness of the individual, unless he pulsates through some group or association, have helped to organize more and more effectively Insurance Concerns in order that their benefits percolate to every nook and corner of the civilized humanity. This is a signal for progress in the direction of augmenting human welfare with its face turned away from self-centred lines of activity. This is also a pointer to the need for a closer understanding and co-operation of one part of the world with the other.

Now we may proceed to consider in what concrete ways Life Insurance proves valuable to the community.

With its right human appeal and service factor, it has caught the imagination of the bulk of society and has helped to build up thrift and foresight. Companies, both Mutual and on Joint Stock basis, have been formed and been able to attract their premium moneys with the result that Life Assurance has become the grandest pool of human resources for building up social welfare with a happy combination of unobtrusive altruism and enlightened self-interest. Unlike the deposits in the Banking System, the moneys that help to augment the funds of the Insurance Companies with their long period contracts have been available to their respective countries and, thanks to the very statutory obligations, they have right from the inception and incorporation to keep deposits with their individual Governments to run their business. Apart from these initial deposits, they are bound to invest a substantial portion of their incomes in Government-approved and Gilt-edged Securities all of which means that the Insurance Companies have to be regarded as potent and constructive factors in the national economy of their respective countries. No Government Loan can count without their full measure of co-operation by way of their subscription to it. In so far as these public loans are raised by the Governments for productive purposes and nation-building endeavour, their value to the community that the money is expected to serve becomes double and even treble as no big project

can be undertaken without huge sums of money. Thus, the individual who sets a value on his life out of self-interest indirectly helps to make a contribution to his group, community and society and even to humanity in the widest sense of the term, inasmuch as the money so obtained by the Insurance Companies gets invested in a variety of channels all of which converge to the increase of human welfare. This is no small achievement as human nature in the main is self-centred and its part in direct undertakings of charity and goodwill is very much limited both in its content and efficiency. It is only when without losing its entity it is drawn into this collective atmosphere and is made to merge itself that it is endowed with this great and benign force of playing its generous part without let or hindrance.

The next and by far the most significantly valuable contribution Life Insurance has made to the community is to be traced to the aid and support a man blessed with a greater longevity is able to give to his fellowmen cut off prematurely without attaining the full term of years and under circumstances beyond human control. In the individual way, it is hard to expect anybody to extend any such financial help to persons hit by the stroke of destiny however close their personal relationship may be. This uphill task of coming to the rescue of families overtaken by misfortune is now entrusted to a common institution whose burden and privilege are spread over a big range of lives assorted in a scientifically intelligible manner. If "Death" has been poetically described as a Leveller making no distinction between the lords and the peasant, between sceptre and the spade, Life Insurance Companies with their well-chiselled knowledge of Actuarial Science at the basis of their growth and upkeep have been mightier agents of levelling down the ups and downs of human existence by their broad laws of averages and inductive analyses of Mortality Tables and have been able to serve effectively as beacon lights to common human welfare in a way not yet properly realized either by themselves or their untold number of Agents. There is need for a greater emphasis on this aspect of Life Insurance and a healthy explanation of it to one and all by those concerned in this industry is likely to yield better and quicker results with a more abiding sense of values. This new approach is imperative in the present times in which all the worn-out feudal and primitive ideas of authority, oppression and suppression have been battered down and are being fast displaced by notions of universal love and peace, though here and there the ugly head of imperialism and racial hatred is to be seen until the last nail is driven into the coffin of the old order by the resurgent peoples of the world. Life Insurance, thus viewed and approached, is going to be a mighty force in the future order of society and a factor to reckon with as a powerful channel through which the love of God may be attuned in a balanced way to the love of man centred round the bed-rock of world peace with the various nations working hand in hand and contributing to progress, social and economic, and discarding all the disquieting ideas of belligerency that hover around us to render life more perplexing and painful in a world already highly distracted.

Every Government of the present day

and certain countries even from the latter half of the Nineteenth Century, with the upheaval brought about by the thrilling concepts of Democracy, have been engaged in their tireless endeavour to bring about a 'Welfare State' and this is an absorbing watchword now in our infant Indian Republic. The great Five Year Plan and all that is being done in line with it are only an offshoot of this central idea. The steep rates of tax on the big incomes and the recent Estate Duty Act are telling examples of how the State Finances are being harnessed and diverted to the cause of regenerating the poor and the have-nots. All such laudable schemes can be taken up only with a fully reconstructed Exchequer. In this direction, Life Insurance organized through so many well-run Companies is expected to come out with their fullest possible Investment strength. It is a privilege and an opportunity apart from the business standpoint for these Insurance Companies to assume this glorious role of nation-building and let us hope that they give unto this task their very best and acquit themselves honourably.

One powerful canvassing point during the Second World War was that even in the midst of destruction of many things in the general strife and confusion, the sanctity of Life Insurance contracts would be upheld and strictly observed and the funds of even enemy nations in all countries would be regarded as inviolable. This is borne out by the actual experience of many of those in this country whose policies had been with Allianz and Stuttgarter, a concern with its origin and Head Office in the belligerent country of Germany. This exemplifies that, in spite of the pettymindedness and malice of warring nations, there is a moral and social level where the human venom should cease to afflict fellowmen. This I consider to be a distinct appreciation and recognition of the value of Life Insurance to the community and indicates the pedestal on which this has been placed by common human agreement.

I have endeavoured to show that, if Life Insurance is a help and a boon to the individual, its value to the community of which he is a part is manifold and the index, by which these benefits to society are measured, is the enormous contribution the Insurance Companies are making for heavy State Expenditures on welfare-undertakings over a long term by way of lucrative and reliable Investments in Government Loans and Public Utility Concerns backed up by Government Security. I have also tried to show the moral apart from the material value of Life Assurance on a level which draws out of man the best of his nature if only he reflects for a while on the need to increase the well-being of his fellowmen. This contribution to human welfare on an un-precedented scale, on a scale not at all possible singlehandedly or by conceivably small groups, is made possible through the earnest collaboration of all concerns efficiently and usefully engaged in this line.

Life Insurance, as it is run and as the Science underlying it makes us understand it, is no doubt a well-organised and systematized business. But it is to be noted that it is a business dealing with an abstract object of human attention. As all know it, it does not deal in any tangible commodity as any other type of trade or industry. Although it receives

deposits of money as does a Bank, the functions of the latter are totally different and relatively concrete both in its operations and utility. Life Insurance business has mainly to do with the sale of an idea and to depend for its expansion and popularity on developing the telescopic faculty of man for ensuring himself a reliable and comfortable future by setting apart a nominal sum of money year by year for receiving a full benefit in the uncertain future bound by certain contingencies. Such a type of business, with its intrinsic value to the owner of the policy, not only sharpens self interest but indirectly promotes social welfare and human progress as no other type of profit-making commercial line can hope to do. The potentialities of the fund this line of industry is able to pool are thus invaluable and so it can be safely concluded that it blesseth both him that gives and him that takes it. It is a right measure of the degree of civilization and civic conscience to which any particular community has attained in the present day when the trends of Socialism are universally felt even in countries where pride and prejudice continue to regin supreme.

The task the Insurance Companies and of the field force they command stands out clearly. Self-interest is to be converted into an enlightened type of interest whereby the individual as well as the society can hope to share the full benefits of human endeavour in this noble line of activity which gives a living to the worker, reliability to the thrifty and an abiding welfare to the country and the community which have to live under the canopy of one Government or other. There can be no more laudable object in this age than our ability to make a fitting contribution, individually or by groups to the enduring value of so powerful an economic organization as Life Assurance.

Paper read at the 9th Indian Insurance Conference.

Scientific Selection of Agents

BY NAND KISHORE, Officer for Mobile Training,
New India Assurance Co., Ltd.

The Importance of Recruitment

IT is an accepted fact that a steady flow of new men, of the right type, and in sufficient numbers is a pre-requisite for sound development and expansion of an agency organisation. The problem, 'where and how to get such men' however, remains acute. The difficulty is enhanced by the fact that the process of finding such men—the process of recruiting—has to be a continuous one. Continuous recruitment is as necessary as the continuous supply of life-sustaining blood to the human body. When recruitment ceases insurance field organization begins to wither and dies.

When Recruitment is Necessary

Recruitment is necessary not only when one has to build up an organisation or has an expansion programme, it is called for constantly to make good the losses resulting from death, disability, resignation and inability to persist. Human endeavour cannot hold to a specific rate of efficiency for long—more so in a highly competitive sphere of human activity. With the passage of time the output of any given number of men must suffer and many an old-timer fail to keep pace with new ideas. Wear and tear is inevitable.

Continuous recruitment, then, is the only answer to our problem—but it must be recruitment on a scientific basis—on planned lines with well defined objectives—not the haphazard granting of agencies to any and every one who might possibly be in a position to influence some business which has, hitherto, often been passed off for recruitment.

It is this lack of the scientific approach—the failure to understand the necessity for planning and having a system, the importance of selection, the absence of regular and continuous recruitment that has led to the present impasse—where we have far too many agents—more than in many advanced countries—and too few consistent workers.

An Illustration

How have we handled this important task of recruitment? It could not be better illustrated than by quoting from tables given by the Controller of Insurance in the latest edition of the Insurance Year Book.

At the end of 1950, 1,72,936 persons were licensed to act as insurance agents. During the year 1951 as many as 59,972 did not renew their licences. To this number, 64,200 new recruits were added bringing the total number of persons licensed to act as agents to 1,77,164 at the end of 1951. These 1,77,164 agents wrote a new business of about Rs. 133 crores, with first years' premium of Rs. 734 lacs which works out to an average new business of about Rs. 7,500/- with first years' premium of about Rs. 415/- per licensed agent. The total business in force—about Rs. 793 crores with renewal income of Rs.3,974 lacs yields per licensed agency an average business of about Rs. 45,000/- in force, with renewal premium of about Rs. 2,240/-. If, on the one hand, we exclude the considerable number of agents who did not contribute any business whatsoever and, on the other, the business held by companies without the intervention of agents, the average earning of an average licensed agent still remains at the very poor figure of about Rs. 260/- per annum or less than the per capita national income.

The number of licences which lapse every year makes a dismal reading and the position becomes even more depressing when we take into account the number of licensed agencies which never make a start in the business. Year after year the history of thousands of new licences being issued against an even greater number not being renewed, repeats itself. The time has come when we must cry halt to this senseless waste of time, effort and manpower and conserve it for better achievement.

The high percentage of cessation of agencies coupled with the poor earnings per licensed agency referred to above has created a situation which calls for some deep heart searching. Even a superficial examination of the position reveals the inherent weaknesses in our present system: spasmodic recruitment without regard to prevalent conditions and the number of men already operating in the area, haphazard selection ignoring long term utility, lack of perspicacity in the matter of quality and qualifications for the job, lack of proper planning etc. etc.

The Main Cause

A closer examination would reveal that the present state of affairs in an outcome of the fear complex that hagrides many a man responsible for recruitment—an obsession of somehow getting business with callous disregard for the men through whom it is obtained. We cannot escape the conclusion that the present day recruiting effort is not a creative activity—it is the line of least resistance in a sheer struggle for existence.

What Actually Happens

Without exception, every recruit joins the profession to earn or supplement his income. He comes with high hopes of making a success of the job. He tells his family and friends about his hopes and aspirations. When he fails—and fail he must, if recruitment is unsound or not followed up by training and good supervision, he loses face. Because of their sympathy and faith in him, his people join him in a process of vilification of the Company which selected him. In their joint effort to save face, they decry the institution of insurance at large. It is thus that an atmosphere of antagonism against insurance and insurance salesmanship as a career develops. This circle of antagonism widens every time an agency fails. The failure of thousands of agencies every year, and over a number of years, has given rise to public hostility towards insurance selling. It is axiomatic that recruitment to any cadre becomes difficult when the existing men are not satisfied and well settled. Those who have to discharge organisational duties know only too well that there are a class of people who are not only allergic to a suggestion for an insurance agency they are positively inimical and will go

out of their way to prevent others from entering the profession.

The Need of the Hour

It will serve no purpose to apportion the blame for this sad state offairs—the past is dead, it is the present and the future that lie in our hands and it is up to us to take steps to arrest the growth of this unpopularity of insurance salesmanship whether as part-time occupation or a whole-time career.

A Suggestion

The problem, as it exists cannot be tackled so effectively by individual offices. It calls for a joint effort and co-operative research. Unless the leading insurance institutions willingly agree to supply the data necessary for a co-operative research we shall not get anywhere near the solution. To bring into being an impartial set-up which may inspire confidence amongst member companies is the obvious responsibility of the Indian Life Insurance Offices' Association.

Need for Positive Effort

The foregoing suggestion will help to minimise the negative forces working within the industry itself. The next step is to do something of a positive nature for progressive development of the right atmosphere. The industry needs only educated people, but most educated people seem to have an aversion to insurance work. Apart from the antagonism which the past failure of several lakhs of agencies has spread, there is yet another reason. The teacher has a profound influence on the younger generation during the concept-forming stage in colleges and universities. So far insurance does not form as important a subject of study as Mathematics, Physics, Chemistry, Botany, Zoology etc. A few colleges, where the subject is taught, approach it in a casual manner. When the teacher is himself not convinced of the potentialities of an insurance career, the student cannot form any better opinion of it. No wonder young men from colleges and universities do not look upon insurance as a respectable and profitable career.

The Harm the Accrues

That is not all; a greater harm accrues. For lack of prestige of the subject at the concept-forming stage, the new generation does not develop healthy respect for it, and fails to see its economic utility. The work of selling insurance, therefore, continues to be hard. The industry must create a closer contact with the educational institutions if it has to work for wider acceptance of insurance as an essential service.

