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THE INDIAN POLICY-HOLDER
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Progress of Iusurance Business in the year 1953.

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INSURANCE in India may be considered to be making a slow but steady progress as details appeared in the successive Indian Insurance Year Books indicate. The progress would have been much more rapid and satisfactory if the new business done by the Indian Insurers in each of the past ten years and more was the result of a proper appreciation of the benefits of Life Assurance on the part of those who insured their lives Though the total new business procured by the Companies increased year after year, a considerable portion of such new business lapsed in the course of the first two or three years with the result that the total business in force did not show any appreciable increase when compared with the volume of business procured. This feature, not a new one in Indian Insurance, persists to continue as will be evident in the latest edition of the Indian Insurance Year Book, 1954, published by the authority of the Government of India. The Controller of Insurance has given more details of the business so that they may also serve a useful data for statistical purposes in the future. Important particulars relating to new business, premium income, expense ratio, rate of interest earned on funds, etc., during 1953 and also extracts from the Controller's review appearing in the year book, are published elsewhere in this issue and a perusal of them will bear out our remarks. As the Controller has pointed out, the volume of new business underwritten during 1953 is the highest so far reached. But how far the record is worthy of his view that "the upward trend in the new life insurance business may be attributed to the habit of thrift formed during the war and the immediate post-war periods," is yet to be seen. No doubt, after the attainment of Independence, India has progressed fast in all spheres of activity and the present Government headed by Pandit Nehru has taken several measures to improve the economic condition of the people. But, the present increase in the volume of insurance business in the country cannot be said to be the direct result of all such measures. Because the steps that the Government of India under its 5 year plan have taken to improve the conditions of mass public will take a long time to effectively operate. Many of the projects are yet to be completed and many others are still in planning stage. Ours being predominantly an agricultural country, seasonal rains during the recent years have helped to a great extent the growing of successful crops, but correspondingly the prices also have gone down. so much so there is not much to talk about the betterment of the economic condition of the mass public. The increase in the volume of new business during 1953 was only due entirely to the pressure exercised by the Insurance Companies on the field force to show a better turnover. If the business had increased as a result of the better economic conditions of the people, there would have been only fewer lapses. The Companies also need not have incurred heavy expenses. Not only lapses have been heavy, but the expense ratio has also gone up. For instance the Companies are reporting that they have completed during 1954, almost double the volume of new business they completed in 1953. From this, it will not be correct to say that the economic condition has further improved during 1954. During 1954, all the companies reduced the rates of premium considerably and many companies were reported to have reduced to a most uneconomical level. Side by side there was also a rumour that the Companies would not be able to maintain such low rates for long as they may be obliged to increase the rates again on pressure from the Government of India. The Fieldworkers found the situation most suitable to canvass business easily and they took advantage to the utmost extent. Low rates of premium enabled many companies to concentrate on group insurance and estate duty policies. Thus, it has been possible for all companies to secure a large volume of business during 1954 and it will be no wonder if the total volume of new business procured by Indian Insurers alone during 1954 exceeds even Rs. 250 crores. But, would it be possible to maintain even that record in the coming years, leave alone any further increase? On the one hand, with the lowering of prices all round, there seems to be a depression ahead. At the same time, the struggle for higher and higher wages continue on the other. Despite all these, Indian Insurers can be confident of a bright future as three-fourths of the rural population have not been acquainted with the benefits of Insurance at all. Only more effective propaganda and proper approach is needed. We are sure, Insurers will take steps to tackle this problem.

Reduction of Premium Rates-Limit Fixed

THE Executive Committee of the Life Insurance Council has fixed a limit on the reductions that can be allowed by insurance companies of the normal premium rates for staff schemes conducted by them. A spokesman of the Ministry of Finance, Department of Economic Affairs, said in New Delhi recently that the Executive Committee had to come to this decision because they had found that the rates charged by certain insurers under the staff schemes were definitely uneconomic.

Decision Criticised:

The Committee's decision, the spokesman said, had aroused a certain amount of criticism in financial and commercial quarters who feel that it constituted undue interference with the prospects of staff schemes conducted by life insurance companies. This criticism, he observed, was based on an inadequate appreciation of the circumstances which led to the decision of the Executive Committee.

Explaining the genesis of this practice the spokesman said that prior to 1951 some foreign insurance companies were offering lower rates of premium to certain specified categories of policies on the ground that the persons concerned were, due to their way of life, likely to be subject to a mortality rate lower than the rest of the population. This practice began to be soon copied by Indian insurance companies who, however, extended the practice to a very wide field with the result that it soon became difficult to distinguish the resultant situation from legalised rebating. These practices were strongly deprecated by the Executive Committee which successfully advised insurance companies to put an end to such unhealthy practices.

The only exception that the Executive Committee permitted to the rule of uniformity of premium was in regard to group or staff schemes in which reduced rates of premium were allowed provided the schemes satisfied certain criteria laid down by the Committee. The result was almost a scramble on the part of some of the insurance companies who, bent on making the maximum use of the permission began allowing heavy reductions in the premium rates under the staff schemes as compared with the tabular rates applicable to the general public. Serious doubts began to arise whether the savings which were expected to result from such schemes and which really constituted the justification of reduction of rates were really such as to justify the actual reductions allowed by certain insurers.

No Substantial Difference

Already some insurers were questioning the very propriety of the exception which was permitted by the Executive Committee as, according to them, the staff schemes in vogue in India were not staff schemes in the real sense of the term at all. It was being pointed out that except that the premia were collected by the employer, the policies in all respects, requiring individual servicing.

The spokesman said that the Executive Committee of the Life Insurance Council had appointed a Sub-Committee to go into this question and to lay down revised criteria for genuine staff insurance schemes. Meanwhile, the situation resulting from the large reductions allowed by certain insurers had to be considered and the Executive Committee which consisted of representatives of all insurers, both big and small, after considering this matter came to the unanimous conclusion that the rates charged by certain insurers under the staff schemes were definitely uneconomic and that therefore there ought to be a limit beyond which reductions from the normal rates should not be permitted.

Interest of the Policy-Holders

In coming to this decision, the spokesman added, the Committee was mainly influenced by considerations of the interests of the general body of policyholders who they felt, should not be made, unwittingly, to subsidise the policy-holders under the staff schemes, which would happen if staff rates were to be reduced lower than what was warranted by the possible savings.

—*Press Information Bureau, G.O.I.*

Progress of Insurance Business in India during 1953.

(*Details from Indian Insurance Year Book-1954.*)

NEW life insurance business transacted in India by Indian Insurance Companies during the year 1953 amounted to about 5,35,000 policies assuring a sum of Rs. 137.46 crores and yielding a premium income of Rs. 7.34 crores. Foreign insurance companies working in India issued about 23,000 policies assuring a sum of Rs. 17.03 crores and yielding a premium income of Rs. 1.02 crores during the year under report.

The premium income in 1953 in Fire and Miscellaneous classes of insurance business showed an increase over that in 1952 while that in Marine class showed a decrease as compared with 1952.

The Controller's report this year carries the following new features; e. g. Information on lapses, bases of premia for life insurance business of Indian insurers and contraventions of certain sections of the Insurance Act. Tables and explanatory notes on the actual expenses incurred by insurance companies as against the allowance for expenses prescribed in the Act; and a detailed note on the composition and the activities of the Executive Committees of the Life and General Insurance Councils of the Insurance Association of India.

On November, 15 1954, the number of insurance companies registered under the Insurance Act, 1938 was 319, of which 215 were Indian and the rest non-Indian. 113 Indian Insurance Companies transacted life insurance business only and 41 were engaged in life and other classes of business, while 61 stuck in purely non-life business. The corresponding figures for non-Indian insurers were 3, 13 and 88 respectively.

More Policies

Compared to the year 1952, there has been an increase of about 19,000 policies resulting in Rs. 7.19 crores in the sum assured and Rs 0.33 crore in the yearly renewal premium income in the new life insurance business transacted in India by Indian insurers. Non-Indian insurers also registered a slight increase in their life business in India.

The net amount of life insurance business effected in India by Indian insurers which was in force at the end of 1953 amounted to about 38,33,000 policies assuring a sum of Rs. 829.98 crores with a premium income of Rs. 39 69 crores. These figures represent an increase under each respective item over those of the previous year of about 1,22,000 policies, Rs. 34.12 crores and Rs. 1.43 crores.

The corresponding figures for non-Indian insurers were about 2,46,000 policies assuring a sum of Rs. 131.91 crores and having a premium income of Rs. 7.72 crores. representing a decrease of about 1,000 policies but an increase of Rs. 5.89 crores in the sum assured and Rs. 0.79 crore in the renewal premium income.

Life Business Outside India

The net amount of life insurance business effected outside India by Indian insurers in 1953 and the amount remaining in force at the end of that year were about 30,000 policies involving a sum of Rs. 14.66 crores and about 2,72,000 policies involving a sum of Rs. 77.03 crores respectively.

The total revenue income for 1953 of Indian insurers for their entire life business and non-Indian insurers in respect of their life business in India was Rs. 54.27 crores and Rs. 9.60 crores respectively. Considering the outgo which included amounts disbursed as claims and surrenders was to the tune of Rs. 29.48 crores and Rs. 6.98 crores respectively, the balances of Rs. 24.79 crores and Rs. 2.62 crores—represented the increase in the life funds of these insurance companies

Another Prosperous Year

Reviewing the trend in the new life insurance business in India during the year 1953, the Controller of Insurance remarks that companies transacting life insurance business have had another prosperous year from the point of view of the volume of new business under-written. According to the report, upward trend in the new life insurance business may be attributed to the habit of thrift formed during the war and the immediate post-war periods, and the activities relating to the "Mighty adventure of building up new India." He adds that in view of State development programmes which aim at improving the economic condition of the country, we may confidently look forward to a steady increase in life insurance business.