Another Suggestion

We have 28 universities in the country to which are affiliated several good degree colleges. Is it too much to suggest that the Indian Life Insurance Offices' Association should maintain a chair for insurance in each of the universities by imposing special levy on member companies on the basis of their underwriting capacities? This will not only make insurance a degree course, but will provide the industry with a large number of educated young men with a predisposition for its needs in offices and the field. It will also help create in the new generation a healthy respect for insurance. The present generation in our college and universities is going to influence profoundly the public opinion of tomorrow.

Need for Corrective Effort

Till we are able to carry out the foregoing and some more such helpful suggestions, a corrective effort has to be made gradually to remedy the present situation. It is this aspect of the recruiting work that is dealt with in this paper.

Recruiting, as generally interpreted, is not merely the obtaining of new men. It is the acquisition of new man-power which includes the process of making them successful through a series of correlated activities, e.g.

1. Locating a prospective agent (Prospecting).
2. Qualifying him (Whether he is the right type of man).
3. Presenting him the career. (Convincing him of the opportunity he has in a selling career).
4. Training him adequately (in principles and practices).
5. Guiding him during early stages. (Practical help to enable him to achieve his money objective).

Planning Necessary

The first pre-requisite for a scientific process of recruitment is a carefully worked out plan. We must know what we want to achieve, where we want to achieve and how we want to achieve. This should enable us to determine the number and calibre of men we need and where we need them.

To begin with, we must have a map of the area, population, figures, income distribution charts (whether most income is derived from trade, agriculture, profession, or service) and other information about social customs, religious and political groups. Without these details the province, the district, the town, the sector or the group where we want to recruit is nothing more than a name. Surely, it has to be much more than that, to enable us to estimate the needs, to localise them and arrange for their being provided for! In short, we must have a picture before us, as complete as possible, of not merely 'what' we want, but also 'where' we want and 'when' we want. A full survey of all these 'wants' will conjure before our mind the image of 'WHO' we want to fit into the proper niche.

The Main We Want

At this stage, we must form a clear conception of the man we want—his age and education, his physical fitness and social background, his prestige in the community and marital status, etc.—In short, the type of person who could well serve a particular cross section of society. As we think over these details, the picture of the type of man we need comes before our mind's eye. This is important, because unless we have a clear picture of the type of man we want, we are liable to waste valuable time and effort.

With the picture of "THE MAN FOR THE JOB" complete before us, we shall always be able to discover where we shall seek him. We will find a number of "probables" if we set about our task in the right way. From this number of "probables" we will select a few "possibles". Then we will set about collecting detailed information about them. We will interview them individually, not once but several times (at least thrice), not only at office, but also at

their homes. We will meet them across a table at a lunch or a dinner. It is surprising how many things that count we are able to learn about a person by meeting him in different sets of circumstances.

The Selection

The selection is really the difficult part of the job. In U.S.A. the industry has devised many helpful aids for this purpose. One of the outstanding aids for recruitment work is the aptitude index with mechanical score key. Other countries use several other selective measures.

We have not yet devised any such aids applicable to Indian conditions. I understand that an aptitude index is under compilation, but even when it is made available—it will take a couple of years' research to do so—it will not obviate the need for personal judgment. No mechanical aid, however scientific, can completely replace the value of mature judgment of an experienced manager in the matter of selection of men.

Selling the Career

Then, we will proceed with the next step. We will sell him the career. We will tell him of the opportunities there are in insurance selling, as a career, for the right type of man, the man who is willing to pay the price of success. We will be frank and will not try to camouflage the issues. There shall be no sugar-coating of the job. We will dare him to accept what we have to offer. We shall give him an idea of the job and the opportunity it offers. We will tell him about the company he will be working for, the advantages of an inexhaustible market, unlimited earnings, and the facility to earn and learn simultaneously.

We will then prepare him for the disappointments he will meet and the discouragement he will suffer. We will elate him with the thrill of a sale and the good he would be doing to a family, and follow it up by showing him the constructive nature of his activities, how soul-satisfying it is.

We will describe the scientific nature of his work, its extent in volume and time. If he decides to accept with full knowledge of what he will be up against we have the 'MAN' we want. He will be a credit to us and a credit to the institution of Insurance.

The Importance of Selection

The question of prospecting for the 'MAN' we want has far reaching importance. This part of the job should never be hurried up. We do not have any reliable Indian data to illustrate this point, but the experience of the West should be equally valuable as a pointer.

2% recruiters spend more than 30 hours to select 1 man
12% recruiters spend 26-30 hours to select I man
7% recruiters spend 21-25 hours to select 1 man
16% recruiters spend 16-20 hours to select I man
20% recruiters spend 11-15 hours to select 1 man
32% recruiters spend 6-10 hours to select 1 man
10% recruiters spend 1- 5 hours to select 1 man

In spite of so much time being spent on prospecting and selecting one man, the results are still far from satisfactory.

The following figures will make the point clear:

at it. If he cannot finance himself during this period, he may find it hardgoing. He will not be emotionally attuned to the job and the necessity to make an income may lead him astray. Persons who can finance themselves for a period of six months to a year have a better chance of survival. As an alternative some financing arrangement is absolutely necessary.

Force of Circumstances

Economically and Emotionally Disturbed—1

Some men, by force of circumstances, find themselves pitchforked into jobs which are not congenial to them. Sometimes the income from the work is not sufficient for their purpose, and at others the conditions of service are not satisfactory. Sometimes it happens that the nature of work is not satisfying. Such people are disturbed both emotionally and economically. These men are usually willing to make a change. If they find, in selling, all they miss in their present occupations, they will make success. These are the persons who will suit us, subject to satisfactory scoring on other counts.

Hard-working and Unemployed—2

Hard-working men do not lay over-emphasis on the security part of the job. They know they can write their own security. It is such people who generally make a success. On the other hand, when choosing a man from the unemployed, care should be taken to see that he has not been unemployed for long. Long unemployment some times breaks the spirit of an individual. There is no fight left in him. His confidence leaves him. Such people should not be considered unless there are other factors that outweigh the disadvantage.

Minimum Requirements

Prestige in Employers' Market

Long Term Utility the Only Criterion

We have seen the type of men who make success in selling. They have done it before, and they will do it again. Experience of people responsible for finding and selecting men for the selling career clearly demonstrates that the selling career as a long term vocation is only meant for the really good. We would think from the above that we require a paragon of virtue for a selling career. No doubt we do. It is such men who have the real chance of making an outstanding success. However, a person possessing several of these characteristics, but determined to improve himself and make a success of the job can be acceptable. Since we bring people to our business, often from other business, it is our moral responsibility to see that the number of failures is reduced to an irreducible minimum. We will always need men — more and more men, and it is necessary that we create a prestige for ourselves in the employers' market. Each success makes our recruiting easier and each failure is a stumbling block to successful recruitment. That is why we should select only the best men. The men who have a reasonable chance of success—not so much the immediate success as a long term one. It is in this respect that we have to make a change. The immediate usefulness criterion is no criterion at all? Success normally is not a result of chance or accident; it is planned and worked for. Planning takes time and so does the implementation of plans. Once we have decided upon the qualities of a prospective salesman, it would be necessary to sit down and think of the various ways by

which we could get into touch with a great number of desirable people to select from.

Sources for Recruitment

In addition to our personal contacts—which is by far the best source for recruitment—we could take the help of some of the following:

1. An acquaintance.
2. College or University Career Adviser.
3. Social or Political Worker.
4. The Office Staff.
5. A Policy holder.
6. Secretaries of Clubs, Societies and Lodges.
7. Secretaries of Sports and Dramatic Clubs.
8. Librarians.
9. An Employment Exchange.
10. Other Offices, etc., etc.

Additional sources of supply of names could be:

a. Mis-fits in other callings.
b. Retrenched staff.
c. Displaced persons.
d. Younger members of a family-owned business, etc.

The thing that Attracts Men

Nothing attracts good men more to a business than finding successful men in it. If an organization is doing mediocre business, if production per worker does not yield a living wage, new men of good calibre would not be inclined to take a chance.

When the head of an organization finds that his organization is not upto the mark, he would do well to devote his entire time and energy to make his existing organization a success before attempting an expansion. Consolidation comes first.

Quality of a Recruiter

No one should think of recruitment who does not believe in two things.

1. Insurance selling is a profitable long-term career, and
2. He has the ability to make a man successful in it.

Recruiting starts in the mind of the recruiter. Before one can successfully recruit he has to be able to answer the following questions in the affirmative.

1. Is my attitude towards recruiting positive?
2. Do I know my requirements? Have I put a time limit to the job?
3. Do I sell the career to the right type of man only or just sell to any man who can be sold rather than the man I want?
4. Is my present organization an allurement which would attract successful men to it?
5. Is my career presentation effective? Does it produce the necessary effect?
6. Do I believe in insurance as an incomparable service, and its selling a long-term satisfying career?

Programme or a Problem

When one is able to answer the above questions in the affirmative, he will have a recruiting programme and not a problem.

Selection Versus Enrolment

The expedient method of trial and error is harmful beyond mention. It is time we realized that the key to successful recruitment is an efficient process of discarding, before a man is selected for appointment.

Do not hire the first likely man you come across; that would be obtaining a man and not selecting him. If we appoint one out of five men we prospect, our results are bound to be less satisfactory than those of a person who selects one from 15 or 20. Unless the number of right type of prospects is large enough, the selection at best shall have to be a poor one. If the number we have to select from is small, our need of new-man-power will not let us make a selection. We shall be afraid to investigate his qualities thoroughly for fear of finding out his unsuitability. Prospecting much ahead of need offers the best possibility. Prospecting much ahead of need offers the best possibility of a proper selection.

We want successful men, and we should look for men socially, morally and intellectually sound, having prestige in their community based on personal qualities.

Leadership

The basis of recruitment is the "LEADER". There are certain qualities of head and heart that one must possess before he can recruit successfully. One thing is certain. One cannot attract men of higher calibre than one's own.

All big things start as a dream. Gradually the dream becomes more vivid. It begins to gain definite form. The perspective becomes larger to embrace it. From an ideal on a pedestal, it steps out into the realms of possibilities. Man uses his experience and ingenuity in drawing up plans to attain it. If he does not reach there in his life time, he leaves his experience, the record of his achievement for others to carry on. One day, the goal is reached. Yesterday's imagination becomes the day's reality.

Our Heritage

Today, we are in a position to learn from the experiences of people who have dreamt and accomplished. They have analyzed their successes as well as their failures for the benefit of those who will follow in their footsteps. With so much data before us, the chances of our success are considerably higher. There are definite land marks established so that we may not miss the track. There are beacons, placed at strategical points, so that we may steer clear of the bad patches.

Our Responsibility

What advantages are we taking of this heritage? What will be our own contribution?—are the two pertinent questions one would like to ask.

Paper read at the 9th Indian Insurance Conference.

Thoughts on General Insurance Business

By M. Ct. MUTHIA

(Extract from the Chairman's speech at the Annual Meeting of United India Fire & General Insurance Co., Ltd.)

THE importance of making insurance business an arm and integral part of our national economy has come to be recognised only within recent times. During the past thirty to forty years, our country has witnessed a gradual though slow expansion of industry and business. One gratifying feature of this expansion is that Indian Capital and Indian Enterprise have made a substantial contribution to this result Side by side, Indian Insurance Companies have come to be formed to cater to the new insurance needs arising out of such industrial and business expansion. It must be a matter for satisfaction to us that the major portion of general insurance business directly written in India is now under the control of Indian Companies, though, not long ago, the reverse was the position. We have to acknowledge that our Government have also shown considerable interest in the development of Indian Insurance. A practical proof of this is to be found in their decision to place all Government-controlled insurance with Indian Companies. Having regard to the conditions that existed till recently, Indian Insurance had to narrow its operations to certain types of insurance alone. The sphere of its activities is, however, gradually widening in sympathy with the undertaking and development of new economic activities. Aviation Insurance, Hull Insurance and Machinery Insurance are some of the classes which have attracted attention of late and they are bound in due course to assume larger importance and thus provide fresh avenues for the development of general insurance business in our country. Added to this is the fact that with the completion of the national plans, there will arise a wave of new industrial and productive activities, which in turn will create a greater need and demand for insurance protection. It may thus be said that general insurance business has good opportunities for development in future. While the prospects for the rapid growth of general insurance business are good, we have to take a timely note that this business must be organised and administered on sound lines, if it is to fulfil its true purpose and to take its rightful place in the structure of the nation's economy. After trial and experiment extending over two centuries or more, institutions in some foreign countries have established practices and conventions which have helped to place the conduct of general insurance business on a high level of efficiency. It seems to me that we can gain a great deal by the study of the growth of insurance institutions in the West and the different vicissitudes through which they had passed in the course of their chequered history. In that way, we may be able to build up Indian Insurance on right lines, in a much shorter time. It is said, that due to unhealthy competition and lack of proper understanding among companies, certain evils have crept into the conduct of this business. Let us hope that the Insurance Law and the Code of Conduct that has been evolved in this context will in due course eradicate these evil practices.

There are two other points to which I should like to make a passing reference on this occasion. The first is in regard to the rules that determine the quantum of management expenses for general insurance companies. Under the rules now in force, the expenses of management including commissions should not exceed a percentage of the total gross premium on direct business written in India. Time and again, it has been pointed out that this basis is not rational and that the rules have led to inconvenience and needless hardship to some companies in their operation. These rules do not take note of the expenses incurred in attending to reinsurance business, which forms an appreciable portion of every company's total business. Secondly, they do not provide for administrative expenses incurred at the Head Office in connection with business transacted in foreign countries. Apart from this, the expenses are to be considered separately in regard to each class of business, although it is well-known that every company has to incur expenses which cannot be allocated to any particular class of business. I understand that in the light of the representations that have been made in this connection, the matter is being examined by the authorities and it is hoped that after considering all these aspects, the rules will be suitably altered. The other point relates to the maintenance of Business Reserves. At present companies are permitted to keep Reserves for unexpired risks up to 50 % of the annual premiums in Fire and Miscellaneous Sections and 100 % of the premiums in the Marine Section. It need hardly be said that the strength and, therefore, the progress of a company depends on the reserves that are available to meet all contingencies. Reserves set apart on the above basis, although they may serve the needs arising from normal losses, are inadequate for the purpose of meeting extraordinary or catastrophic losses. It is my firm conviction that until our insurance concerns attain the size and strength of their counterparts in foreign countries, our Government should give encouragement to companies to increase their reserves. This is possible only, if the amounts transferred for building up additional reserves are made free from payment of Incometax.

Reviews

United India Fire and General Insurance Company, Ltd.

AMONG Insurance Companies established in South India and transacting exclusively General Insurance Business, the United India Fire and General Insurance Company, Limited, occupies the foremost position. It was started in 1938 by the late lamented Mr. M. Ct. Chidambaram Chettiyar, and it has a paid-up capital of Rs. 9,99,998. Mr. N. Rama Rao, B.A., B.L., is its General Manager from the start. A few years back Mr. M. D. Smart, who commands a lot of experience in the General Insurance business, joined the Institution as its Deputy General Manager. During these sixteen years, the Institution has not only established itself firmly and built up respectable business connections far and near, but also has followed sound business practices consistently that would serve as a fine tradition for the future. The Company commands a good name wherever it has extended its organisation.

During 1953 the Company's business transactions disclose commendable improvement over the previous year's progress. In the Fire Department, gross premiums amounted to Rs. 20,87,438 as against Rs. 19,08,895 in 1952. The net premiums amounted to Rs. 9,01,767 which represents an increase of about a lakh and twenty-five thousands over the previous year. In the Miscellaneous department the gross premiums amounted to Rs. 7,04,447 and the net premiums, Rs. 3,19,688. The net premiums recorded an increase over the previous year. The Marine Department net premium income has gone down by about Rs. 50,000, from Rs. 11,50,083 to Rs. 10,97,151.

The net profit as per Profit and Loss Account inclusive of the balance carried forward from the previous year after payment of dividend amounted to Rs. 1,93,095. The financial position of the Company on 31st December, 1953 stood as follows:

	Rs.
Capital paid-up	9,99,998
Fire Insurance Fund	4,50,884
Miscellaneous ,,	1,59,844
Marine Insce. ,,	10,97,152
General Reserve	2,00,000
Dividend ,,	55,000
Profit & Loss Appropriation account	78,095
Total	30,40,973

The Company maintains a reserve of 50 % of the premiums for unexpired risks in the Fire and Miscellaneous departments and 100 % of the premiums in the Marine Department.

The Management deserves high tributes for the Institution's good financial position and steady progress and we wish it every success.

Metropolitan Insurance Company, Limited, Calcutta.

THE Metropolitan Insurance Company, Limited, of Calcutta, is one of the few Institutions in India, that reached great heights in the matter of business within a short period. It was started in 1930. In the course of 23 years of its existence, the Company has made such a wonderful progress that in the matter of New Business procuration it stands as the fifth among all Indian Companies. Its new life assurance business for 1953 amounted to Rs. 8,76,69,750. The total Business that was in force on 31-12-1953 was more than Rs. 27·22 crores, including Bonuses.

It is note-worthy that despite increasing volume of business year after year and increasing costs all round, the Company has been able to keep an effective control over the management expenses. For 1953 the renewal expense ratio, calculated on the basis of the Insurance Rules, was only 14·91 % as against 15·09 % of the previous year.

The Life Assurance Fund mounted up to Rs. 4,69,07,763 from Rs. 3,81,05,612 at the close of the previous year.

In the matter of settlement of claims, the Company maintains a good record for promptitude. During 1953, claims to the extent of Rs. 11,42,114 arose out of death. Policies matured to the tune of Rs. 7,62,472. Premanent disability benefit and annuities amounted to Rs. 2,665. To gether with the claims outstanding on 31-12-1952, the total claims amounted to Rs. 28,47,220 of which claims to the extent of Rs. 18,88,578 were settled. Claims outstanding on 31-12-1953 totalled Rs. 9,58,641.

The investments of the Company are of a high order and the average interest yield was 3 78 % during 1953. The following details would give an idea of the investments.

	Rs.
Government Securities and Indian Postal Certificates	1,26,22,392
Approved Securities	89,77,887
Shares and debentures	5,95,937
Loans on policies	61,01,215
Mortgages of properties	28,02,025
House properties in India	1,01,42,023

Thus the Company is making all round satisfactory progress and the policyholders receive prompt service through the network of agencies maintained all over India. The Management and the Board of Directors deserve warm tributes.

Company Meeting

THE NEW GREAT INSURANCE COMPANY OF INDIA LIMITED.

Another Year Of Successful Working

MR. TULSIDAS KILACHAND'S ADDRESS

THE Eleventh Ordinary General Meeting of the Shareholders of the New Great Insurance Company of India Ltd., was held at the Registered Office at Baroda on Saturday, July 3, 1954 under the Chairmanship of Mr. Anandlal H. Sheth owing to the unavoidable absence of the Chairman of the Company, Mr. Tulsidas Kilachand.

At the outset, the Chairman referred to the sudden passing away of Mr. Chhotabhai S. Patel, one of the Directors, who had been taking keen interest in the Company's affairs. He also made some general observations on matters of current interest, such as the improved food position, the unemployment situation, and the lack of finance in the private sector of Industries in the Five-Year Plan. He welcomed the Shroff Committee's suggestion that Banks and Insurance Companies should form a Syndicate for under-writing or investing in new issues of shares and debentures of sound industrial concerns. He was of opinion that by development of the industries in the private sector, additional opportunities would be opened up for employment.

Turning to Insurance problems, he referred to the recent controversy regarding reduction of Life premium rates and welcomed the move of the Life Insurance Council to evolve a certain fundamental basis which would serve as a guidance to the Companies in future. He also advocated that the bigger Companies should adopt a policy of "live and let live", and before any drastic steps were taken, there should be prior consultation amongst Offices. Dealing with the general prospects of Life Business, he stated that the Five-Year Plan, the industrialisation of the country, and the agrarian improvement should open up fresh opportunities for increasing Life Business and that Companies should spread out to every town and village. It is only by encouraging Life Insurance that small savings which are now in the hands of the industrial or agricultural worker can be canalised to the Nation's use.

On the question of the Code of Conduct, he felt that a stage had now been reached when certain amendments to the Insurance Act have become necessary and suggested that while the overall control for maintaining the solvency of the Companies should be continued, individual Offices should be given full freedom in the management of their business. Further, he supported the move of the Indian Insurance Companies' Association and appealed to the Government to permit insurers to transfer 5 % of their yearly premiums, free of tax, until the total reserves reached 100 % of the premium income in Fire and Miscellaneous Insurance Business, 150% in Marine Cargo and 200 % in Marine and Aviation Hull Business.

Dealing with the Company's affairs, Mr. Tulsidas stated that the preference capital which became a debt due to the Bombay Government was fully repaid before the end of last year. He also added that the gross premium in all the Departments amounted to Rs. 1,19,07,541 as against Rs. 1,22,24,838 in the previous year. Of this, the premium income from Life Business was Rs. 20,83,460 and from non-Life Business Rs. 98,24,081. The net premium income for 1953 from Life Business was Rs. 17,68,188 and non-Life Business Rs. 51,90,884 as against Rs. 17,00,713 and Rs. 48,90,645 respectively in the previous year.

Fire Department

The gross premium amounted to Rs. 49,00,502 while the net premium was Rs. 22,88,383. After taking the losses and expenses into account and after maintaining a reserve for unexpired risks amounting to Rs. 11,44,192 or 50 % of the premium for the year, the Department contributed Rs. 6,02,397 to the Profit and Loss Account.

Miscellaneous Insurance Department

The gross premium amounted to Rs. 16,26,575 while the net premium was Rs. 13,91,544. After taking the losses and expenses into account and after maintaining a reserve for unexpired risks amounting to Rs 6,95,772 or 50 % of the premium for the year, the Department contributed Rs. 32,145 to the Profit and Loss. Account.

Marine Department

The Chairman stated that during the year 1953 a working arrangement was made by this Company jointly with a group of four other Companies to pool their resources and facilities for writing Hull Business. He added that it was the earnest desire of the five Companies to do everything in their power to assist in the establishment and development of a Hull Insurance Market in India.

The gross premium amounted to Rs. 32,97,005 while the net premium was Rs. 15,10,957. After taking the losses and expenses into consideration, a sum of Rs. 5,29,938 was transferred from the Profit and Loss Account, partly to meet the claims and partly to increase the unexpired reserve to Rs. 15,10,957 against Rs. 12,43,620 last year.

Life Department

The Company received 3055 Proposals for assurance amounting to Rs. 89,73,175, out of which 2466 Proposals resulted into Policies amounting to Rs. 73,11,800. The net premium received from the new business amounted to Rs. 3,71,262 and the renewal premium Rs. 13,96,926. Total claims amounted to Rs. 1,02,590. The Life Assurance Fund at the end of the year was Rs. 58,91,777.

Dealing with the Profit and Loss Account, the Chairman said that after taking the income and expenses into account, a sum of Rs. 2,28,533 was carried forward to the Profit and Loss Appropriation Account. This amount, together with Rs. 22,679, being the balance brought forward from last year, totalled in all Rs. 2,51,212. The Directors have proposed to transfer to Taxation Reserve Rs. 80,000 and to pay Ninth Dividend on Preference Shares from 1st January 1953 until the date of repayment, viz. 31st May 1953, amounting to Rs. 20,833 less tax. Having regard to the fact that the Company has no liability for Preference Dividend in future, the Directors have recommended an increase in the dividend for the Ordinary Shares to Re. 1/4/- against Re. 1/- per share paid last year.

News

THE INSTITUTE OF ACTUARIES, LONDON.

EXAMINATIONS — MAY 1954

List of Successful Candidates at Centres in India

Examinations were held from 26th April to 7th May 1954 at the usual centres with the following results:—

PART I A

Balachandran, S.	(Simla)
Cooper, P. F.	(Bombay)
Desai, K. B.	(Simla)
Dharmadhikari, S. W.	(Bombay)
Gangolli, R. A.	(Bombay)
Govinda Pillai, G.	(Bombay)
Gupta, O. K.	(Delhi)
Jambusaria, N. N.	(Bombay)
Khanna, P. N.	(Delhi)
Krishnamurthy, A. S.	(Delhi)
Kumar, R	(Calcutta)
Lakshmana Rao, C. S.	(Madras)
Mudkavi, V. B.	(Bombay)
Mulgund, S. P.	(Bombay)
Nagoji Rao, T. R.	(Madras)
Prabhakar, R S.	(Delhi)
Shah, B. V.	(Bombay)
Sheth, U. I.	(Bombay)
Smaller, S L.	(Madras)
Sabba Rao, M. V.	(Madras)
Vijayaraghavan, S. S.	(Madras)

PART I B

Bhatt, P. R.	(Bombay)
Chitambar, G.	(Delhi)
Dhanwate, M A.	(Bombay)
Dharmadhikari, S. W.	(Bombay)
Jambusaria, N. N.	(Bombay)
Krishnamoorthy, R.	(Madras)
Kumar, R.	(Calcutta)
Majmudar, P. I	(Bombay)
Majmudar, P. R.	(Bombay)
Mudkaai, V. B.	(Bombay)
Nagar, A. L.	(Delhi)
Radhakrishnan, M.	(Madras)
Ramaswamy, P.	(Bombay)
Sahasrabudhe, G. K.	(Bombay)
Satyam, D. W. B.	(Madras)
Seshe Ayyar, N.	(Madras)
Shah, B. V.	(Bombay)
Sheth, U. I.	(Bombay)
Shimpi, A. T.	(Bombay)
Smaller, S. L.	(Madras)
Soni, S. N.	(Bombay)
Sundaram, K.	(Madras)

PART I C

Ambi, K. P.	(Bombay)
Balachandran, S.	(Simla)
Balakrishnan, T. R.	(Calcutta)
Bhatt, B. R.	(Bombay)
Chakrabarti, P. M.	(Calcutta)
Chaudhury, I. N.	(Delhi)
Chaudhury, S. C. R.	(Calcutta)
Dedhiya, N. P.	(Bombay)
Dhanwate, M. A.	(Bombay)
Dharmadhikari, S. W.	(Bombay)
D'Souza, G. W. D.	(Bombay)
Jambusaria, N. N.	(Bombay)
Kameswara Rao, A.	(Madras)
Kapur, V. N.	(Delhi)
Khosla, B. L.	(Bombay)
Krishnamoorthy, R.	(Madras)
Majmudar, P. I.	(Bombay)
Mulgund, S. P.	(Bombay)
Nanavati, R. M.	(Bombay)
Pradhan, C. D.	(Bombay)
Ranganathan, M. C.	(Madras)
Sankaran, C.	(Bombay)
Satyam, D. W. B.	(Madras)
Shah, B. V.	(Bombay)
Sharan, A K.	(Calcutta)
Shastri, C. N. S.	(Bombay)
Sheth, U. I.	(Bombay)
Smaller, S. L.	(Madras)
Soni, S. N.	(Bombay)
Vijayaraghavan, S. S.	(Madras)

PART II A

Cooper, P. F. (Bombay)
Diwan, M. G. (Bombay)
Gangolli, R. A. (Bombay)
Godbole, K. V. (Bombay)
Gopala Rao, V. V. (Simla)
Krishnaswami, P. (Bombay)
Lodaya, D. K. (Bombay)
Parameswaran, N. V. (Simla)
Ramnarain, C. R. (Madras)

PART II B

Agashe, D. S. (Bombay)
Basu, D. (Calcutta)
Chakrabarti, P. M. (Calcutta)
Dighe, R. T. (Simla)
Diwan, M. G. (Bombay)
Gangolli, R. A. (Bombay)
Ghosal, A. (Calcutta)
Godbole, K. V. (Bombay)
Krishnaswami, P. (Bombay)
Mehta, S. R. (Bombay)
Mohanty, P. C. (Calcutta)
Motiwala, N. S (Bombay)
Ramnarain, C. R. (Madras)
Rangarajan, R. (Bombay)
Thanawala, N. H. (Bombay)