The Controller of Insurance, in his report, gives a table giving the combined experience of all Indian insurers in the matter of lapses. The unfortunate conclusion emerges that a very large part of the new business is lost by lapses, particularly due to early lapses. The Controller of Insurance remarks that the lapses occuring in any particular year would be a useful index of the economic condition for that particular year. The ratio of the total amount of lapses in 1953 to the mean gross direct business in force during the year worked out to 8.9 per cent. While this ratio, which depends upon the distribution of the business in force according to duration may not be a very reliable index it is not entirely without a statistical significance.

Rate of Interest

The average net rate of interest earned on mean life funds of insurance companies has increased slightly in the case of Indian insurers and this works out to 3.50 per cent. The total expenses of management work out to 27.3 per cent and 20.7 per cent. of the premium income in case of Indian and non-Indian insurers respectively. The corresponding figures for the previous year were 27.2 per cent and 22.4 per cent respectively.

The Controller of Insurance. in his report, has given tables showing the frequency distributions of Indian insurers according to mortality, rate of interest and expense provision in the rates of life insurance premia charged by Indian insurers.

Analysis of Valuation

Of the 52 valuations of Indian insurers published in the Year Book, 39 disclosed a surplus. In the case of 30 of these, the

surplus was allocated to policy holders and/or shareholders and in the case of the others, the surplus was carried forward unappropriated, 13 companies disclosed a deficit. In the case of 10 of these, the deficit was covered by free paid up capital, whereas in that of the remaining, the deficit was not so covered.

Thirty-six Indian insurers, 2 non-Indian insurers and 15 provident societies infringed the provisions of section 27 (1) of the Insurance Act.

As at 31st December, 1953, 8 insurers infringed provisions of section 27A (3) (b) of the Act in the matter of 11 investments by holding an amount of Rs. 26.59 lakhs in excess of what is laid down under the Act. The corresponding figures for clauses (a) and (b) of sub-section (4) and sub-section (5) of section 27A of the Act were 13.16, 19.52; 14, 35 and 1,03.85 and 2,2,7.52 respectively. As at 31st December 1953 there was no insurer who contravened clause (a) of sub-section (3) of section 27A of the Act.

Income

The total net premium income of Indian insurers under these classes of business was Rs. 15.06 crores, which included Rs. 7.87 crores from fire business, Rs. 2.73 crores from marine business and Rs. 4·46 crores from miscellaneous insurance business. The corresponding figures for non-Indian insurers were Rs. 2.72 crores from fire business. Rs. 1.66 crores from marine business and Rs. 1.91 crores from miscellaneous business.

The ratio of claims to the net premium income of Indian and non-Indian insurers combined was 35 percent for fire insurance, 56 per cent for marine insurance and 50 per cent for miscellaneous insurance. The corresponding percentages for 1952 were 32, 57 and 49 respectively.

The ratio of commission to the net premium income was 15 per cent in fire insurance. and 15 per cent in miscellaneous insurance- same as for 1952; and 8 percent in marine insurance as against 9 percent for. 1952.

Expenses

The ratio of expenses of management to the net premium income was (i) Fire insurance; 33 per cent, same as for 1952; (ii) Marine insurance; 28 per cent as against 27 per cent for 1952; (iii) and miscellaneous insurance; 29 per cent same as for 1952.

Some Indian insurers, who transact fire marine or miscellaneous class of insurance business. outside India, had from such business a net premium income of Rs. 829 lakhs in 1953 showing an increase of Rs. 67 lakhs over last year. Out of their total net premium income in different classes of non-life business, 69·1 per cent was received on account of business outside India in respect of fire insurance business. The corresponding percentages for marine; miscellaneous and all non-life classes combined were 53.9 31.0 and 55.1 respectively.

Agency Licences

Licences numbering 94,140 were issued to Insurance Agents, of them 30,471 were women. In addition 859 certificates for Principal Agents, 443 for Chief Agents and 5,634 for Special Agents were issued. Of the total gross premium written direct in India in 1953, by all Indian and non-Indian insurers in all classes of insurance business, the average premium caused to be procured by each insurance agent is about Rs. 2,610.

Administrators

Six Indian Insurers continue to be managed by Administrators. The Bhagyalakshmi Insurance Company Ltd., was ordered by Court to be wound up on 12th July, 1954, on an application made by a policy-holder. The business of Mysore insurance Company, Ltd., has been transferred to Prithvi Insurance Company Ltd.

Upto September 1954, - 162 disputes were referred to the Controller under Section 47A of the Insurance Act. The number of disputes was quite large as compared to the disputes referred to the Controller in previous year.

Employees' State Insurance

First of its Kind in Asia

AMONG the risks the Indian factory worker has had to face, those of sickness, disablement and maternity have been causing considerable hardship. Medical facilities so far provided have not been adequate to meet either the needs of the growing factory population in India or the requirements of a Welfare State. The Employees' State Insurance Act was placed on the Statute Book in 1948 to meet these needs.

The Employees' State Insurance Schemes as envisaged under the Act, is the first of its kind in the whole of Asia. It applies to all employees earning not more than Rs. 400 per month and working in factories using power and employing 20 or more persons. Seasonal factories and mines are excluded from the Scheme.

The Scheme, first introduced in Delhi and Kanpur on February 24, 1952, now covers over six lakhs of factory workers in India. The Act when extended to the whole country will cover about 2¼ million employees working in 14,000 factories.

Five types of benefit provided under the Scheme are:

(1) Medical Benefit. Free Medical treatment in case of sickness and employment injury is provided from the inception of the Scheme. Women employees are also entitled to ante natal and post-natal care. Medical benefit includes free consultation free medicines, drugs and dressings, home visits, hospitalisation in all serious and emergent cases and radiological and pathological services. In case of employment injury, emergency treatment is also provided. There is also provision for specialists' advice and services. The administration of the medical benefit is in the hands of State Governments, who also share 1/4th of the expenditure on medical care.

(2) Disablement Benefit: In case of an injury in the course of employment, besides free medical treatment, there is provision for disablement benefit in cash, roughly equal to about half of the wages, for the period of disability. In case of temporary disablement, lasting for 7 days or less, no temporary disablement benefit is payable, but if the disablement lasts for more than 7 days the cash benefit is payable from the beginning. In case of total permanent disablement, a life pension at the full rate, *i.e.*, equal to about half of wages is given to the insured. In cases of partial permanent disablement, a proportion of the full rate is granted as life pension.

(3) Dependents' Benefit: If, unfortunately, an employment injury proves fatal, a pension, roughly equal to half of the average daily wages, is paid periodically to the widow and children. In their absence, a pension may be paid to other dependents. This mode of payment is an

improvement upon the existing system of lump sum payments, under the Workmen's Compensation Act, because it provides greater security; the cash payments, on the whole, are also more generous.

The above cash benefit becomes payable from the first day the Scheme comes into force without any qualifying conditions.

Sickness Benefit

(4) Sickness Benefit: A worker who has paid the requisite number of contributions is entitled to receive cash benefit at the rate of about half of his average daily wages for days of his sickness upto 56 days during any continuous period of 365 days.

(5) Maternity Benefit: An insured woman is entitled to maternity benefit at the rate of 12 annas a day or at the rate of sickness benefit whichever is greater, for a period of 12 weeks, of which not more than 6 weeks shall precede the expected date of confinement.

Sickness and maternity benefits which are subject to a qualifying condition become payable after about 7 to 9 months from the date an employee starts to contribute.

The Administration of the Employees' State Insurance Scheme vests in a Statutory Corporation, namely, Employees' State Insurance Corporation, consisting of representatives of the Central and State Governments, Medical Profession, Parliament, Employers and Employees. A Standing Committee of the Corporation consisting of 13 members drawn from representatives of all sections in the Corporation, is the executive body for administration and superintendence of the Scheme. There is a Medical Benefit Council, having representatives of various interests, which advises the Corporation on technical matters relating to medical benefit.

The Director-General is the head of the Corporation. He is assisted by four Principal Officers at the Headquarters, namely, Insurance Commissioner, Medical Commissioner, Chief Accounts Officer and the Actuary.

The country has been divided into five regions namely, Bombay, Calcutta, Madras, Kanpur and Delhi. Each region has a number of local offices and inspection offices under it. The provisions relating to the collection of employers' special contribution were enforced throughout the country from February 24, 1952. The benefit provisions of the Act were, however, enforced in Kanpur and Delhi from that day. These provisions were extended to only seven industrial towns of the Punjab from May 17, 1953, to Nagpur from July 11, 1954 and to Greater Bombay from October 3, 1954 covering a total insurable population of six lakhs.

Medical treatment is provided through State Insurance dispensaries with full time doctors in Delhi and Kanpur and in Nagpur and the State Governments have established a number of such dispensaries near residential concentrations of workers. In the Punjab and in Greater Bombay on the other hand, the State Governments have made arrangements for provision of treatment at clinics of private medical practitioners and the insured person may choose anyone of them to be his doctor. About 120 panel practitioners in the Punjab and about 1,000 panel practitioners

(including Ayurvedic practitioner also have been appointed in Greater Bombay.