PART II C

Chadha, R. C. (Simla)
Chatterjee, P. K. (Calcutta)
Cooper, P. F. (Bombay)
Diwan, M. G. (Bombay)
Godbole, K. V. (Bombay)
Kawatkar, C. S. (Bombay)
Kelkar, M. K. (Bombay)
Lodaya, D. K. (Bombay)
Majmudar, P. R. (Bombay)
Puri, G. P. (Delhi)
Sadiq, M. (Hyderabad)
Sivasubramanian, K. N. (Bombay)
Sundararajan, V. (Madras)

PART III A

Akhtar, S S. (Hyderabad)
* Diwan, M. G. (Bombay)
* Dongre, N. M. (Bombay)
Godbole, K. V. (Bombay)
Kanekar, B Y. (Bombay)
* Ramakrishna Iyer, D. (Simla)

PART III B

* Bhonsle, P. S. (Bombay)
* Dongre, N. M. (Bombay)
Ghosal, A. (Calcutta)
* Kirpalani, G. K. (Delhi)
* Krishnamoorthy, D. (Bombay)
Motiwala, N. S. (Bombay)
* Ramakrishna Iyer, D. (Simla)

PART III C

Aneja, A. S. (Simla)
* Bhonsle, P. S. (Bombay)
† Damle, G. H. (Simla)
Daruwalla, R. K. (Bombay)
† Deshpande, V. V. (Bombay)
Dighe, R. T. (Simla)
* Dongre, N. M. (Bombay)
* Haque, S. M. A. (Calcutta)
* Khalfe, A. M. (Bombay)
* Kirpalani, G. K. (Delhi)
* Krishnamoorthy, D. (Bombay)
† Krishna Sastry, K V (Madras)
† Krishnaswamy, K. R. (Bombay)
* Luktuke, R. G. (Bombay)
† Markan, D. D. (Delhi)
Mehta, S. R. (Bombay)
Mohanty, P C. (Calcutta)

PART IV A

* Narayanan, P. (Bombay)
* Narayanan, S. V. (Simla)
* Ramakrishna Iyey, D. (Simla)
Ramu, B. (Simla)
† Venkatasubbiah, G. (Bombay)
* Narayanan, P. (Bombay)
* Ramu, B. (Simla)

PART IV B

† Brahmananda Rao, I. (Madras)
* Khalfe, A. M. (Bombay)
Ramaswami, C. R. (Madras)
† Sesha Ayyar, V. (Bombay)

PART IV C

Sundaresan, N. (Simla)

* Qualified as Associate.
† Qualified as Fellow.

Universal Fire & General Insurance Company, Limited.

Mr. Indukumar U. Patel, B.A., has been appointed as the Managing Director of the Company as from 1st July 1954. Mr. T. P. Kapadia continues as the General Manager of the Company.

Ruby General Insurance Co., Ltd.

Mr. P. R. Gupta, M.A., F.C.I.I. (Lond), General Manager (Life) Ruby General Insurance Co., Ltd., was at Kanpur on 11th and 12th for inspection of the local Branch office of the Company.

During his two days' visit Mr. Gupta had a busy programme at Kanpur. He addressed members of the Kanpur Insurance Institute at a reception arranged at "Valerios" on the 11th evening where he devivered a very illuminating address on current Insurance problems which was intensely appreciated by the audience.

Shri P R. Gupta, also visited the Meerut Branch of the Company.

High Blood Pressure

Mr. B. B. DOTTO, Chief Medical Officer, Police Co-op. Life Insce. Society, writes:-

Following the publication of over two dozen articles on various aspects of blood pressure and nearly a dozen blood pressure tables of mine in the medical and insurance press in India and abroad, I have been requested by medical men in general practice and life assurance medical examiners to express my views as to what is high blood pressure from general practitioners' and life assurance view point.

The question is a tangled one with diversified views and the final opinion has not been pronounced as yet. For the information of my kind and valued correspondents, who are scattered all over India, Pakistan, Burma, Ceylon and British East Africa, I have taken the liberty to quote the following international authorities.

I. According to Dr. George Oliver, M.D., F.R.C.P., high blood pressure would mean either a systolic pressure of 145-160 and a diastolic pressure of 100-110.

II. Dr. J. F. Halls-Dally, M.A., M.D., B.Chir., M.R.C.P., is of opinion that blood pressure is suspiciously high, if the systolic pressure is between 145 to 150 and the diastolic pressure is between 90 to 110. As regards life assurance he considers a systolic pressure above 140 as suspicious.

III. Dr. Brandreth Symonds, M. D. says that for life assurance acceptance the systolic pressure of 140 should be the highest.

IV. Mr. Lewis Potter Orr, F.F.A., has a personal dislike for lives with a systolic pressure of over 140 for life assurance.

V. Dr. Hugh O. Gunewardene, M.B., B.S., D.M.R.E. considers a systolic pressure of 150 and a diastolic pressure of 90 as the upper limits of blood pressure in an adult.

VI. According to Prof. Dr. John W. Gotman, M.D. of the University of California, high blood pressure would mean either systolic pressure greater than 142 mm. Hg. or a diastolic pressure greater than 92 mm. Hg.

From my humble experience extending over a quarter of a century I am of firm opinion that for life assurance acceptance the maximum systolic pressure should not exceed 140 mm. Hg. and maximum diastolic pressure should be below 90 mm. Hg. By referring to the maximum, average and minimum blood pressure tables prepared by me, based on 10,000 entrants, one will find that age 50-54 the maximum systolic pressure is 140·3 mm. Hg. and maximum diastolic pressure is 88·6 mm. Hg. These tables were originally published in January, 1952 issue of the well-known medical journal, the Antiseptic of Madras. My blood pressure tables have been incorporated in the text of all the leading books of reference on Insurance and as such are easily available.

For general practitioners'. I would at once admit that I am no authority. But from knowledge gained at the hard school of experience, I may be permitted to suggest that for general practitioners I would add 10 mm for systolic and 5 mm. for diastolic pressure over my maximum figures for life assurance acceptance. That is the high blood pressure would mean a systolic pressure of 150·3 mm. Hg. or a diastolic pressure of 93.6 mm. Hg.

All India Insurance Salaried Field Workers' Association

During the last 25 years Insurance Companies have amassed large funds — built up large annual incomes and the new business has risen from 16 crores to 120 crores a year. This has been achieved not because people run for insuring their lives nor because the Companies have made efforts to educate the people regarding the value of Life Insurance. All this increase of business is due to the efforts of a large number of educated middle class people who due to unemployment flock to this profession. Unfortunately, the Insurance companies have not developed a clear-cut system of employment with the result that no salaried field job is permanent. Anyone who joins this profession faces destitution in advanced age. The words "salary & confirmation" are used deceptively. The ordinary English connotations of these words are not accepted by the companies.

Insurance business is run by the middle class white collar labour. While in England a man gives preference to work under an Insurance Company to a Govt. job, the conditions in India are quite contrary. Although we, the Insurance Salaried Field Workers, occupy the very pivotal position in the entire organisational set-up of an office, and provide the springhead of the continuous flow of new business the life-blood of the office, our working conditions remain preposterous beyond all reasons. We have no security in the tenure of our service. Scientific and practical considerations have no bearing on the fixation of our remuneration. The central theme of our appointment is a business guarantee which we are asked to fulfil in an unrealistic environment of work. Almost all of us are even denied the status of a normal office employee, and such benefits and privileges as those of provident fund, dearness allowance, bonus, leave and so forth. It is needless to go into more details to show the extent of exploitation that we are subjected to by our employers; it is too flagrantly patent.

The present methods of field organisation were at the root of all our disabilities. They were also frought with consequences, highly detrimental to the various interests involved in the industry at large. These methods put a dead stop to our progress, deprived the policy-holders of the necessary services in any reasonable measure and affected the quality and the costs of business most adversely. So, our demands are plain and straightforward. The scientific methods should only be employed in planning the field organisation. The standard of the profession should be raised to a higher level and made commensurate with a reasonable degree of dignity and prestige. Specialised professional training in the scientific sense should be made the criterion of the responsible positions in the administration. The practice of contractual appointments based on business guarantee should go for good. The profession should be open only to whole time men in possession of certain well defined qualifications. All the life offices should accept the view that it was their fundamental responsibility to provide an adequate background for the successful conduct of our work, before we are expected to give a good account of ourselves. It was nonsense to say that our economic well-being depended merely on our capacity for procuration of more and more business. It was a travesty of facts. The offices want us to work under absurd condition, yet show them some impossible feats of business performance. Natural justice demands that our emoluments should be economic and of a progressive character. Benefits and privileges of provident fund, dearness allowance, bonus, gratuity and leave are our legitimate dues.

Mr. S. Parthasarathy's visit to Kumbakonam.

Mr. S. Parthasarathy, Managing Director, Prithvi Insurance Company, Ltd., Madras, paid a visit to Kumbakonam on the 24th August, 1954 when the Company's local Branch Office entertained him and presented him with an address. A public function was held in his honour when a large gathering was present.

Speaking on the occasion, Mr. Parthasarathi pointed out that the financial prosperity of a country depended on the efficiency of its banking and insurance companies. While the deposits in banks were almost static, that of the insurance companies increased in geometrical proportion. In South India, about six crores of rupees were being remitted every year by way of premia to companies registered outside the State. There could really be no conflict between North and South Indian companies, but it was natural for people living here to see that their deposits were employed in the development of business in this part of the country. If the bulk of the premia going out of the State were to be invested here, they could easily finance many development schemes.

Referring to management of companies, Mr. Parthasarathi said that the great defect with most companies was that they did not train highlevel executives. In his view, the number of high-level trained executives in a concern was a security against any deterioration in its efficiency. He appealed to the public to patronise South Indian companies, as by doing so they would be building up their industrial future.

Mr. Parthasarathi then unveiled a portrait of Mr. A. M. Swaminatha Chettiar of Nagapattinam, Mr. C. Ramaswami Mudaliar, M.P., presided.

Indian Insurance Companies Association Pool

Madras Regional Committee, 1954-55

- Mr. N. Rama Rau
- ,, T. S. Muthuswamy
- ,, S. Ramachar
- ,, Dwarakadas Narayandas
- ,, R. Parthasarathy

Mr. M. Gurumurthy

Mr. M. Gurumurthy has been appointed the Branch Secretary of the Industrial and Prudential Assurance Company, Ltd., at Madras. Mr. P. Ramaswamy, who has been holding the post for about 15 years has retired.

Indian Insurance Directory, 1953

Publishers: Sahakari Vima Prakashan Ltd., 11, Agiary Lane, Fort, Bombay: Demi 1 to 8: Pp. 416: Price: paper bound Rs. 5/-; Rexine bound Rs. 8/-.

This Insurance Directory is published annually and the one under review is the third publication. The presentation is good. Paper used and printing is excellent. It is very useful to all interested in the business of insurance in India. All information connected with the business are neatly arranged so that any reference can be easily made. Details of the working of both Indian and Non-Indian Insurers operating in India are furnished. Besides, general information relating to the business such as Actuaries in India, Administrative Regions under the Insurance Rules, Aviation Schedule, Code of conduct for General Insurers, Code of conduct for Life Insurers, Conflagration districts (Bombay) conjested areas (Calcutta) Extracts from the Estate Duty Act, 1953, Government Machinery for Administration of Insurance in India list showing some hazardous trades and goods, Income tax and super tax, Occupational ratings, Population and area in the Republic of India, and various other details are given. No one can under rate the importance of keeping a Directory of this kind particularly by those engaged in the profession of Insurance Selling. Insurance Companies and their Branches should find the Directory all the more useful.

Registered No. M. 3297.

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

INDIAN
Policy-Holder
MADRAS

SEPTEMBER
1954

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No. 5

"I hold every man a debtor to his profession:"
Francis Bacon (1561-1626).

Every man is a debtor to the world; to his parents, his school master; his friends and employers. He owes them his existence; his knowledge; his happiness and his daily bread.

To his profession he has another debt; debt due to generations past whose integrity and skill have given his calling the reputation he enjoys. To them he owes his status as a worker and thinker.

Profession carries a wider meaning now than a date won; and professional status is common talk, is extended to many functions in business and industry, but it is not won lightly, a long record of public responsibilities must come first.

Life Insurance is one such profession and we repay the debt only by handing on still higher standards and a higher status than those of yesterday to the business of tomorrow.

THE UNITED INDIA LIFE ASSURANCE CO., LTD.
MADRAS 1.

THE INDIAN POLICY-HOLDER

(A MONTHLY JOURNAL ON INSURANCE)

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

CONTENTS

THE INDIAN POLICY-HOLDER
VOL XX SEPTEMBER 1954 NO. 5

General Insurance Business in India

IT is really encouraging to note from the Annual Reports of a large number of Indian Insurers, transacting General Insurance Business, that the progress made is altogether satisfactory. And this impression, it must be noted, is not based exactly on the premium income. In the absence of a publication like the Government of India Insurance Year Book giving the aggregate total of all Insurers for the year 1953, it is not easy to be definite about the trend of the total premium income from General Insurance Business, but with the gradual fading away of conditions prevailed on account of the II World War, no one need be surprised even if there has been a down fall in the premium income. At the same time, it must be also remembered that any such shrinkage in premium income would have been all the more greater, but for the post-war expansion that is now taking place in the Country and the whole-hearted support extended by the Government of India. With all this, if Indian Insurers carrying on General Insurance business deserve to be complimented, it is because of their achievements in the course of a decade or so. A fairly large number of Indian Insurers began operations in General Insurance only after the break of the II World War. Till then most of the General Insurance Business in the Country was handled by foreign Insurers Particularly after the attainment of Independence, Indian Insurers were able to command a major portion of the General Insurance business available in the Country. Out of a total General Insurance net premium of about Rs. 21 crores in 1952, Indian Insurers' share amounted to Rs. 14.5 crores. The number of Indian Insurers transacting General Insurance business is about 100. Compared to their recent entrance to the field of General Insurance, and the dominating influence the foreign Insurers held in the Country for more than one hundred years, the record of the Indian Insurers is one over which our countrymen should feel proud. There is ample scope for these Institutions to develop further year after year especially with the implementation of the 5 year plan and the growing industrial expansion; and the Indian Insurers would be able to take advantage of such favourable conditions only if they all co-operate together and work in the field as a team, keeping clear in their mind the one motto, "Service to the public". As at present, there seems to be no proper understanding amongst Insurers themselves. Competition, there may exist in business getting and in all seriousness it must exist if General Insurance in India should develop rapidly. But, what one has to deprecate is the general tendency on the part of the Insurers to play the game of mud-slinging. Mr. E. K. Srinivasan, in his Presidential address at the 18th Annual General Meeting of the Indian Insurance Companies' Association rightly observed: "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 every one of us stood before the mirror and had a look at his own face. We must as a body launch on a moral rearmament." It is only this kind of unbusinesslike methods practised by a large number of Insurers that brings discredit to the whole organisation. While any progress worth mentioning made as a result of good spade work, employing honourable business methods would be ennobling and serve as a proper foundation for the building up of a greater future, the business built up by questionable methods would leave only a bad taste. Indian Insurers have entered the field of General Insurance only recently and they should possess great ambition to play a great role not only in India but also in all other Countries in the World. Such an ambition is not beyond the reach anyway. If that ambition is not to prove a mere illusion, proper steps to lay the required foundation should be taken now. One of such steps is to eliminate unhealthy competition, amongst Insurers themselves. Indiscriminate rebating must go once and for all. The Rates structure should be equitable. The Indian Insurance Companies' Association Pool should be better managed without any discrimination whatsoever and no room should be allowed for criticism. The pool can function successfully and to the utmost benefit of all Insurers. Ignoring any of these aspects is not to the well being of the progress of General Insurance in India; anyway. The first and the foremost of the Indian Insurers' motto, irrespective of big or small, should be "Live and let Live". The Insurers can co-operate amongst themselves and act in good faith to obviate Governmental interference at every stage, which is in itself a great service to the society at large.

Scientific Selection of Agents

By Shri R. JAYARAMAN, M.A.,
The Bombay Life Assurance Co., Ltd.

STAND for a few moments at the corner of two intersecting streets observing the flowing stream of humanity. You are sure to be oppressed by the realisation of the terrible inequalities that mark the human race. The financial security of this divergent group is a burden which has to be carried by society and the State. If there is to be such a financial security, then the life long habit of thrift must be followed. Even if there is a capacity to save, then the money saved should be invested intelligently and safely so that the same may be available regularly when future needs arise. Also such a provision against future needs should anticipate and provide adequately for covering the risk of death. The answer to the risk of death, the answer to chance, the answer to the problems of thrift and investment, the answer to the universal quest for financial security is the idea of collective sharing the burden of risk—namely life assurance. Thus life assurance renders service to the individual in securing the financial security of him and his dependants and it also renders service to the nation in increasing the utility value of money by which it creates wealth.

If such is the nature of life assurance, one may ask as to why it should be sold. It has to be sold because life assurance is a service satisfying wants of the future and not of to-day. Few individuals are capable of understanding the creative effects to which life assurance could be applied to, as many are still under the impression that it just gives a protection against loss due to death only. This misconception on the part of the public has made it necessary for life assurance to be sold. If then, this misconception in the minds of the public is to be erased and if life assurance is to attain the dynamic power to make people want it, it is necessary that the principles of life assurance have to be brought to the particular notice of the public by good selling. It is now our purpose to analyse the type of persons needed who will be able to effectively show the way of life assurance which leads to financial security of every individual as a member of the society.

Let us first study the average type of agent who has been working in the insurance line in India. The following table extracted from the Insurance Year Book gives a picture of the number of fresh and renewal licences applied for as against the number of licences not renewed. The figures are given for the period of five years from 1945 to 1949 as from middle of 1950 onwards licences are being issued for a period of three years thus making annual survey of the agents who go out of insurance line difficult.

Year	Fresh licences issued.	Renewal licences issued.	Total	No. of licences not renewed out of those issued during previous year	Percentage of licences not renewed to total No. of licences issued during previous year	Total new business effected in the year.
						In Crores
1945	66,553	56,373	1,22,926	33,529	37.3	135.4
1946	85,520	74,472	1,56,992	48,454	39.4	144.3
1947	85,245	88,924	1,74,169	68,068	43.4	126.4
1948	82,320	87,696	1,70,016	86,473	49.6	119.7
1949	85,389	95,358	1,80,737	74,668	43.9	135.3

The above table reveals that more than a third of the agents had stopped working in 1945. This rate can be seen to have increased considerably from 1945 onwards. It can also be seen that the average amount of insurance sold by an agent does not exceed Rs. 10,000 and that this average has steadily decreased from 1945. Also, during the year 1949, Indian Insurers, who had secured over 90 % of the new life insurance business effected in India had issued 5,26,000 policies insuring Rs. 1,23,13 lacs thus securing an average sum assured per policy of Rs. 2341. This means that an agent secured in a year just about four policies of Rs. 2500 on an average. Do these figures justify all the education, technical knowledge, estate planning and salesmanship required of a successful life assurance agent? Does the average sum assured per policy extend full financial security even for the widow only, let alone a widow burdened with young children?

The answer to the above question is well known to every one of us. Even the Clause No. 64, (1) of the Insurance Amendment Act has accepted the urgent need to improve the type of agents that are being recruited to-day and has envisaged the proper selection and training of agents. Sooner those who are responsible for the conduct of insurance business in India move in this matter, the better will it be for the profession of insurance and for the economic improvement of the nation.

Man power adequately recruited, carefully selected, thoroughly trained, properly supervised and appropriately motivated is the keystone factor of success in the building of an effective sales organisation. We need not be afraid that proper selection of agents which takes longer time and necessitates weeding out theuseless part time agents will result in any decrease in the new business secured. In foreign countries much research has been conducted in this regard and it has been found that a properly selected and trained agent can and with appropriate motivation does, produce as much of new business as half a dozen untrained agents secure. It has also been found that the quality of business is extremely satisfactory in the former case.

How then are suitable agents to be contacted? This can be done either by blind or open paper advertisements, direct mail advertisements or direct contact methods. The method of recruitment through paper advertisements helps to conserve the Manager's time, brings in a constant

stream of new men, controls the flow of new men at the time of programmed expansion, produces definite ratios of effort to result by spreading the effort and lastly, forces the regular attention of the Manager to the new-man problem, keeping him alert in building skill in the new men selection. But this type of recruiting has the disadvantage of involving a cash expenditure interfering with regular activity and of being in the nature of a long term plan. The direct mail advertising, in contrast to the paper advertising, can be applied to restricted areas and also to a particular section of the society. It is also less expensive. However profitable the methods of recruiting by direct mail and by advertising they take but secondary positions in comparison with the direct effort by personal contact which the manager or the official himself puts into his recruiting activities.

If the above are the methods in brief of contacting new men, then how are we to select the men most likely to succeed as life assurance salesmen? It has been seen earlier that most of the present day agents are part-time agents who have just tried to go through the 'show' of life assurance for a short period. If so, it is our first duty to eliminate such useless agents. Well then how can we find out as to which of the prospective agents will be transitory and will be unsuccessful in creating proper perspective in the minds of the the insuring public? What is needed for knowing this is not an analysis of the positive qualities but an analysis of negative characteristics. What is needed is not an improved type of accelerator but an improved type of brake. The positive qualities will take care of themselves and the agent, in possession of some of these positive qualities in direct contrast to the absence of negative characteristics can always be trained to come out successful. Let us then set up, first a danger sign, a red signal, which means "Under no circumstances appoint this man."

The man who is not honest should be rejected because he is definitely unsuitable to handle the confidential matters involved in the planning of the estate of his clients. Also such a dishonest person is shrewd enough to make money by unfair means. Invariably such a person promises too much. He may begin by saying that he has already proposals for a large sum and is waiting to pass it on to that company which gives him the most favourable terms. It is safer to reject such a person outright as in the long run he can do good neither to the parties nor to the company.

There is a second set of persons with very low mental capacity who will always be giving trouble to every one connected with them. They will have neither the aptitude to learn nor do they possess enough enthusiasm and wisdom to sell life insurance well. This set of persons usually requires thousands of rupees of worth of supervision.

Reject the man who is financially in trouble. Any person who cannot hold himself together for atleast about two months is unsuitable for this profession. Such a person will be so engrossed in finding out ways to meet his needs that he will rarely have the equanimity of mind to advise the parties about the proper form of life assurance cover they need. He will look more to the immediate gain he will get in a transaction rather than build up the goodwill of the party by advising him about the proper plan of assurance he needs.

The above three types of persons should be firmly rejected. Run up the red flag against these persons, who are not honest, who have a low mental capacity and who cannot finance themselves even for a short period. There are other types of persons who can with adequate training and proper supervision prove successful as insurance agents. But we have to proceed a bit cautiously with the following type while the type described in the previous paragraphs should be rejected outright. Yellow light of caution is indicated in the case of the following types of persons :—

A person who has few or no contacts, one who prefers and has lived in seclusion away from the society cannot be expected either to build up an expanding circle of clients or understand life assurance which is essentially a business of human relationships where the problems solved are human.

A person who has no ambition to improve his standard of living and who has reconciled himself to a relatively low standard of living will not last long as a life assurance agent. Such a person will always require special supervision and motivation to make him produce more, as a result of which unnecessarily longer time is spent on him thus increasing the cost of his business.

Also, a person with decided anti-social views or with poor health will not prove to be a success as an insurance agent. The insurance agent should be able to understand the point of view of others. He should also not have the burden of overcoming recurring physical handicaps. Similarly the person who has always avoided taking responsibility will surely prove to be a failure as an insurance agent. It may also be stated that the prospective agent should neither be too young nor too old. The former will not be able to understand the implications of estate planning while the latter will have very little of enthusiasm left in him to adjust himself to life insurance selling. In a way it is better to avoid taking persons who make us feel sorry for them as it means that we take such persons not because of their capabilities but because of our pity for them.

Thus we have seen that there are two types of persons one of whom should be rejected outright while the other type requires adequate supervision and motivation to make them successful insurance agents.

Let us now discuss the positive qualities which a successful insurance agent should possess. Most of these necessary qualities are evident from the discussion of the negative qualities already discussed. A successful life assurance agent should have honesty of thought and should possess enough education to enable him to understand the technical aspects of this business. He should also be conversant with estate analysis work and should have sympathetic understanding of human problems and aspirations. He should be methodical in his work and at the same time be able to handle intelligently any situation that may arise. He should realise that real competition is not between Companies but a competition of honest service. The successful insurance agent should be able to plan his activities,

routing his calls and arranging his interviews, studying and keeping up with the latest development in the business, working out new sales ideas and selling techniques. He should take genuine and sympathetic interest in others coupled with sincerity, pleasantness and willingness to be co-operative and helpful.

Psychological research has been done in other countries in finding out ways and means of proper selection of agents. Perhaps the greatest single contribution that has been made in recent times in the development of scientific technique for the selection of Life Assurance sales personnel is the Aptitude Index sponsored by Life Insurance Agency Management Association of America. Briefly the Aptitude Index consists of two parts. The first part is a Rating Chart consisting of certain personal history questions. These questions were selected as giving the best predictions of not only first and second year production but also whether the individual selected would remain in insurance business or not. These questions ask for the following details from the applicants; (i) Name, address, age and sex (ii) Educational qualifications (iii) The number of dependants (iv) Present occupation (v) Previous experience in insurance selling, if any (vi) The public organisations with which he is connected and whether he has held any important office in any such organisation (vii) His net financial worth (viii) Minimum amount needed to meet his current living expenses per month and (ix) The amount of life assurance cover he holds personally. It can be seen that the information obtained about the applicant, in answer to the above questions, will give a fair idea of the capability and usefulness of the applicant as a life assurance agent. The second part of the Aptitude Test consists of a large number of Personality Characteristic questions. There are three types of personality questions which are meant to find out whether the applicant is normally sympathetic in dealing with other people and their problems; whether the person is selfish or too much introspective about himself and whether he is self-confident, considerate, industrious, cautious etc. These questions are designed to measure the various aspects of the prospective agent's personality which are important for his success in the life assurance business.

The purpose of the Aptitude Test is to assist us in selecting suitable persons with high rating as agents thus avoiding unnecessary waste of time and energy in the training and supervision of low scoring applicants. Incidentally, this test also provides the applicant with guidance as to whether he will be successful as an insurance agent or not and the applicant who scores highly in the test naturally starts his career with confidence. The Aptitude Test also will help to improve considerably the standard of selection of agents, which will surely result in rendering better service to the public and building up their goodwill.

It may take a long time for us to adopt this kind of selection in India. But we are glad that the Indian Life Offices Association has, with foresight, already taken steps to consult leading psychologists to draft an Aptitude Index suitable to Indian conditions and needs.

When we begin to select agents on scientific methods and give them proper training, the agents will be able to discharge their duties well. The properly selected and adequately trained agent will possess enough of technical knowledge of life assurance and sympathetic understanding of human needs and aspirations to find out and sell the most suitable policy looking to the needs and circumstances in which the prospect is placed. These agents will realise their responsibilities to see that the assignments, age admission and other necessary requirements are complied with and that the policy is maintained without being allowed to lapse. To achieve this purpose, they will also feel the need to maintain continuous contact with the assured and advise him not only in regard to the policy but also in regard to his other financial problems, thus assuming the important role of the assured's personal friend and guide.