Claims for cash benefits are received and paid by local offices which the Corporation sets up. Eight local offices in Kanpur, three in Delhi, four local offices and four sub-local offices in the Punjab and twenty-four local offices in Greater Bombay provide this service.

The Scheme is financed mainly through contributions from the employers and employees. The employees' contribution is a little over 2 per cent of their average earnings. At present employers all over the country pay a special contribution. This has been done to eliminate competitive handicap on employers in the implementation areas.

The rates fixed at present are 1¼ per cent and ¾ per cent for implementation and non-implementation areas respectively. Employers in implementation areas pay ½ per cent more than employers in other areas because employers in non-implementation areas would continue to bear their liability under the Workmen's Compensation Act and Maternity Benefit Act while the liability of employers in implementation areas under these Acts will be taken over by the Employees State Insurance Corporation. These rates will have to be raised from time to time as and when the benefits of the Scheme are extended to other places. In addition to contributions from employers and employees, the Central Government is meeting 2/3rds of the cost of administration for the first five years and the State Government will share 1/4th of the cost of medical care.

The Scheme has come into force at Coimbatore covering 37,000 employees and at Indore, Gwalior, Ujjain and Ratlam in Madhya Bharat State covering about 55,000 employees on the eve of the Republic Day. In Coimbatore both systems of medical treatment will be in operation and 46 panel doctors have been appointed and five State Insurance dispensaries and one mobile dispensary will cater to the needs of insured persons in areas where private practitioners are not available. In Madhya Bharat, the service system will be used in the larger concentrations in Indore and Gwalior and the panel system in Ujjain and Ratlam. The Corporation has set up 3 local offices and one pay-office in Coimbatore and 2 local offices in Indore, one local office each in Gwalior, Ujjain and Ratlam.

New Measures

The sickness cash benefits payable under the Act is, however, limited to 56 days and after this period the worker may be unable to return to work and yet be without any subsistence allowance. To meet such contingencies, to a certain extent, the Corporation has recently decided to give to employees suffering from T. B. sickness cash benefit at a reduced rate for a further period of 18 weeks.

The Corporation has alao decided to make provision on the basis of one general bed per 800 employees, one T. B. bed per 1,600 employees and one Maternity bed per 500 insured women covered under the Scheme at any place. Wherever the number of hospital beds is likely to be more than 100, it is intended to set up independent hospitals, but where it is less, an annexe will be set up or beds reserved in existing hospitals. So far 25 beds have been reserved in Nagpur and

300 general beds and 100 T. B. beds have been reserved in various existing hospitals in Bombay.

Proposals for setting up a 50 bed annexe in the Irwin Hospital at Delhi and 30 beds for T. B. patients in another hospital and to set up a 100-bed hospital in Nagpur are under consideration. For insured persons in Bombay the Government of Bombay, Millowners' Association and the Corporation propose starting a 300 bed hospital to be named Gandhi Memorial Hospital.

It has also been decided to bear 3/4ths of the expenditure including the capital cost incurred on medical care and the construction of hospitals, annexes and dispensaries. Where the State Government is unable to meet 1/4th capital cost of construction, the Corporation may grant a loan to the State Government.

Mr. Khandubhai Desai, Union Minister for Labour inaugurated the Bombay Regional Board of the Employees' State Insurance Corporation.

MR. Khandubhai Desai, Union Minister for Labour inaugurating the Bombay Regional Board of the Employees' State Insurance Corporation on 15th January 1955 said that by the end of 1955, most of the industrial areas of the country would have been covered under the Corporation.

Mr. Desai stated that the Central Government and the Corporation were very much interested in extending this benefit to the families of insured persons at an early date. They also recognised that there was a widespread demand for such extension on the part of the workers all over the country. However before committing itself firmly to extending this benefit, the Corporation naturally had to assure itself of its ability to bear the financial liabilities which would arise by such an extension. "For this purpose, therefore, the Corporation is undertaking an actuarial valuation of its resources and this report is expected to be available in the near future. The Corporation hopes to take a favourable decision in the matter. If necessary, I am even prepared to recommend to the Central Government that such an extension should be made even if it involves increasing the contributions from all concerned."

Speaking about the administration of the scheme, the Minister said that it was the intention of the Central Government from the very beginning to set up local agencies to advise on the affairs of the Corporation in their areas and to associate all local interests in the active function of the scheme. Originally, it was contemplated that these Regional Boards should be merely advisory bodies to advise the Corporation on various matters that might be referred to them. Subsequently, it was felt that in such a growing and All-India organisation, perhaps it would not be desirable to concentrate all executive functions and therefore, in March 1953, the Corporation decided that the Regional Boards to be set up should be given certain executive functions

The Boards, he said, were intended to function under powers specifically delegated to them by the the Corporation, and subject to the overall supervision of the Corporation. The intention was and had been that these Regional Boards should be more or less autonomous in respect of the day-to-day administration and in matters of detail. "It was and still is the intention that all the major matters of policy should be prescribed by the Corporation and that the Corporation should exercise general but close supervision over the functioning of the Regional Boards."

Need For Economy

The Minister said: "Though the administration of the scheme is being decentralised to a large extent, the funds have to remain as one under the Act at present. It is, therefore necessary to ensure that in the administration, Regional Boards or Regional Directors observe economy. Apart from laying down the scales and instructions as well as regulating the budget allotments, it will be necessary, therefore, to exercise some kind of audit control on behalf of the Central Corporation. With this end in view, certain instructions for the guidance of the Regional Boards, the Regional Directors and the Assistant Accounts Officers at the regions are being drafted. These will facilitate a more efficient and economical working of the entire scheme.

"With the inauguration of this Regional Board, we are to day therefore, inaugurating a new era in the working of the Corporation. It will be necessary hereafter for all parties concerned to co-operate and to give their best advice in the matters concerning the administration of this important welfare scheme. There are bound to be times when the interests of the various parties may, to a certain extent, be contradictory to each other. It is at these times that an effort to understand the other man's point of view and to take a view which is reasonable for all concerned becomes of fundamental importance. I have no doubt that with the co-operation of all parties represented here to-day viz., the Central Government, the Corporation, the State Government, the medical profession, the employers and last but not by any means the least, the employees, this scheme will not only be implemented more speedily but will also work for the greatest benefit to all concerned.

Excerpts from the Report of the Controller of Insurance

(appearing in the Indian Insurance Year Book—1954)

THE first Executive Committees of the Life and General Insurance Councils under section 64F of the Act held their first meetings in September, 1951 and finished their term of office in September 1954.

Under the scheme introduced by the Act as amended in 1950, these Committees have been assigned the following functions:—

(*a*) to aid, advise and assist insurers carrying on life and general insurance business in the matter of setting up standards of conduct and sound practice and in the matter of rendering efficient service to holders of policies of life and general insurance;

(*b*) to render advice to the Controller in the matter of controlling the expenses of insurers in respect of their life insurance business in India and in the matter of commission and other expenses of insurers carrying on general insurance business in India;

(*c*) to bring to the notice of the Controller the case of any insurer acting in a manner prejudicial to the interests of holders of life and general insurance policies; and

(*d*) to act in any matter incidental or ancillary to any of the matters specified in clauses (*a*) to (*c*) as, with the approval of the Central Government, may be notified by the Life and General Insurance Councils in the Gazette of India,

The work done by these Committees during their three years' tenure is briefly reviewed below:

General Executive Committee

(*i*) The main problem which engaged the attention of the Executive Committee of the General Insurance Council was the widely prevailing practice of granting rebates of premium even though the law makes both the offering and accepting of such rebates liable to punishment with fine. It was found that to cover up this breach of the law the insurers were resorting to various devices which involved falsification of accounts and which rendered them liable for criminal prosecution. By giving higher commissions to agents than what was permissible under the law and allowing bigger and bigger rebates in order to get the business of other insurers diverted to themselves, insurance companies were undermining their own financial soundness and defeating the purpose for which the law provided for uniform tariffs. It was, therefore, felt that every effort should be made to eradicate this evil. After very careful

study of the problem the Committee evolved a Code laying down a set of regulations in regard to the employment of agents, inspectos and other salaried field staff, opening of branches, collection of premia, agents' balances, etc., with a view to elimination of dummy appointments, bogus branches and fictitious balances which facilitated the grant of rebates. This Code of Conduct was circulated to all the insurers and has undergone several modifications as a result of various suggestions received. The Code, as now in force, appears on pages 59 to 62 of this report. An administrative machinery with investigating officers in Bombay, Calcutta, Delhi and Madras has also been set up to enforce the Code. The machinery, though under the supervision of the Executive Committee, is being run under the direct charge of the representatives of insurers at the various regions. The Committee has further suggested in consultation with the Institute of Chartered Accountants of India certain changes in the accounting system of insurers.

(*ii*) Very few actual complaints of diversion of business by grant of rebates have been received by the Administrative Sub-Committees but it is known that the evil has not been checked to any great extent. It is, however, too early to judge how far the measures taken by the Executive Committee will prove successful. The local Administrative Sub-Committees are still engaged in screening the salaried field workers and branches of the insurers and it will take some time before the check over bogus appointments will become effective. Similarly, the new accounting procedure which would enable auditors to detect fictitious accounts has only just been suggested. Ultimately the success of the scheme must depend on the extent to which the insurers themselves are in earnest in eradicating an evil which, if it is allowed to go unchecked, is bound to prove suicidal to themselves. They also need the co-operation of the agents and the insuring public who have to be educated to understand that the temporary advantage they may get by obtaining rebates might in the long run prove very costly. The Executive Committee and the Tariff Committee under the Act are an experiment in autonomy so that the represantatives of the trade in association with Government might be able to set their house in order and introduce healthy business methods and practices in a vital auxiliary sector of the country's economy. If that experiment fails, it will clearly be necessary to consider whether Government should assume greater police powers over insurers in the interest of the insuring public.

(*iii*) The other important matters, apart from statutory functions, which the Committee dealt with were:

(*a*) *"Reinsurance drain" out of India*: The Committee advised the Controller of Insurance to collect necessary particulars from the insurers, to enable full consideration of the real necessity and practicability of establishing a Reinsurance Corporation of India in some form.

(*b*) *Standardization of policy contracts in General insurance business*: Although the Committee felt it necessary and desirable to standardise the policy contracts in general insurance business, and went so far as to appoint sub-committees to prepare draft model contracts, the proposal was ultimately dropped as being not practicable.

(c) Discrimination by Banks in the matter of acceptance of insurance policies: The Committee was strongly of the opinion that any discrimination by Banks in accepting insurance policies issued by insurers, otherwise than on financial considerations, was not all conducive to the healthy growth of the insurance industry. At the suggestion of the Committee the Government has agreed to investigate specific complaints that are brought to its notice.

(d) Extension of activities of general insurers outside India: In order to maintain the fair name of "Indian Insurance" abroad, it was considered essential to regulate and control the extension of activities of Indian general insurers to other countries. Accordingly the Committee has advised all insurers that, irrespective of whether any foreign exchange is required for the purpose or not, they should obtain prior permission of the Controller of Insurance befor they proceed to open branches or appoint representatives for the first time, in any foreign country.

Life Executive Committee

(*i*) The Executive Committee of the Life Insurance Council has also evolved a Code, though, comparatively speaking, a simple one, for observance by life insurers. This is reproduced on pages 62 to 64 of this report. For the time being, it has not been considered necessary to set up a separate machinery for the continuous checking of the strict observance of the Code by insurers and the task has been entrusted to the Secretary of the Committee.

(*ii*) The Committee considered the practice of certain insurers of offering different rates of premium to different classes of people and held that it was harmful to the healthy development of life insurance business in India. The Committee has prohibited this practice and has succesfully put a stop to it.

(*iii*) Recently, the Committee has to deal with piquant situation created by the heavy reductions in premium rates for life insurance policies announced by certain big insurers in March April 1954. This was a vital matter affecting the whole basis of life insurance business and had to be tackeld with due regard to the interests of the insurance companies as well as the insuring public. The first step the Committee took ;was to ask the Companies to restore the part of premium which was reduced by disregarding the normal practice in regard to commissions and non-discriminatory rates. The Committee then appointed a sub-committee of experts to examine what reduction in premium rates could be made by all insurance companies in the prevailing circumstances. The report of this sub-committee showed that there was no need to interfere with the reduction which most of the big companies had already made. The Executive Committee however felt that it was necessary to ensure that there was no further precipitate reduction of rates in the near future without consultation with the Committee. It has accordingly asked those big insurers who had already reduced their rates to make no further reductions for a year and subsequently to make any reduction only after prior notice to and sanction from the Committee.

(*iv*) The Committee also fruitfully tackled the following matters and made noticeable progress:

(*a*) Liberalising the interpretation of the terms of appointment of special agents;

(*b*) Affording further facilities to policyholders in giving notice of options available when the premium is not paid on the due date—*vide* section 50 of the Insurance Act, 1938; and

(*c*) Securing uniformity, in practice, in the minimum requirements of schemes of antomatic non forfeiture offered by insurer—*vide* section 113 (4) (*c*) of the Insurance Act, 1938.

Code of Conduct to be observed by all insurers carrying on general insurance business in India:

Matters relating to insurance agents— Under section 41 of the Insurance Act, 1938, own-case agencies are prohibited No attempt should, therefore, be made to get round this provision of law.

Though under the Insurance Act any person holding a licence issued by the Controller of Insurance is entitled to work as an insurance agent, for any insurer, only those who are registered as insurance agents with the Administrative Machinery to be set up for the purpose should be employed.

An insurance agent who does not settle his account with an insurer within the specified time is liable to be removed from the Register and shall thereafter cease to be eligible for appointment as an insurance agent by any insurer.

If the Executive Committee is satisfied that an insurance agent has directly or indirectly caused a fraudulent claim or committed any other misconduct his registration with the Administrative Machinery shall be cancelled and no insurer shall engage him as an agent or otherwise for a period which may be specified by the Executive Committee.

Regulations relating to branch offices— An insurer carrying on general insurance business may set up branches to carry on his business in different areas subject to the following Regulations:

(*a*) Each mofussil branch shall have a clearly defined underwriting territory for its work. Information regarding the territory of each branch office should be sent to the Administrative Sub Committee of the region in which the head office or principal office in India of the insurer is situated in Form (IV) in the Schedule and any changes therein should also be intimated forthwith to it.

(*b*) No insurer shall establish a branch within a distance of 40 miles from another branch of his.

(*c*) The branch office shall be owned, or rented in the name of the insurer. For this purpose the expression "rented" includes "sub-let" Information regarding the lease or sublease of each branch office should be furnished to the Administrative Sub-Committee.

(*d*) The branch shall not merely function as a channel for the procuration of business, but shall also engage itself in the issue of cover notes, premium receipts, policies, etc. relating to the business of the area under the branch. This does not preclude the preparation of these documents by the branch, but the documents must be delivered to the parties concerned by the branch.

(*e*) No branch shall directly or indirectly engage itself in any manner with the underwriting business of any other branch or area of the insurer except where the controlling interest of the insured is within the area of that branch.

(*f*) Each branch shall maintain a register of inspectors, organisers and other members of the field staff and indicate *inter alia* their mode of remuneration and the business expected from them.

(*g*) In addition to the register referred to in (*f*) above, each branch shall also maintain such other register, or registers, as may be decided upon by the Administrative Sub-Committee.

(*h*) Joint branches as allowed by the Insurance Act, 1938 are permissible.

(*i*) In the event of any change taking place in the branch office after it is registered, affecting any of the above provisions, notification of such change must be given to the Administrative Sub-Committee immediately.

N.B:—Nothing contained in these regulations shall restrict the operation of any controlling office at Bombay, Calcutta, Delhi or Madras or the Head Office, wherever situated.

The above rules are on all India basis and shall over-ride any existing rule to the contrary.

Regulations relating to appointment of inspectors, organisers and other field workers:—(*i*) In the case of an insurer transacting general insurance business with insurance funds totalling Rs. 50 lakhs or more, every salaried employee shall be a whole time employee. Provided that:

(*a*) a parent company and a subsidiary company may have a common employee with the previous approval of the Central Government.

(*b*) an officer of a purely non-life company may also be an officer of purely life company;

(*c*) there may be common branch officers for two general insurers;

(*ii*) (*a*) An insurer transacting general insurance business with insurance funds totalling less than Rs. 50 lakhs may have, in addition to whole time employees, part-time employees, but after the 1st January 1953 continuance of any part-time employee or new appointment of a part-time employee will have to be with the sanction of the Administrative Sub-Committee;

(*b*) A subsidiary company is not permitted to have par-time employees, even if its funds totalled less than 50 lakhs, if the parent company has insurance funds totalling Rs. 50 lakhs, or more.

(*iii*) (*a*) The number of inspectors, organisers and other field workers (whole-time and/or part-time) shall up to the 31st December 1954 be regulated on the basis of various slabs of premium income of the insurer as specified hereunder and these appointments shall be on a fixed salary basis:

Slabs of premium income	*No. of employees not to exeed*
(*i*) For the first Rs. 5 lakhs or part thereof of the premium income.	50
(*ii*) For the next Rs. 50 lakhs premium income.	One for each Rs. 50,000 additional premium income.
(*iii*) For the next Rs. 75 lakhs premium income.	One for each Rs. 75,000 additional premium income.
(*iv*) In exceess of the above	One for each Rs 1 lakh additional premium income.

N.B:—The premium income for the above purpose is the gross direct premium written in India.

(*b*) In case of composite insurers, the total number of inspectors, organisers or field workers employed on the general side, whether they wholly devote themselves to general insurance work, or work part-time on the life side also, should not be more than the prescribed scale.

(*iv*) All appointments under this head shall be registered with the Adminstrative Sub Committee for which purpose application should be made in Form (V) of the Schedule. In the event of any cancellation such appointment/s or any change or changes in the original appointment as registered with the Administrative Sub-Committee, notification of such cancellation or changes must be given immediately to the Administrative Sub-Committee after such cancellation or change/s.

(*v*) Every insurer shall submit annually the position of inspectors, organisers and other field workers as at the end of each calendar year, such statement to reach the Administrative Sub-Committee within three months of the close of the years.

General matters

All premium bills must be issued by insurers or principal agents only and no insurance agent or inspector or organiser should be authorised to issue bills and in addition, the premium should be stated on all insurance policies, excluding non-tariff marine insurance policies.

The account relating to a calendar month in respect of a principal agent, insurance agent or insured should be sent to that person by the insurer concerned before the end of the succeeding calendar month and such account should be settled before the end of two calendar months thereafter. If the account remains unsettled after the prescribed period, the insurer shall report the matter to the Administrative Machinery indicating what action he proposes to take including filing of suit, cancellation of policy and cancellation of agency. Thereafter no insurer shall give cover to such principal agent, agent or insured, as the case may be.