Lastly, no scientific method applied in selection of agents will be successful without proper training, supervision and adequate motivation of those agents. The initiative in this regard should come from the Head Offices of the Companies through well-disciplined, fully-educated field officers who should always be ready to improve the knowledge and efficiency of every agent. Contrast the Company which has a powerful agency department organisation responsible for the proper direction and control of the entire sales organisation with the company whose sales personnel are left to look after themselves. The former will be flourishing with increasing and improved sales personnel while the latter will find it difficult to maintain even its present business production.

Let us then make a resolve to weed out the useless and uneconomical part-time agents, begin carefully selecting suitable persons as agents on scientific methods, thoroughly give them training and make them come out as successful life insurance underwriters by properly supervising and adequately motivating them.

Paper read at the 9th Indian Insurance Conference.

Three Essentials of Successful Underwriting

I. Inspiration — 2. Information — 3. Determination

BY WALTER W. SMITH,

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BEING Raised on the farm I acquired the habit of getting up early. I worked long hours for little pay, but I learned some good lessons that have stuck with me through life, and one of them is that there is always a certain amount of hard work to do on any job — no matter what the job may be.

My subject is "Three Essentials of Successful Underwriting," and I want to say that I have found in my eight years in the insurance business, that all insurance men aren't successful. I have tried to study the successful man and just see what makes you click year after year; men who always repeat and make the money.

In making this survey I have simmered down all of the good points and have chosen three that I think are essential if any man is going to have a successful career in life underwriting. I just can't get these off my mind I am like the old man who went to a psychiatrist for examination. The old fellow had become so befuddled in his business he decided to consult a psychiatrist. When he went in the psychiatrist asked him to sit down in a chair and said he would begin by asking him a few questions. "The first question I will ask you is, if you were going down the road in your car, making 80 miles per hour, and suddenly a brick wall loomed up in front of you, what is the first thing you would think of?" And the old man replied, "Kissing a beautiful woman."

"Why in the world," said the psychiatrist, "would you think of a thing like that at a time like that."

The man replied, "That's all I ever think about."

These three essentials are all that I think of in successful underwriting, and if I don't get the others, I must have these three if I make the goal I have set.

Inspiration

The first essential — the one I place at the top of my list, is *Inspiration*. This is your mental attitude, your outlook on life and your job. This has everything to do with the kind of service you give, the business you sell, and the company you work for. You must be sold on your job and the product you are selling before you can sell it to the public. I do not know whether you men have any underwriters like we have down in my country. I imagine you do. We have some that remind me of the old man's dogs. This old man in my town had three dogs. He called one Old Farmer, one Old Banker, and one Old Merchant. I asked why the names.

"Well, you just don't know my dogs. Come on and I will show you," he said.

"Now take Old Merchant: he can catch a rabbit just right off, and when he gets it Old Banker will take it away from him."

"Well," I asked, "what does Old Farmer do?"

"Why he just sits around on his tail and growls.

We have men like that, and they are not good for the company or the community. You have seen underwriters who always talk down instead of up; always talk little instead of big. They never see anything good.

Where do I get a lot of my inspiration? I put may manager at the top. The company trains the men they put over us, and they are ready and willing at all times to help me in my work, and show me how to work my debit and make more money. It is the pattern management and top leaders of my company, and of other companies that fire me to greater things.

We just had a manager to leave our District. He went to Augusta, Georgia. He was a top manager; and made a good record. After he had left an underwriter from another company asked if I did not hate to see him go. "Sure," I said, "but we will get another just as good; and if he is not good we will make him just as good." Every manager we have had has been promoted when he left our District. No District will ever rise any higher than its manager, and great is the manager who can inspire his men to do great things without having to drive them. I have agents to tell me "the Boss is never satisfied; he will want more next year." Well, I would not give you a snap of my finger for the Boss who is satisfied. If a man only does what is required of him, he is a slave. The moment he does *more* he is a free man.

In this business we are never standing still. We are going forward or backward. There happens to be a moral law: that when anything stops growing it dies. The same thing applies to the physical and mental law. I am inspired by having a part in the biggest job in the world—helping folks save to put that son or daughter through college, or something for later years when retirement comes. This is the reason I call the first essential *Inspiration*—I must have inspiration.

Information

Number two that I place on my list is *Information*. You may call it education. I did not have the advantages the young people have to-day, in acquiring an education; but in our business any man who is willing to study and be taught keep abreast of the times in the insurance business.

Let me pause and thank all the insurance companies for the fine training programs they have for their men, and the high type advertising they are placing before the public and the aid they are giving to the policyholders in regard to health and welfare. We just don't get anywhere in the field of business today unless we are willing to study and learn. There is usually plenty of room at the top, because some of those who get there go to sleep and fall off. For insurance all great plants and industries, even your civic clubs and the churches of your choice, have their training programs. We should be better informed than the Deacon and Steward in two of our churches in the city where I live. They were walking down the street when the Steward bet the Deacon $5.00 that he could not repeat the Lord's Prayer. The bet was placed, and the Deacon started by saying: "The Lord is my Shepherd, I shall not want; He maketh me to lie down in green pastures—" The Deacon interrupted and said, "I didn't think you knew it—here is your $5.00."

Determination

I heard one of the best authorities on insurance make a startling statement. He said that in ten years from now one-half of the insurance sold in this country would be sold by men that are not yet in the field. That shows how the trend is and the degree of aid men must have to cope with the trade. When we in the life insurance business get too old to be taught or to learn, we are dead and don't know it.

After we have all the needed information, and our inspiration, there is one more and last essential. I call it *Determination*, . . . hard work. I find the only reason I do not produce is when I don't work. This week you have all heard and talked about some real ideas for doing your job better, and if you are like me you sat back and said, fine, dandy, I will try that. And what happens? Nothing, absolutely nothing. You have heard that knowledge is power. It becomes power only when and if it is organized into a plan of action. In working a debit I find work to do that is a real pleasure, and all the pleasure I get from my business not from a monetary standpoint.

Some of the things I get most joy out of I never get any pay for. I am trying to build a niche in my community so that little niche will be a better place than I found when I came there.

We can be ambassadors of good will everywhere we work. Not only for the companies we represent, but for this great nation as well. This thing we call freedom, and the Democracy we preach—that every-body thought was going to take the world, has not worked out so well. The circle on the map is growing smaller and smaller, and the countries that once believed in our way of life have changed; and if we are not willing to share with the people we deal with every day, in their trials and misfortunes, they may have the chance to take away what we have build in this great nation of ours. Freedom and responsibility are like the Siamese Twins—if separated they die.

In my town I am the Metropolitan Life Insurance Company; and the way I conduct myself and the kind of service I render is just what the people know of my company. I don't know what you think, but I think I work for the best life insurance company in the United States, and I don't think much of you unless you think the same thing about your company. I have actually heard men kick the company they work for—the ones that sign the cheque and give it to them every pay day! I would like to make this statement: My company has done far more for me than I have ever done for it; and when I don't draw the pay I think I should, I have nobody to kick but myself.

Speaking of these working essentials, I have made the Honor Club six years in a row. In September, 1949 my manager called me on the carpet and said, "I want you to do something for me and something for you that will work wonders. You know the reason a great many people do not recognize an opportunity when they meet it is that it usually goes around in overalls—looking like hard work. I want you to go to the President's Club." You know in working a debit of $400 weekly, $1600 monthly, and about one million ordinary, it is no child's play to make the President's Club. I felt that if I had committed myself and did not make it I would be like the time I was pulling shrubs for my wife in the mountains. I had crawled under a wire fence and walked up the hill, when all at once I saw a large bull coming down the mountain. I bellowed up to a farmer who was standing on the side of the hill, "Mister, is your bull safe?"

"He is a durn sight safer than you are," he replied.

Well, anyway my manager told me that year that we could make the President's Club with a new policy that was coming out, and he was going to Washington to learn all about it, and when he came back with the information we would go to work. Then, I felt like the ants on the golf course. The man had dubbed three times and missed the ball every time, but always managed to kill the two or three ants, when one ant said to another, "Big boy, if we want to live we had better get on the ball." So while the manager went to Washington to learn how to sell the new policy, I got out and sold enough to make the President's Club.

We do not have a great number of folks that have money in a town of 3,500 people, so I knew I was going to write a lot of small applications. The results were: from September to December I wrote as much business as I had written all year.

Going to the President's Club does something *for* you and *to* you. You really like to associate with men that make the President's Club each year. They never complain about business; they always have a good word, and they look prosperous. When you get down in the dumps and don't have another prospect, and think you will never make it, look at your *inspiration*, your *information*, and your *determination*, and make up your mind if you can't get the big ones that you will go after the little ones. Be better than average! You know what average is, don't you? If you are average, you are the sorriest of the best, and the best of the sorriest; and always remember this: success requires no explanation, and failure permits no abibis.

Estate Duty and Life Insurance

By B. N. CHOWDHURY,

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THE Estate Duty Act, came into operation on the 1st October, 1953. It has become of some importance to insurers in as much as they can by their expert advice render useful service to their constituents in estate planning and attract a good volume of business as cover against Estate Duty. A very brief outline of the Act has been given. It is felt however that the interpretations given though based on law and practice of analogous statutes in other countries specially in U. K. may undergo changes in the light of the decisions of the Courts in this country in future.

Under this Act the tax would be charged not only on the estate of the deceased which passes to his executors or administrators under his will or intestacy but also on other property, which is deemed to pass on his death, although over it he may have no power of disposition whatever. The word 'Estate' is thus used in the Act in a very wide sense and includes all possible rights and interests that may pass on death.

The Estate on which Duty is chargeable are briefly as follows:—

(i) All property passing on the death of the deceased either immediately on death or after an interval and including settled property and agricultural land. Property within the disposing capacity of the deceased including property comprised in revocable gift in settlement as also the property which could be charged by the deceased are deemed to be property passing on death.

(ii) Joint Investment upto the extent of the deceased's share in the investment.

(iii) All gifts unless they were made two years before death or six months in cases of gifts for public charitable purposes.

(iv) Settlement or trusts made with reservation.

The following properties are exempt from estate duty:—

(a) All gifts for public charitable purposes upto Rs. 2500/-. Also such gifts for any amount made six months before death.

(b) Any other gift upto Rs. 1500/- or for any amount if made before a period of two years of death.

(c) Household goods and implements necessary to the deceased to earn a livelihood to the extent of 2500/-

(d) Books not intended for sale.

(e) Wearing apparel but not including any precious or semi-precious stone that may be sewn there.

(f) Drawings, Paintings, Old Manuscripts, other works of Art etc., which are retained in the family or which have been given away to any public institution and are not meant for sale.

(g) A policy of insurance effected for the purpose of payment of Estate Duty and assigned to the Government for the purpose to the extent of Rs. 50,000/-

(h) Monies deposited with the Government in prescribed form for the payment of Estate Duty upto Rs. 500,000/-

(i) A life Insurance policy upto Rs. 5000/-

(j) Monies earmarked under a policy of life assurance or by settlement on marriage of every female relative dependant on the deceased to the extent of Rs. 5000/- only in respect of each such female dependant.

(k) Funeral expenses of the deceased upto Rs. 1000/-

(l) All debts incurred by the deceased provided they are bonafide would be allowed to be deducted from the Estate.

Except the above there are no other exemptions though there are some reliefs under the Act.

Under the provisions of the Act all properties of the deceased, except those mentioned under (c), (d), (e), (f), (j), above passing on his death are to be aggregated for the purpose of assessment for Estate Duty. However, the estate which passes on death but in which the deceased had at no times, any interest would be aggregated separately and would be treated as separate estate by itself.

Life Assurance Policies on the life of the owners of an estate, absolutely and irrevocably nominated in favour of another person are to be treated as separate estate for the purpose of assessment since in such estates the deceased *never* had any interest. Hence policies effected under Married Women's Property Act where the assurance is for the benefit of one or more named beneficiaries absolutely would be treated as an estate by itself The result may be twofold. First that the policy may attract a duty at a lower rate than it otherwise would be and secondly that the duty on the remainder of the property liable may be at a lower rate than would be chargeable if such policies were aggregable. It must be clear that the word "never" underlined above must be strictly construed. It may be pointed out however that when any property is not "aggregated" and is treated as a separate estate no duty would be payable if the amount of such separate estate is less than Rs. 1 Lakh.

Under section 6 of the Married Women's Property Act a policy effected by a person on his life and expressed for the exclusive benefit of the wife and/or children on the face of it shall create a trust in favour of the beneficiaries. It is desirable that at the time of taking out the policies the assured should appoint a trustee as otherwise policy moneys would be payable to the official Trustee in the first instance who will then pass on the amount to the beneficiary. As indicated each such policy would constitute a separate estate and hence if separate policies are taken out in favour of the wife and each of the children of the life assured each such policy would be exempt from Estate Duty to the extent of Rs. 1 lakh.

As already indicated bonafide gifts made by the deceased at least two years prior to his death have been exempted from Estate Duty. This requires transfer and delivery of the property and the donee should retain for the period of two years at least the possession and enjoyment of the property to the entire exclusion of the donor to constitute a bonafide gift. Absolute and irrevocable assignments in favour of relatives are to be treated as absolute gifts and such disposition would not be subject to estate duty if made two years before death. Life Assurance Policies irrevocably and absolutely assigned at least two years before the death of the assured would come under the category of gifts only when after assignment no further premium on the policy is paid by the donor and all premiums after such assignments are paid by the donee or by a person other than the donor. Single premium policies of fully paid-up policies subsequently assigned would be a valid gift if the assignment is effected absolutely and before two years from the date of death. If however the donor continues to pay premium after assignment the sum assured secured under a Policy would be subject to Estate Duty being the money received under a Policy of insurance which is wholly kept up by the deceased for the benefit of a donee, whether nominee or assignee.

The present note should by no means be construed as indicating means for the evasion of tax. It should help in forming an idea how a proper planning of the estate of a person may be made to avoid unnecessary heavy taxes. It also indicates the benefits of life assurance for the payment of estate duty thus avoiding mortgaging of property or a forced sale of a property which might lead to a loss. A life assurance policy taken specially for the purpose of payment of Estate Duty enables one to pay in easy instalments out of the current income to secure a heavier sum on a contingency which comes suddenly and often without notice. The amounts so secured would automatically be applied for payment of the duty thus helping to a great extent in the conservation of the assets.

Insurance in Japan

By C. M. SRINIVASAN, B.A., B.L.,
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JAPAN is a nice country and so are its people. The country was heavily damaged by the last war, and the signs of the ravage are still there though gradually disappearing. Being quite a cool place (situated in temperate zone) people in Japan are very active and can work for twelve hours a day, as do many, without feeling bored, or getting very tired. There is plenty of flora and fauna besides the small gold fishes in glass cisterns in many houses and hotels, which add cheer to the work during working hours.

Even in Insurance Offices or business houses, one finds plants and dwarf trees inside the rooms adorning the receptions and other places adding delightful appearance to the cool atmosphere. No wonder Japan is a lovely country with plenty of water and beautiful fishes to look at. People in Japan are able to put in more hours of work easily due to Nature's great benevolence. Besides, the people there have developed a high sense of dignity of labour and do not consider any work beneath their dignity whatever may be their rank or position.

My personal experience while in Japan, are instances to the point. "TRAVEL LIGHT" is the rule while travelling in Japan as it is in Europe and England. So generally people travelling, do not take more luggage than they themselves can possibly carry while travelling. Naturally, there are no porters at all stations on the Railway, as we find in India, except a few red-capped porters in important stations of cities, like Tokyo, Osaka, Kobe, Kyoto, etc.

During my stay I had to travel and stop in intermediate stations, small townships, and I had by mistake taken more luggage than I could possibly myself carry with me. So in the intermediate station when I alighted, seeing my plight with too many pieces of luggage, the station master and his assistants carried my luggage themselves and put it in a taxi.

C. M. Srinivasan, B.A., B.L.

Again, during my early morning walks in the country towns, i.e. small sub-urban stations, I used to find boys and girls sweeping the public streets and keeping them clean and on investigation I found that in many places to avoid Municipal levies, the local residents themselves carry out all work such as cleaning streets etc. and this has become necessary after the war, since the reparation dues from Japan are weighing on them heavily. The community project which we are working in our country with some difficulty and expense, I felt the Japanese have volunteered themselves to carry out as a common cause.

About Insurance business in Japan, there are to-day twenty Life Insurance Companies and an equal number of companies transacting Maring, Fire and Accident Insurance business all of Japanese origin. Besides, a number of foreign companies are also operating, many of them American. The Head Offices of most of the Companies are in Tokyo. About half a dozen companies have their Head Offices in Osaka, the second largest city in Japan.

The origin of life Insurance Companies in the present form in Japan, from the history of these companies, appears to be mostly from the 20th Century, though there were a few established during the last quarter of the 19th Century. The Meiji Life, Asahi Life and Nippan Life were established during the years, 1881, 1888 and 1889 respectively. The Tokyo Mutual Life now named as such was started originally in 1895 under the name of Shinsu Shinto Life Insurance Company by Kyoto Honganji, a representative of the Buddhist Churches in Japan for the social security and personal prosperity of the members of the Buddhist Churches. The Company made remarkable progress and within the last few years it was made Mutual.

It is interesting to note that Life Insurance in the modern methods started in India almost about the same time as in Japan or even a little earlier. But the people of Japan have taken to Life Assurance in larger measure and the percentage of Insured is higher than in India. This is evidently due to the fact that Japan is an Industrial Country with a very industrious people. Hence, they became insurance-minded much earlier than in India. Also, the fact that India was under a foreign domination may account to some extent for the slow progress in this country.

Another interesting point worth the mention is the fact that Japanese insurances follow the American pattern, while in India we are following the European methods. This became very clear to me, discussing with the Actuary of a Life Insurance Company, their methods of valuation and distribution of bonus were American and my friend showed me an American text book for his authority.

About Mutualism of life Insurance in Japan, there has been a large scale Mutualisation of life companies in Japan only during and after 1947. This, in my opinion, is due to two reasons. One, the Japanese being nearer to America, the founders of the Mutual Societies, had knowledge of the working of a number of American Mutual companies and so desired to have mutual societies. Two, the terrible reverses the Japanese met with after the 2nd World War and the Mac Arthurian influence gave impetus to Mutualisation. The effects of the war brought about country-wide disaster and Insurance companies also had their share of the trouble. Many companies went bankrupt and there was reconstruction of the wreckage, with the result that many were reconstituted as Mutual Companies during 1947, through transfers, amalgamations, etc. of some of the companies that

wrecked. Only a few major companies on the General Insurance side escaped major disaster as in general business, the contracts are annual and not for life time or over a long number of years as in life.

However, Daiichi Mutual Life Insurance Coy, Tokyo, is an exception to the above. The word 'Daiichi' in Japanese means, the first kind started in 1902 as a Mutual concern from the beginning. Mr. Tsuneta, Yano, the founder, wrote; "Our life is short and within this short span we must work and contribute something to the good of humanity. In this I was much inspired by other people and I have also done my best for the realisation of Mutualism in this country with a firm conviction in my heart for the good of Humanity".

To-day out of twenty Japanese Life Insurance Companies, fifteen are mutual.

The History of General Insurance Business in Japan will make a separate chapter. Japan being a maritime country with several ports and numerous bays and creeks on the seaside, its shipping industry started much earlier than in any other part of Asia. With the growth of the shipping industry their Marine Insurance grew. In Asia it may be said that Japan has the longest experience in Marine Insurance as they developed their ocean trading in an efficient manner and counted as an important shipping country prior to the last war.

So, in the matter of General Insurance, Marine Insurance plays an important part, though, to-day, the Japanese Marine claim experiences are very high.

Compared to Life Insurance, General Insurance in Japan was of earlier origin and very much earlier than the starting of General Insurance concerns in India. The Tokyo Marine & Fire was started in 1879, the Nippan Fire and Marine in 1892, and Nichido Fire & Marine in 1898 though under a different name.

Among the General Insurance Business concerns in Japan, there are two Mutual Companies, the Deiichi Fire & Marine Mutual Insurance Company and the Kyoei Mutual Fire & Marine Insurance Coy. and both the Mutual Companies on the General Insurance side are doing well. It will interest the insuring public to note that in India on the General Insurance side there is only one Mutual Concern on public service basis and a few on sectional lines.

The Insurance laws in Japan are on the same level as in advanced countries though there is a touch of Americanism in them as well. The laws are not so rigid as in India nor so theoretical and impracticable.

It has to be remembered that the Japanese islands are divided into 4 or 5 prefects each under a Governor. The Prefectural Governor was the Supervising authority over the Insurance Companies till 1900 A. D. when the Insurance Business law was promulgated and an Insurance Section under the Ministry of Commerce and Industry was set up to supervise Insurance Business in Japan. Subsequent development and tightening of control over the business, brought the Government Insurance Supervisory section under the Finance Ministry of the Japanese Government and there is good supervision over the affairs of the Insurance Business by the Government of Japan to-day as in India. Provision is also made by the Government Body for statistical work and other matters concerning the safety and good conduct in public interest.

Besides the Governmental body to supervise the affairs of the Insurance Companies, there are the two non-official organisations as well as the Life Insurance Association, of which all Life Companies are members and Non Life Insurance premium rating Association of which all Non Life Insurance Companies are members.

The Life Insurance Association of Japan was started in 1908 for the common good of all member companies and this is functioning efficiently to-day.

The Non Life Insurance Premium Rating Association was started only in 1948 to regulate rating and prohibit monopoly and a common rate was computed by this organisation which is generally authorised by the Finance Ministry of the Government. This Association strives to calculate reasonable rates based on statistics.

The Fire Business in Japan to-day is good business and there is quite a great competition for the same. There are many foreign companies and one leading Indian Company also operating in Japan and the Fire field is very competitive as it is most paying to-day. But it has to be said that out of the total general business in Japan, only a very small percentage goes to foreign companies. The Japanese like the Western Nations have developed a strong national economic sense that they can act only in the best interests of their country and not act as so many do in India looking only to their personal prosperity. Even the foreign companies, except the powerful American ones, have no stronghold in Japan.

My impression after my short study and experience gives me the feeling that in Insurance the Japanese will attain their prewar status in a few years, but to what extent India and Japan can co-ordinate is a little problematic. At the moment the country has not completely recovered from the stupor after the two bombings.

The Japanese are a courteous people, cheerful and lively in their manners. But in business they are very hard and will not yield unless they know their position.

The Japanese nation generally are business-minded and sentiment has no place among them as we see in India. They are honest and do well what they undertake. They are very practical compared with us and so secular that our ways of life and thinking vary from them in many respects. I think there is much for us to give and take from them.

I wish more business people from India visit Japan and act as messengers of goodwill and pave the way for closer relationship between the two countries.

Review

Industrial & Prudential Assurance Co., Ltd., Bombay.

THIS Institution, established over four decades ago, has earned a name for conservative management and excellent service to the Policyholders. The management, always conscious of its responsibilities, has been very cautious in the selection of candidates to work in the field and establishing a permanent organisation throughout the Country. The Directors' Report on the working of the Institution during the year 1953. presented to the fortieth annual general meeting of Shareholders, on the 5th July, 1954, shows that 7718 proposals resulted into policies assuring in aggregate the sum of Rs. 3,00,26,150. This record of new business represents an increase of about Rs. 50 lakhs over the previous year's progress. The total number of policies in force on the books of the Company was 66305 assuring in all Rs. 21,23,24,559.

The renewal expense Ratio for the year as calculated under Rule 17D of the insurance Rules was 14.8%. The over-all expenses were 25.8% of the premium income.

The Life Insurance Fund has increased from Rs. 5,82,94,780 to Rs. 6,40,35,126.

In the matter of investments, the Management has exercised great care. In Government and Approved Securities alone, Rs. 3,17,47,711 has been invested. The total investments in Stocks and Shares amounted to Rs. 5,10,55,565, the market value of which showed a depreciation of Rs. 36,64,035. To cover up the depreciation the Company has built up a depreciation reserve amounting to Rs. 46,32,366.

During the year claims by death including bonuses amounted to Rs. 11,38,774 as against those for Rs. 11,06,542 in the previous year. Claims by maturity including bonuses amounted to Rs. 31,28,365. The Management is prompt in settling the claims. As on 31st December, 1953, the estimated liability in respect of outstanding claims was Rs. 16,31,124 out of which claims to the extent of Rs. 6,74,876 has since been paid.

A dividend of Rs. 2/- per share, free of income-tax for the year ending 31st December, 1953 was recommended to be paid out of the Shareholders' Dividend Reserve Fund.

Mr. V. C. Setalvad, the Managing Director of the Company deserves high tributes for the satisfactory progress of the Institution and its good financial position. We wish the Institution every success.

Actually the experience of motor insurance is very unsatisfactory everywhere. In fire insurance, the existing rates closely followed the pattern and level of tariffs in the insurance world. Hence it is felt that there is no case for reduction of premium rates in general insurance business notwithstanding the fact that claims experience in 1953 has on the whole been favourable."

In the course of his welcome address, Mr. A. K. Dutta observed: "There has been a marked rise in new business of foreign companies operating in this country as against the gradual decline in the business of Indian Insurers and this fact must put us to shame. While the foreign Insurers should have their legitimate chances to write maximum business possible, spirit of "Swadeshi' in Indians should not die so soon immediately after the Independence so as to give preference to 'Foreign Insurers' "

Executive Committee

The names of the office bearers of the Rajasthan Insurance Association for 1954 are given below:

President: Mr. D. R. Anand (New Zealand); *Vice-Presidents*: Mr. A. K. Datta (Bombay Mutual) and Mr. K. B. Nangia (Oriental); *General Secretary*: Mr. U. C. Sipahimalani (Western India); *Jt. Secretary*: Mr V. S. Malhotra (Lakshmi); *Treasurer*: Mr. K. N. Agarwal (New India); *Publicity Secretary*: Mr. R. M. Totuka (Jupiter General); *Members*: Mr. S. K Soni (New Asiatic), Mr. Jiwatram Chellaram (National Indian), Mr. J. S. Mehta (Ruby General), Mr. K. C. Mudgal (Bharat); Mr. S. J. Hingorani (National); Mr. D M. Singhvi (New Asiatic); *Auditor*: Mr. K. N. Pandit (Jayabharat).

Estate Duty Deposits

A draft amendment of Estate Duty Rules provides for payment of interest at the rate of 2 per cent. per annum on the deposits made for the purposes of payment of Estate Duty under Clause (g) of subsection (1) of section 33 of the Estate Duty Act. Under this clause, such deposits will not attract the estate duty up to the actual amount of duty payable on the estate. The deposits however will be aggregated with the rest of the estate for arriving at the rate at which duty will be levied.

Estate Duty Valuers

Government of India have appointed a large number of valuers under Section 4(3) of the Estate Duty Act. These include 173 Engineers/Surveyors/Architects; 249 Accountants; 8 Jewellers. 11 Art Critics; and 12 Actuaries. The appointment is for a period of three years from August 16, 1954, but the valuers are eligible for reappointment at the end of the period, subject to the rules then in force governing such appointments. The scale of charges for the remuneration of valuers for valuing any property has been fixed as shown below, and no such valuer shall charge a fee at a higher rate. On the first Rs. 50,000 — ½ per cent of the value; on the next Rs. 1,00,000 — ¼ per cent. of the value; on the balance of the property — ⅛ per cent of the value.

The names of the twelve Actuaries appointed as valuers are given below.