Every insurer should scrutinise and ascertain all fictitious assets representing unrealised and unrealisable balances and declare the quantum with other particulars to the Controller of Insurance. No action would be taken merely because of the declaration of the fictitious assets as aforesaid. Each insurer should write off the fictitious assets within three years, by writing of not less than one-third of the amount in the first year, not less than half the balance in the second year and the balance, if any, before the end of the third year. If, however, the existence of such fictitious assets discloses the insurer to be in an insolvent condition, the Controller of Insurance will be at liberty to take appropriate action under the Act. An insurer who has yet to write off fictitious assets during the three years as aforesaid, shall not declare any dividend to the shareholders until the Controller is satisfied that there are no fictitious assets.

Each insurer should agree for an inspection of his books, records, etc., by the Administrative Machinery at any time and without previous notice.

Code of Conduct to be observed by all insurers carrying on life insurance business in India.

(1) For the purpose of this Code:

(*i*) "big insurer whose total life insurance business in force is Rs. 10 crores or more;

(*ii*) "small insurer" means an insurer whose total life insurance business in force is less than Rs. 10 crores

(2) No insurer shall directly or indirectly entice away organisers, special agents, or insurance agents of another insurer.

(3) A big insurer shall not pay to any of his insurance agents commission on first year's premium at rates in excess of the following scale:

Sum assured in respect of the business procured through the agent in the calendar year concerned:	Per cent of first year's premiums
(*i*) Up to Rs. 10,000	25
(*ii*) Rs. 10,000 and above but less than Rs. 25,000 ...	30
(*iii*) Rs. 25,000 and above	35

(A small insurer may pay to his insurance agents on first year's premiums commission up to the limits permissible under section 40A of the Insurance Act, 1938.)

(4) (*a*) A big insurer shall not employ more than one intermediary between the branch manager or the chief agent, as the case may be, and the insurance agent.

(*b*) A small insurer may for a period of five years, *i.e.*, up to the 31st December 1957, employ two intermediaries between the branch manager of the chief agent, as the case may be, and the insurance agent.

N.B.—Branch office for the purposes of this clause shall mean a place of business which works directly under the Head Office of the insurer and has exclusive territory of operation of not less than an administrative district and has a definite place of business.

(*c*) The provisions of sub-clauses (*a*) and (*b*) shall come into force with effect from the 1st July 1953, but in the meantime insurers should not make any new appointment which contravenes the provisions of this clause.

(5) (*a*) Small insurers may employ a special class of salaried field workers whose remuneration can be adjusted with narrow limits on the basis of business procured through such field workers. The salary, including all allowances, other than conveyance allowance, for this category of field workers shall be not less than Rs. 50 permensem subject to a maximum of Rs. 300 per mensem. Within this range the remuneration may be broadly related to the business procured through the organisation under the field worker. Actual travelling expenses not exceeding Rs. 100 per mensem may also be reimbursed to such a field worker.

(*b*) No person who is appointed in terms of sub-clause (*a*) shall be continued to be employed on this basis for more than three years at the end of which period he shall either be taken on the permanent establishment on a fixed salary basis or be relieved of his appointment.

(*c*) Any person who is relieved in terms of the provisions of sub-clause (*b*) shall not be eligible for appointment with any other insurer on the above basis; provided that if the insurer for whom the person concerned was working goes into liquidation or closes down its operations in the area concerned, such a person could work for another small insurer on similar terms.

News

Life Assurance
New Business Completed During 1954.

	Rs.
Bombay Life Assce. Co. Ld.	5,30,55,000
Industrial & Prudential Assurance Co., Ltd.,	4,59,67,767
General Assurance Society, Ltd.,	3,10,54,950
Asian Assurance Co., Ltd	2,68,00,000
Universal Fire & General Insurance Co., Ltd.,	1,33,00,000
Indian Mutual Life Association Ltd.,	1,20,02,500
New Great Insurance Co., of India Ltd.,	1,15,47,150
Bombay Co-operative Insurance Society Ltd.,	1,10,09,800
New Guardian of India Life Insurance, Co., Ltd.,	90,00,000
Canara Mutal Assurance Co., Ltd.,	88,29,450

Unveiling Of The Late Shri J.C. Setalvad.

A bust of the late Shri Jivanlal C. Setalvad was unveiled by Shri A.D. Shroff on Friday, the 28th January, 1955 at 202-B, Backbay Reclamation, Churchgate (near Industrial Assurance Building) Bombay, before a large and distinguished audience. Several High Court Judges, Prominent commercial, industrial and insurance magnates were present. The function was held under the joint auspices of the Industrial & Prudential Assurance Co., Ltd., The Bust has been placed in the Industrial Assurance Building. A detailed report of the speeches made, etc., will be given in our next issue.

Police Co-operative Life Insurance Society, Ltd.,

During his Tour of Behar, Mr. B.B. Dotto, secretary, visited Patna where several parties were given in his honour. On the 23rd December a Tea party was arranged by Rai Bahadur Capt. N. Pal, B.A. M.B., F.R.C.S., I.M.S. (R). Mr. Nani Gopal Samaddar, B.A., B.Ed., General Secretary Patna Insurance Club, entertained Mr. Dotto to Tea. Mr. Bindhyachal Prasad Sinha arranged a Dinner on the 28th December. Mr. S. P. Mitter, Branch Secretary, National Indian, gave a dinner on the 30th. During his stay, Mr. Dotto received 325 proposals for sums totalling Rs. 4,11,000.

Estate Duty And Life Insurance.

We acknowledge receipt of two copies of the booklet in Hindi explaining in simple and lucid language the necessity of Life Insurance for payment of Estate Duty. It is written by Mr. B.P. Agarwal, B.A., B.Sc., and is very useful to field-workers. The price is fixed very moderately, As. 4 per copy.

Mr. K.L. Gupta, At Madras.

During the visit of Mr. K. L. Gupta, General Manager of the Bharat Insurance Co., Ltd., a tea party was arranged in his honour by The Bharat Club, Madras All the Inspectors, Organisers, some of the Agents, Medical Examiners and some of the policy-holders attended the function. The business secured during his visit to Madras Branch along with the Premium Collections were presented to

him by Mr. T. Gopal Krishna. Branch Manager, Madras. In the course of his speech. Mr. Gupta spoke in appreciative terms of the Madras Office.

Sahyadri Insurance Co., Ltd.,

The Conference of Branch Secretaries and other Field Officers of the Sahyadri insurance Company, Ltd., Nasik was held as usual at its Head Office from 17th to 19th January 1955 for reviewing the work of 1954. It was attended by many Field Officers at places comprising a wide range from Karwar to Delhi and Bombay to Nagpur. After the successful termination of the Conference, a Meeting of Field and Head Office Staff was held to felicitate Shri Soundankar, Company's Managing Director on his recent co-option as a Member of the Executive Committee of the Indian Life Assurance Offices Association, Bombay. This function was presided over by Shri D.S. Wagh, Contractor, Nasik, one of the Company's Local Directors. The Meeting was attended by Company's Finance Manager Shri W.K. Joshi, B.A., members of the Head Office Staff and all the Field-Officers of the Company.

The Nagpur Insurance Institute
Mr. C. M. Srinivasan at Nagpur

An optimistic note about the bright future that lay ahead for insurance business in India was struck by Mr. C.M. Srinivasan, General Secretary of the Indian Mutual Life Association, while addressing a meeting of local insurance men under the auspices of the Nagpur Insurance Institute. Mr. M. N. Harshe of the Andhra Insurance Co., presided over the meeting held at the office of the United India in Mount Road Extension, Nagpur, on 24—I—55.

Mr. Srinivasan pointed out that the message of co-operative effort and systematic thrift has yet to be carried to the villages and the villages have yet to be educated in economic matters. In spreading the message of insurance, insurancemen would be engaged in silent but solid constructive work and would therefore be entitled to as much respect and recognition as political workers. A vast field lay before them in carrying the message of insurance into rural areas and much remains to be done in this respect by the companies. Hence Mr. Srinivasan felt that inspite of the perplexing circumstances at present prevailing and the doubts entertained about the future, the business is bound to improve, as it is being slowly realised that insurance is more in the nature of social service than a business.

Alluding to the severe restrictions and handicaps imposed on the management of companies, through a spate of legislative measures and elaborate code of conduct, Mr. Srinivasan said that nobody would disagree with the intention behind these measures, namely, the safeguarding of the insuring public at large. At the same time he pleaded that the difficulties involved, in actual functioning should be taken into account while enforcing these restrictive measures.

Threat of Nationalisation

Adverting to the threat of nationalisation of insurance, he opined that nationalisation would involve the carrying out of the orders of lay officials, who may not be conversant with the intricacies of the business, by those who are at present efficiently managing many of the institutions, and who therefore actually know the job.. Such a situation will not tend to increase efficiency or progress. The purpose in view can as well be served if the companies are mutualised. He was therefore glad that the question of mutualisation was in the minds of many companies and he was optimistic that if the lead is given in this direction by some of the leading companies, many others would follow suit, thus creating a situation when the need for nationalisation of insurance would no longer exist.

Growth of General Insurance

Mr. Srinivasan while happy that Indian companies are forging ahead in the field of general insurance especially in the far East pointed out that much more remains to be done. He opined that if the Indian companies would develope efficient methods of doing business-as has been done by the foreign companies-and if the fact that Indian companies also are equally capable of giving good insurance service is made known to the public and if suitable treaty arrangements are made in foreign countries, there is good scope for developing our general insurance business.