Messrs. Hiralal Datta, M.SC., F.I.A., Ajit Das Gupta, M.SC., F.I.A., Prabhat Kumar Ghosh, M.SC., F.I.A., Tejomaya Ghosh, M.SC., F.I.A., H. K. Sen, M.SC., A.C.I.I., A.I.A., F.F.A., K. A. Pandit, B.SC., F.I.A., V. L. Sapre, M.SC., F.I.A., T. R. Srinivasan, M.A., F.I.A., G. Venkatasubbiah, M.A., B.T., A.I.A., K. L. Gupta, M.A., B.SC., A.C.I.I., F.I.A., F.F.A., D. Subrahmaniam, M.A., F.I.A., F.S.S., R. Venkitasubramonia Iyer, B.A., F.I.A.

Mysore Insurance Co., Ltd.

Government of India in the Department of Economic Affairs have issued the following notification (Gazettee of India of 14-8-54) regarding the above company.

"Whereas on a report made by the Controller of Insurance in this behalf, it appears to the Central Government that the purpose of the Order of the Government of India in the Ministry of Finance No. 100(21)/ICA-53, dated the 18th April, 1953, appointing Shri P. S. Sundaram, M.A., F.I.A., C/o United India Life Office, Post Box No. 281, Madras, as Administrator of the Mysore Insurance Company Limited, has been fulfilled.

Now, therefore, in exercise of the power conferred by section 52D of the Insurance Act, 1938 (IV of 1938), the Central Government hereby directs that the said order shall stand cancelled with effect from the 14th August, 1954 and the management of the Insurance business of the said company shall continue to vest in the Prithvi Insurance Company Ltd., Madras, to which the business of the said company has been transferred by an order made under sub-section (2) of section 52B of the said Act.

C.I.I Examination results

The names of candidates appearing from various centres in India who have completed the Fellowship and Associateship Examinations of the Chartered Insurance Institute of London are given below.

Fellowship Examination

CALCUTTA: Mr. Nadimpalli T. Raju, (National) and Mr. Asok C. Sen Gupta (Commercial Union).

Associateship Examination

General Branch

BOMBAY: Mr. Vimalchandra V. Desai (New India), and Mr. Rushikesh A. Sheth (New India).

CALCUTTA: Mr. Gerald K. D. Green (North British and Mercantile).

Fire Branch

CALCUTTA: Mr. Bimalendu Chattopadhyay (Northern), Mr. Kenneth G. Finlayson (Norwich Union Fire) and Mr. Cushrow R. Irani (Alliance).

Ordinary Life Branch

BOMBAY: Mr. Piroj F. Cooper (Bombay) Mutual).

Accident Branch

BOMBAY: Mr. Ambalal B. Kapadia (New India).

Marine Branch

BOMBAY: Mr. Terence E. D'Souza (Northern) and Mr. M. Mahabala Rai (New India).

CALCUTTA: Mr. Rameswar Seal (National)

National Branch

MADRAS: Mr. Joseph Josephath (Employees' State).

Employees' Insurance Courts Rules

The Government of Madras have notified certain draft amendments to the Madras Employees' Insurance Courts Rules, 1951.

The draft, which will be taken into consideration on or after October 8, 1954 in the light of objections or suggestion received till then, provides that every

News

Insurance Conference at Jaipur

The Rajasthan Insurance Association organised at Jaipur the Second Insurance Conference that was held on July, 11, 1954. Mr. Tikaram Paliwal, Finance Minister, Rajasthan, inaugurated the Conference. Mr. P. R. Gupta, M.A., F.C.I.I., General Manager, (Life) Ruby General Insurance Co., Ltd., presided. The Chairman of the Conference Committee, Mr. A. K. Dutta, delivered the welcome address.

Mr. Paliwal inaugurating the Conference paid high tributes to the organisers of the Conference and pointed out the usefulness of holding such Conferences. Referring to the Employees' State Insurance Scheme and the Insurance Schemes started by some States in the Union for the Insurance of Government servants, observed: "Schemes of this type, instead of restricting the area of operation, throw open a wider field to the insurers by taking the message of insurance to the home of every Government official and by making every family "insurance minded." Adverting to the scope for expansion of insurance in rural areas Mr. Paliwal stated There is a tendency for the insurance workers to flock round the urban areas and neglect completely the rural areas where there is a large scope and a need for insurance. The message of insurance should, therefore, be made to reach the rural areas. There should be "Community Projects" and "National Extension Services' in the field of insurance too."

Mr. P. R. Gupta, in his Presidential Address, referred to the various problems that Insurance in India is facing today. Reduction in premium rates, the proposal for floor rate for life insurance, the Shroff Committee's report, the impact on insurance, of the Estate Duty Act, nationalising Insurance, were the points on which Mr. Gupta dwelt. Regarding proposals for reduction of general insurance premiums, he observed.

"Side by side with the reduction of life insurance premiums the question of reduction of general insurance premiums has also come to the fore. The Tariff Committee have received a direction from the Controller of Insurance to consider the feasibility of a downward revision of rates in general insurance business. But it is felt by the industry that the prevailing tariff rates are not high and the rates for the bulk of the cargo in marine insurance are dictated by international factors. There is also a general complaint that the existing cargo rates are uneconomic. Actually, ever since the abolition of the combined marine surcharges on marine cargo risks in 1947, competition has forced down basic rates of premium all over the world to a level that does not appear to be economic and the present tendency is to use the war risk rates to subsidise the marine rates. "With regard to motor insurance it has been pointed out that, though motor rates were increased last year, the present rates are still lower than that prevailing elsewhere.

application, under the rules shall be presented in the same manner as a pleading in a civil suit and where the applicant or the opposite party is a minor or a person of unsound mind, a statement to that effect and the full name, age, occupation and address of his or her next friend or guardian should be given.

Insurance Staff's Demands at Bombay

About three hundred insurance employees of Bombay demonstrated outside the office of the Regional Labour Commissioner on the 9th September 1954, demanding the appointment of an All India tribunal to go into the grievances of Insurance Employees.

The employees carried placards asking the Government of India to reconsider their decision not to appoint a tribunal and called for mass action if their demand was not met.

Later, a deputation of workers presented a memorandum to the Regional Labour Commissioner to be forwarded to the Government of India. The memorandum listed the various demands including higher pay scales, better working conditions and bonus for insurance employees.

Madras Insurance Staff Demands

All-India Tribunal Urged

A resolution requesting the Government of India to reconsider their decision and to set up an All-India Tribunal to adjudicate on the common charter of demands submitted by the All-India Insurance Employees' Association, was passed at a meeting of the South India Insurance Employees' Association held at Madras on the 17th September evening to observe the All-India Protest Day.

The meeting was held at the Mahajana Sabha Hall, Mount Road, in response to the appeal issued by the All-India Insurance Employees' Association. Mr. A. Ramachandran, Vice-President, who presided, said that the policies of the Government of India against the interests of the working class as shown by the modification of the Bank Award must be opposed.

Mr. T. S. Ramanujam, President of the Association addressing the meeting said that at a time when the insurance employees were demanding an All India Tribunal it was necessary that the recommendations of the awards of the Labour Appellate Tribunals should be implemented and the only way in which it could be done was to follow the proposals suggested by Mr. V. V. Giri in his letter of resignation, viz., to appoint a High Power Commission which would go into the matters in controversy after implementing the Labour Appellate Tribunal's recommendations

The meeting passed a resolution stating that it was not correct to say that the Industrial Disputes Act would solve the problem as the conditions of service were not uniform and urging on the Government of India to reconsider their decision and to set up an All-India Tribunal to adjudicate on the common charter of demands of the All-India Insurance Employees' Association. By another resolution the action of the Government of India in modifying the recent Bank Award was criticised.

A resolution passed by the meeting stated that in view of the unreasonable attitude shown by the Government so far the Working Committee of the All-India

Insurance Employees' Association be requested to "chalk out a programme of country-wide mass action including a strike in order to compel the Government to concede the demands of insurance employees."

Messrs. M. Ramamurthi and K. H. Sankaranarayanan also addressed the gathering.

Government not to set up an All-India Tribunal.

The Government of India have decided not to set up an All-India Tribunal for the dispute in the Insurance industry. This was announced by Mr. Abid Ali, Deputy Labour Minister, in the Lok Sabha on September, 1, 1954, replying Mr. Sadhan Gupta, Communist. Mr. Abid Ali said, The experience of the All India adjudication in the banking industry has shown that it is very difficult for such tribunals to evolve suitable scales of pay and dearness allowance applicable to employees in a large number of branches and offices located in different parts of the Country.

The machinery provided under the Industrial Disputes Act, 1947 was always available for the settlement of disputes in individual units in the industry.

Insurance Staff

Token strike proposed

The Working Committee of the All-India Insurance Employees' Association, decided on the 26th September, 1954, to observe an all-India token strike some time in December, if the Government did not concede their demand for the appointment of an all-India tribunal to deal with their grievances.

The Committee, has requested insurance company managements, having offices in the flood-affected areas in Assam, West Bengal and Bihar, to grant immediate relief to their employees.

By another resolution, the Committee extended "its full support to Bank employees in their struggle to secure a reversal of the Government's order modifying the Appellate Tribunal's decision."

The demands of the insurance employees include, among other things, enquiry into the industry as a whole and standardisation of wage structure and service conditions all over India.

Mr. R. Patel, President of the Association, is of the opinion that insurance employees, numbering over 25,000, all over India were having no salary scales, service conditions, retirement benefits and security of service. The condition of subordinate staff was still worse. He said that an application of uniform standard for wage scale and service conditions throughout the country could be made by an all-India tribunal alone. The employers, Mr. Patel said, were, under the pretext of expense ratio, resorting to wage cuts, retrenchment, stoppage of increments and bonus cuts.

Insurance Staff's strike decision Adjournment motion in Lok Sabha ruled out.

The Speaker, Sri Mavlankar, ruled out on the 28th September, 1954, an adjournment motion tabled by Mr. Sadhan Gupta (Communist) in the Lok Sabha, on "the decision of the insurance employee to go on strike as a protest against the Government's refusal to set up an all India industrial tribunal for the insurance industry."

All India Insurance Salaried Field Workers' Association

Shri Sudhindra Lal Roy, President, All India Insurance Salaried Field Workers' Association was at Delhi on the 18th September 1954 in connection with amendment of the Insurance Act.

He also contacted the Indian National Trade Union Congress authorities and the Labour Minister to get Insurance Salaried Field Workers' recognised as "Workmen"

South India Insurance Association

The Annual General Meeting of the South India Insurance Association was held on the 18th September, 1954 in the Andhra Insurance Company Building at Madras. Office bearers elected for the year 1954-55, are as follows:—

President:
Sri N. Rama Rao (United India Fire)

Vice-President:
Sri A. S. Mani (Vanguard Insurunce)

Secretary:
Sri S. Rangarajan (Prithvi)

Committee Members:
Sri N. V Nayudu (United India Life)
,, T. S. Swaminathan (Asiatic Govt)
,, T. Gopal Krishna (Bharat)
,, K. S. Ramamurthy (Sterling General)
,, G. Venugopal (Oriental Fire)
,, A. M. Soundarajan (Pandyan Ins.)

Auditor:
Sri E. Sivaraman (Andhra Insurance)

Silver Jubilee celebration of Jeeban-Beema.

The Silver Jubilee Celebration of "Jeeban-Beema" (Bengalee Journal) had been duly observed on Friday afternoon, 27th August in the premises of National Insurance Office at 7, Council House St., Sir Dhirendra Nath Mitra, the Sheriff of Calcutta adorned the Chair of the President. Hon'ble Sri Saila Kumar Mukherjee, Speaker of West Bengal Legislative Assembly was present as the Chief-guest and Dr. Hemendra Nath Das Gupta graced the occasion by opening the function.

Canara Mutual Assurance Co., Ltd.

The Canara Mutual Assurance Co., Ltd., have appointed Messrs. Ratilal & Co., Bhuravala Building, Kadia Kui, Relief Road, Ahmedabad as their Chief Agents for Gujarat, Saurashtra and Cutch.

Wedding

C. R. Sivasubramanyam, Director & Secretary, The India Life & General Assurance Society, Limited, Coimbatore celebrated the marriage of his daughter Selvi: Sakuntala Devi with Selvan. M. S. Sampath, B.Com., A.C.A., (son of late M. S. A. Shanmuga Mudaliar, Banker, Velur, N. A. Dt.) on Thursday the 9th September 1954 at his residence, 5, Rondy Street, Rathnasabapathipuram, Coimbatore The marriage in the morning betwenn 7-30 & 8-15 A.M. and the reception in the evening at 5 P.M. were largely attended. Sri M. S. Palaniappa Mudaliar, Chairman & Mg Director, The India Life & General Assurance Society, Ltd., Coimbatore, receive the guests. We wish the couple a long married life.

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The marriage of Mr. A. S. Mani, M.A. B.L., F.I.A., Manager, Vanguard Insurance Co., Ltd., Madras (Son of Sri S. Anantnarayana Ayyar, Asst. Secretary, Govt. Madras) with Sow: Jayalakshmi (daughter of Sri M. K. Srinivasan, G M.V.C., Live Stock Officer, Port Blair) took place Thursday the 9th September 1954 at "Ra Bavan", No. 13, Pachayappa's Hostel Road, Chetput, Madras-10 The Muhurtham in the morning and the reception the evening were largaly attended The was a large number of Insurance executives field officers and representatives amongst those that attended the function. Our best wishes for a long and happy married life to the couple.

Mr. S. Parthasarathy, *Managing Director, Prithvi Insurance Co., Ltd., Madras,* **bereaved:**

We deeply regret to announce that Mr. P. Gopal, aged 21, son of Mr S. Parthasarathi, Managing Director, Prithvi Insurance Company, died in tragic circumstances on 31-8-1924 at his residence in Luz Church Road, Mylapore.

Mr. Gopal came into contact with a live electric wire which he tried to remove and received a shock. He was taken to the hospital and artificial respiration was tried but without success.

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