Earlier Mr. A. S. Narayanan, Convener welcomed the new members. The meeting terminated with a vote of thanks proposed by Mr. P. R Jembhekar.

Mr. S. D. Srinivasan at Nagpur.

An eloquent plea that in every city insurance men should get together and form active associations with a view to discuss matters of common interest and tell people what insurance is and does, was made by Mr. S.D. Srinivasan, Manager, National Insurance company while addressing a meeting of local insurance men, held under the auspices of the Nagpur Insurance Institute at the office of the Indian Mutual in Mount Road Extension, Nagpur on 25—1—55.

Recalling earlier days when field officials of different companies-with the exception of the officers at the Head Offices. refused even to look at one another, Mr. Srinivasan pointed out how there is no need for continuing to entertain such a feeling in these days. On the contrary, associations of insurancemen not only provide them with periodical opportunities to meet one another but also help them, because of close contact and better understanding not to exceed the limits of decency even in the midst of keen competition. Again by giving an opportunity to youngsters to take part in such associations they help them to get inspiration and advice from the successful and experienced senior men and create in them an ambition to succeed. Active associations will therefore enable more and more young men to feel that they are not entering any dry or troublesome avocation when they take to insurance as their main profession. He therefore exhorted the local insurancemen to join and take active part in the Institute and enable it to grow into a strong and useful association and extend their activities by providing for training of new entrants into the profession. They would thereby enable the Indian Insurance Companies to hold their own and play their proper part in the economic life of the Nation.

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THE INDIAN POLICY-HOLDER

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Valuations and distribution of surpluses:

THE drastic reduction in the rates of premia made by almost all companies during March, 1954, has once again given rise to a new controversy consequent on the circular issued by the Controller of Insurance, Government of India, on the 25th January, 1955, to the Actuaries undertaking valuations of Life Insurance Business. It may be recalled that when the reduction was announced almost simultaneously by two of the leading Indian Insurance Companies and the others followed suit in hot haste, there was still persistent agitation and spirited controversy going on for months together on the desirability or otherwise of the reduction at the moment. A Committee was set up by the Executive of Life Insurance Council to go into the question and report. The ultimate result of all such agitation and enquiry was nothing worth mentioning as the decision arrived at by the Committee was to allow the Companies to continue the reduced rates of premia till the end of 1955 without further reductions. The important point to be noted in this connection is that while the controversy and agitation over the reduction of premiums all on a sudden have been among the managements of Insurance Companies themselves and also the Insurance Department, Government of India, the present circular issued by the Controller of Insurance has given rise to a controversy between Actuaries and the Insurance Department. It may be remembered that though the lead to reduce the premiums came from two of the leading companies, almost all companies effected a reduction in their rates shortly thereafter and all of them justified their action for so doing. There seemed to have been no controversy at all on the point whether a reduction in the rates at that point of time was necessary. Because, individually every company reduced the rates and put up the plea that a reduction was felt necessary in view of the fact that cheap money policy of the Government of India had come to an end, that interest earning on funds has increased, that mortality experience has been found more favourable and that the expenses of Management also have been maintained more or less within the limits prescribed by the Insurance Rules. Why, then a controversy at all on this particular issue should arise? The point was that though every company, individually, felt that conditions favourable demanded a reduction in the rates of premia, they were not willing to effect it for other reasons and when they were confronted with the action of the two big companies, thay found no other go but to follow suit. This could have been done smoothly without posing the issue for a heated controversy in the public, but again there was the fear arising out of mutual distrust. The temptation to ridicule and run down competitors is always there. If at all, exceptions are few who resist such an undesirable impulse. Majority of the Companies, while justifying their own actions, freely criticised that others have reduced the premiums to an uneconomic level. The considered opinion of the Bombay Branch of the Actuarial Society of India published elsewhere will serve also as an effective answer to the view held by companies in general that premiums have been reduced to an uneconomic level. The Actuaries admit the Controller's opinion that reductions in premiums were effected "under the stress of forces of competition," but they are not prepared to endorse his view that such reductions have been effected without considering the bonus earning capacity of such rates. It is therefore clearly established that companies generally have not reduced the premiums blindly but have taken the necessary precaution before doing so.

So far Bonus distributions are concerned, the best way for the Controller of Insurance appears to be the policy of non-interference. It is necessary that the Government of India exercise a strict control over the Insurance Companies, so that none of them carry on the business in a manner prejudicial to the security of the policyholders and it is only with that view that the Insurance Act and the Rules framed thereunder have given ample powers to the Controller of Insurance. Valuations made with all due caution and on fairly stringent bases are enough to judge whether the Companies are financially sound and are in a position to give proper security to the policyholders. He can exercise his powers to question wherever necessary the bases adopted in a particular valuation and order even a revaluation on the bases suggested by him. Now he may, with a view to know exactly, require valuing the liability under the different blocks of policies also. But he need not require the Companies to declare different rates of bonus for different blocks of policies according to the high or low rates of premium, in the name of "Equity". The practice hitherto in this Country has been to declare a simple reversionary bonus to all with-profit policyholders uniformly irrespective of the rates at which they pay premium, barring two or three companies. When the conditions were unfavourable and when the rate of interest earned on the funds have been going down gradually without any immediate prospect of betterment, the rates had to be increased and those that took out policies then knew that they may have to pay at the same rate throughout the policy term, even though rates may be reduced after some years. The whole business is based on "Average" and "equity" cannot be meted out to each and every policyholder. It would be better that the Controller of Insurance leaves this aspect of the question to the discretion of Companies instead of introducing further complications. That would serve the best interests of all concerned in the business.

The Underwriting of Life Assurance*

By G. T. FOSTER, F.I.A., A.S.A.

Actuary. The Mercantile and General Reinsurance Co., Ltd.

"I hold every man a debtor to his profession, from the which as men of course do seek to receive countenance and profit, so ought they of duty to endeavour themselves by way of amends to be a help and ornament thereunto." Becon.

THESE words are familiar to all actuaries, and serve as a constant reminder to the actuary of his obligations to his profession. While, in these busy days, the possibility of becoming an "ornament" is doubtful, I have no doubt that actuaries bear in mind continually their moral duties to their day and generation. Not only so, they realise that their decisions may affect future days, and the following generation.

The life assurance underwriter may not be an actuary, but his duties and responsibilities may be compared, in some respects, to those of an actuary. I have therefore, taken the liberty of quoting the above passage because the underwriter has a duty to the cause of life assurance; he can be a help and adorn his profession. Life assurance is not merely a business — it is a service to humanity.

The Duties of the Underwriter

The number of offices which have transacted life assurance business for more than 100 years is approaching 50; two offices were established over 200 years ago. We are proud of the strong institutions that have been built up as a result of many years of prudent underwriting, careful investment of funds and husbanding of reserves. The life of an institution is much longer than the business life time of any one manager. I am reminded of a relay; the torch is handed by one runner to the next, so that the light continues its long journey, but it is carried by a succession of runners. The underwriter, in assuming his duties, receives an inheritance from his predecessor, but may ask, "How does that inheritance compare with the legacy bequeathed to his successor?" The first duty of the underwriter is to his office. He must adopt sound methods, so that the life assurance fund is *not* impoverished through his decisions. You will understand that I refer to the sum total of his activities. An underwriter should not be condemned for one wrong decision. "The man who never made a mistake never made anything!" But taking his work as a whole, he must ensure that the general level of his underwriting conforms to the required standard. This is his first duty.

His second duty lies in dealing equitably with the existing policyholders. Each policyholder has a stake in the life assurance fund. If the policy is without profits, the policyholder is only concerned with the solvency of the fund, but if

* *Lecture delivered at the Insurance Institute, London.*

the policy carries the right to participation in profits, the policyholder is interested in the bonus earning power of the fund. Bad underwriting will affect the prospect of continuation of bonuses at the level that existing policyholders may have reasonably anticicipated when they effected their policies. Thus, each fund which contains with-profit policies has its own characteristics, and the standard of underwriting is linked with those characteristics. This standard must be maintained if justice is to be done to the existing policyholders.

Thirdly, the underwriter has a duty to the proposers for new policies, for he must treat all proposers fairly. This raises the general principle of underwriting and the only point that I wish to make at this stage is that equity must be maintained between the individuals comprising the new entrants.

The fourth duty is to the individual proposer, as distinct from the group of new entrants that we have just considered. Each proposer is in need of cover, and if the life is substandard, the need is even greater.

The treatment of the heavier sub-standard risks presents technical and financial problems. If the proposer is elderly, and the life is substandard, the extra premium will be heavy and the proposer may be unable to afford to pay the extra premium. Some solution must be found, either by restricting the cover by way of a debt, or by suggesting a different type of policy. It is admitted that the solution will involve a decrease in the amount of cover given, but in principle, the endeavour must be made to provide as much cover as possible, consistent with sound underwriting and commensurate with the financial ability of the proposer. The underwriter should not overlook the psychological effect of declinature. To inform a proposer that a policy cannot be issued on any terms is bound to be a shock, however tactful the official may be when conveying the decision. I remember one case where the wife of a proposer sent a pitiful letter to an office, describing the effect on her husband of the declinature of a proposal and begging the office to reconsider their decision. Most people are concerned with their health to a greater or lesser degree, but the declinature of a proposal is likely to make any person much more introspective and induce a condition of worry that may shorten life. I therefore submit that there is a moral obligation on the underwriter to endeavour to offer terms for a policy, whether on the table for which proposal is made, or on another table. It seems to me that the shock for the proposer is much less if a proposition of some kind is placed before the proposer, rather than a straight declinature.

The fifth duty of the underwriter is to the producer The underwriter should build up a favourable reputation with the field staff by adopting a helpful attitude. It is so easy to give the impression that the underwriter is unsympathetic, whereas the truth is that most underwriters fully appreciate the difficulties of securing business, and are quite distressed when a proposal must be dealt with adversely. Furthermore, the underwriter realises that the expense ratio is adversely affected, after the expenditure of valuable time and effort, no policy results.

We have seen that the duties of the underwriter are indeed heavy, if he fully realises the weight of his responsibility to the office, the existing policyholders, the body of proposers, the individual proposer and the producer. Indeed, we may well ask if it is possible to comply with all the conditions that have been enumerated. Is it not true that the interests of the office and the existing policyholders, may be contrary to the interest of the proposers and the producer, especially if the proposal falls in the "borderline declinature" category? I agree that this is so, and the easy way out of the difficulty is to decline such cases. However, I feel that such problems need to be faced with determination and technical methods should be worked out even if the solution lies in reassuring such cases in a central pool, whereby the results can be studied.

Fundamental Conceptions

The underwriter's task is to classify the proposals in such a fashion that they fall into groups. From a purely statistical point of view, there are many ways of grouping lives. For example, we can visualize the largest group of all by considering the whole population The census tables show us the rates of mortality that apply to the whole population, and if our business represented an exact cross section of the whole population, we could base our premiums on the census table. Again, if we study the census tables, we can find other groups. The tables show us the mortality results of the broad social classes, the higher social classes, bringing out lower mortality rates than the lower social classes Or again, we could subdivide the population according to occupational class.

However, we are concerned with assured lives, and we may turn to the experience of the Life Offices as contained in the A1924/1929 mortality tables. Here we discover that there are additional tables, the A24/29 Heavy being a table constructed from the data of offices whose experience was relatively heavy, while the A1924/29 Light table shows that some offices experienced lighter mortality than the average of all offices. There is, therefore, some divergency of experience among the Life Offices and the experience of assured lives is affected by the social strata from which the proposers are drawn. It will be seen, therefore, that the field staff being the process of selection of grouping the proposers into first class lives and lives that are not acceptable at ordinary rates. It is important that the producers should realise that they can influence the financial results by looking for business in less desirable quarters.

The underwriter must keep in mind the basis adopted for the calculation of the premiums. The actuary makes certain assumptions in regard to mortality when determining the basis of the premiums, and the lives accepted at normal rates must produce a rate of mortality not higher than the basis adopted. Naturally, a broader basis of underwriting can be adopted if there is a good margin in the premium tables, but competition tends to keep the margins down to the minimum and it follows that the degree of selection must be kept in line with the available margin.

It is important that steps should be taken to counter any anti-selection on the part of the proposer. In most cases, life assurance is "sold" and the initiative is taken by the field staff. This tends to reduce anti-selection, but if the initiative is taken by the proposer, the possibility of anti-selection is greater. Of course, the underwriter must not lose his sense of proportion. I remember stories of an underwriter who asked "why does he come to this office? There are plenty of other good offices to whom he could make a proposal!"

Selection against the office may not be easy to detect. The most difficult case is the proposer who has no definite disability, but has a feeling that all is not well. He may have betrayed his feelings by a visit to his private medical attendant, but if he has not suffered from a definite illness, the underwriter must take a difficult decision. Howerer, the less desirable type is the proposer who with-holds the truth, tells half the truth, or denies the truth. If misstatements are made, there is always the possibility that the office may discover them by comparing all the available evidence. As the statements made in the proposal and to the medical examiner are the basis of the contract, it follows that proposers who prefer not to adhere to the truth should be rejected. However, while I do not sympathise in any way with this type of person, we should not be too harsh in our judgement. If a statement is known to be wrong, we must ask "Did the proposer know?"

When the proposal is for a larger sum assured, there is a danger that officials, both in the field staff and Head Office may fail to make complete investigation. Moral hazard can be a feature of the big case, and it is important to check that the sum assured bears the proper relationship to the financial status of the proposer. The reason for the assurance should be ascertained, and it is helpful to obtain a report concerning the general surroundings so that the underwriter can form a picture of the circumstances. For example, if a policy is intended to cover a loan, it is desirable that the underwriter can be assured that the proposer is not living beyond his means. If the loan is required for business purposes, investigations may reveal that recently severe losses have been incurred; In such a case, there may be a suicide risk. It is the responsibility of the producer to see that the Head Office is furnished with all the relevant information of this kind, to enable a proper assessment to be made of all factors affecting the risk.

Methods of Underwriting

Life assurance may be underwritten without medical examination in certain circumstances, whereas in other circumstances, medical examination is required. The non-medical scheme is intended to apply to healthy proposers who have not, and do not suffer from any impairment. You may imagine my horror when I saw a leaflet published by an office overseas, advertising a non-medical scheme for substandard lives. A small addition had been made to the normal premium scale on the theory that it would cover the extra risk. The scheme was soon withdrawn.

Undoubtedly, the volume of life assurance business accepted without medical examination has increased, but there are still considerable divergencies in practice more particularly with regard to the maximum sum assured that will be covered. The proposal form for non-medical

business is larger than the ordinary proposal form, because it must include the family and personal history. The name and address of the private medical attendant must be given, and information concerning the occasions when medical attention, or advice, has been obtained. Some offices always ask for a report from the private medical attendant, whereas officers only secure a report if the proposal or other papers indicate that the private medical attendant has been consulted. The producer should realise that he plays an important part in making an initial selection when securing a non-medical proposal, and it is essential that if the field staff have any reason to believe that there is any doubt whatever concerning the eligibility of the proposer for acceptance as a first-class life, that the proposer should be persuaded to present himself for medical examination. It is usual to obtain a report from the official who secures the proposal, so that his knowledge of the proposer and information regarding his health and habits and the reason for the assurance may be recorded for the benefit the underwriter. If the details shown in all the papers are satisfactory, the proposal will be accepted, but if the proposer is seriously overweight, or if other adverse features are revealed, medical examination will be required The proposer will be disappointed that his proposal is not accepted without medical examination, and it is therefore important that the producer should not forward proposals on a non-medical form if the information on the proposal clearly indicates that medical examination will be needed. Many offices will only consider non-medical business on lives under age 45.

We will now consider proposals where medical examination is made. The evidence submitted to the underwriter consists of the proposal, medical report, and it may be necessary also to include a report, from the private medical attendant if supplementary evidence is required concerning an illness or other medical feature The agent's report may be useful in giving supplementary information. Friends' reports do not often reveal any useful information and there is a growing practice to dispense with them. Some offices still regard the friends as a possible source of new business. A Specialist's report is required if the medical report reveals the need for additional information, the most common example being heart impairments where electrocardiogram X-ray of the heart is required. The medical examiner shonld give full information regarding past illnesses, including the cause, symptoms, duration and progress made during the course of the illness.

Some offices submit all proposal papers to the Chief Medical Officer for his opinion, but if the office is transacting a large volume of business, a system must be worked out whereby the srraight-forward proposals are passed, and the more difficult cases referred to the Chief Medical Officer. Most offices will have built up an established practice for the assessment of the more common impairment, and the underwriting department will have considerable experience in dealing with the simpler substandard risks. It is better to restrict the volume of papers which pass to the Chief Medical Officer, so that he can devote his attention and skill to the more difficult cases.

Reference must now be made to the Numerical Rating System. Unfortunately, there is not a great deal of data available to underwriters concerning the mortality of substandard lives. Much valuable work has been done in America and those who work on the Numerical Rating System are usually obliged to base their ratings on American statistics. Even so, while the statistics help us with the more common impairments, there are many substandard risks not covered by the investigations and which can only by underwritten after discussing the special features with the Chief Medical Officer.

The Numerical Rating System is adopted by American and Canadian companies and some British companies have also adopted this system. The principle is that a normal case is rated at 100 % of the normal mortality and points are added in accordance with adverse features revealed in the papers A rating of 50 points indicates that the impairment is likely to produce additional mortality of 50 % of the normal. Having rated the case of 150 % of the normal mortality, it is possible to calculate either the number of years which should be added to the age or the level extra premium. It is also easy to work from the numerical rating to the appropriate debt, For example, 150 % rating would indicate a debt of approximately 30 % decreasing over the term of the policy; 200 % mortality would correspond with a debt of 50 % decreasing over the term of the assurance.

The most recent investigation made in America is the Impairment Study 1951 which has been published by the Society of Actuaries. A large number of cases have been investigated where the lives assured are suffering from diseases of the cardio-vascular system. Other statistics are given concerning diseases of the brain and nervous system, and the investigations include proposers who have a history of tuberculosis. Other impairments covered are diseases of the digestive system with particular reference to gastric and duodenal ulcers and proposals where albumen is found on examination.

(To be concluded in next issue.)

Organize for Success

BY A. H. L. HARRIS, C.L.U.

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MY Subject, "Organize for Success" is one which is of vital importance to each and every-one of us. It has a title which is frayed by repetition, in one way or another, but without constant recognition in this or any other business will doom a person, firm or any organization to failure.

The vastness of this subject, in relation to the life insurance business requires it to be analysed in parts. Particular reference will be given here to a very few phases of the profession of selling and servicing life insurance.

First, let us look at the definition of the words forming the title. "Organize" is defined in both the Webster and Oxford Dictionaries as "systematize" and "bring or put into working order". Success is defined as "The prosperous termination of any enterprise" and the, "attainment of one's object or of wealth or position" Now how will this apply to life underwriting? I hope that you will agree with me that our aim should be, "the systematizing of our work habits into order so that we may achieve the prosperous termination of our objectives." In our business as in any other, we will not have success unless we organize.

The life underwriter finds his or her work is made up of many things. A few of these are study and reading, prospecting, selling, placing of business, servicing, office detail, record keeping, analyzing and all the various break-downs of these important parts of the business. To complete all of these succesfully, we must have "Action" must be directed in such a manner that we will complete as much work as possible in the time at our disposal. We must organize ourselves with the purpose of conserving time, a big element in the whole phase of being successful and achieving the desired results. This applies equally to the combination and the ordinary life underwriter.

Paul Speicher in the many great messages he made on life insurance before his death referred to the importance of organizing. Two of these I would like to quote here. He said, "*All the water that flows over Niagara becomes power only when it is organized within the confines of steel turbines. Organized, it is power. Unorganized, it is nothing more than a spectacular show. Organization is only straight planning and straight execution. Try it!*"

And Secondly,

"*But at the same time we must take this business of success and get it down to some sort of organized basis. We are not pioneers. Thousands have gone before, blazing the trail, finding the landmarks.*

There are limits and boundaries and highways and rules and channels".

Frank Bettger makes many references directly and indirectly regarding orgainization in his now famous book, "How I Raised Myself from Failure to Success in Selling" and stresses along with it the important requirement of keeping records and analysing them. How can any of us be organized if we do not keep adequate records?

I would like to deal with three important aspects of life underwriting, in regard to my subject of "Organize for Success". These are: Knowledge, Prospecting and Work Habits.

Knowledge of one's business is becoming of greater and greater importance in the economy of our country. We are in an age of specialists. The trend is going to continue if the general concensus of opinion is correct This also applies to our business. Therefore, what steps should a life underwriter take to secure greater knowledge of this business? Here are a few:

1. He or she should join the Life Underwriters Association and attend meetings regularly and take an active part
2. All company training courses should be completed as soon as possible.
3. An enrollment for the C.L.U. course of study should be made.
4. A systematized and consistent reading program should be established. The articles covering the fields and problems you are encountering should be read and studied thoroughly.
5. We should all attend sales congresses and regional conventions at every opportunity.
6. Those who have their C.L.U. degree should enrol for the Advanced Study Course.
7. We should analyse our study and reading programs at regular intervals with the aim of making improvements wherever possible.
8. We should build up a good library on the life insurance business such as, C.L.U. books, book by Paul Speicher, Frank Bettger, Hugh Bell and others. You should have booklets covering important subjects for ready reference.
9. We should make a point of attending agency meetings.

It is my firm belief that the steps we take to increase our knowledge of the life insurance business should be on an organized basis if it is to be successful.

Prospecting

Let us now deal with prospecting. Prospecting is one of the main doors to being successful in this business. It has been said that, "If you cannot prospect, you better get out of the business". Each and everyone of us will agree with that statement. Therefore, we should devise a plan that will work for us and which is suitable to the individual. It is commonly recognized that we must secure complete information. The more we know about our prospect, the easier it is going to be to approach him. Our centres of influence may have to be encouraged with the usuful suggestion, such as:

Who lives next door?

Who are your business associates?

What young man do you know who is eager to succeed?

Whom do you know who has just bought a house?

What family man is your closest acquaintance?

Whom do you know who has business ownership?

What girl do you know has a sense of responsibility?

Who is the most recently married couple you know?

Which of your acquaintances has had a new baby?

Whom do you know who has property and investments?

Whom do you know who has just received a promotion?

Whom do you know who has had a death in the family?

Whom do you know who has gone into business for himself?

Whom do you know who is working for a new company?

Who is the local magager of your firm?

Who is the president of the company you work with?

What member of your family do you feel I could be of service to? etc.

I would also suggest you ask questions on an organized basis. This will provide the majority of our prospects in our certain fields of operations. We know what groups will provide the proper business for us, not only for the present time, but also for the future. If you are having trouble in this regard have a form printed which asks the questions so that you will receive the proper information. It has been established beyond doubt that good results will be secured if you work your prospecting plans toward these goals.

1. The life underwriters with high productions work in a few basic groups. Examples are one profession, one trade, one area, etc. We should work toward doing business where we like working and where we will achieve maximum results.
2. Men with high production have an organized prospecting method. Usually they have more names than they possibly can see. Yet they still keep prospecting regularly.

You may be able to secure some ideas from a system I use which has proven successfully for me. It has been my practice to place the newly issued life insurance contract by personal call. When I arrive at my client's home or business, I deliver the policy and refer to a sheet which is a personally printed form. This form covers every point in regard to his life insurance program and any details that are outstanding. One of the points simply says, "Propects" and I list them on the sheet. In regard to the names I secure, I ask that they have three qualifications in the eyes of my client. He is asked to give the names of only those who are good family men, who are financially sound in their dealings, and who can make decisions. After I have received from one to twenty-five names in each case, it is my practice to then get the details on each prospect. After this is done, I ask my client to rate the list for the first three names in his opinion as first, second or third. Any further outstanding prospect are given a star.

The names are then transferred to small cards. As further references are made on the same people additional information is put on the card. The client's name and confidential rating is put on the right hand side of the card along with the date the reference was received. These cards are used in such a manner that only the people with the best and most references are at the top of my prospect file when new people are contacted. Also, I always ask for premission to use my client's name as reference, and I know who to mention by the names on the right side of the card. If you use a system like this regularly and properly, I state emphatically that you cannot run out of referred leads. Of course, you will not get the leads if you do not do a proper and sincere selling and servicing job with your policyholders. Don't be afraid to ask for the references. What ever success you have in selling these prospects—don't forget to report back to your client. We should also report back in a systematic way and might I suggest that this is an ideal time to secure further leads.

You may say this prospecting system will not work for you. In its entirety I say it will work if you will try it. Then, I suggest you adjust it to suit your particular sales method. In other words devise a system of prospecting which will work best for you, and then follow it, day by day, week by week, year by year, until it becomes a part of your selling procedure.

A recent survey has shown that it takes more than prospects to be successful. Successful underwriters, in a survey of Purdue University, made 15.7 calls per week—the failure 14.4. However, I ask you "How can you make the calls if you have no prospects to call on?" Of course, the "Purdue Formula" for an ideal week's work was 20 Seen Calls, 10 Closing Interviews, two sales and *20 new prospects*.

Work Habits

Now let us refer to Work Habits. In the January issue of R & R Magazine it states that the following are the typical bad work habits commonly found in the job of life underwriting:

1. Not planning work in advance.

2. Starting the day with the easiest and least important jobs.

3. Procrastination.

4. Endless call-backs — not realizing when a sale or client is lost.

5. Failing to be on the job continuously during the time reserved for the job.

6. Wasting prospect's time.

7. Wasting your own time with unnecessary office details or recreational diversions.

8. Failure to keep proper records.

9. Neglect of policyholders.

10. Failure to meet new people regularly.

11. Neglect of study and self-improvement.

12. Worrying too much about outside matters.

Those are 12 bad work habits of the life underwriter. Everyone of them can be solved easily by proper organization of our life. Let us put things in their proper perspective. If you analyse these bad habits you will find that four of them refer to prospects or prospecting in one way or another, and one to knowledge of our business. Of the remaining seven, six are directly due to poor office organization, record keeping or organizing our work. The other is procrastination, and this, too, can be solved if we organize our business so that decisions and necessary action become a part of our regular selling routine. From these remarks, you will see that being organized will solve all your problems in this profession. If our plans are sound and our work is consistent and welldone, we should see the people and tell them about the great and many benefits of life insurance. We will then be organized for success, but we will never reach this stage if we do not organize an overall plan suitable to our particular mode of operation as a life underwriter.

Recently a management consultant in the United States made this statement, "There are four common basic essential ingredients in the makeup of the 100 most successful leaders in America The four characteristics are:

1. Ability to think.

2. Ability to get work done.

3. Capacity to assume responsibility.

4. Ability to get along with people.

But that isn't all that this consultant said! He added one more thought which makes the picture complete, and which contains the seed of hope for us all. Here it is:

"These characteristics are not inherited They are developed."

We all recognize these characteristics as necessary parts of any successful person. It is particularly applicable to this business. The most striking part of that quotation is the statment, "These characteristics are not inherited. They are developed."

The success we achieve will depend on our ability to develop our working life to peak efficiency so that our ultimate goals will be reached.

At this point I would like each reader to take a piece of paper. Mark on it in the next few seconds the part of your working plans you feel should be better organized. It may be office routine, filing, prospecting, study program, seeing new people, too many call-backs, getting to the office in time, a planned presentation, use of telephone and so on. Now, I'm going to ask you to do both of us a favour. In the next week, will you discuss this problem with your associates, your manager, your head office officials, read something covering the subject, and search for an answer to your problem in any other way possible? A week from today would you drop me a short note by mail telling me what your problem or problems are concerning this business and if you found a partial or complete solution from your inquiries? If you want to give me the details of the solutions, fine. In this way, I will be able to pass your ideas on to someone else.

The definition of a salesman possibly will assist us in solving our problems: "The ideal salesman has the curiosity of a cat, the tenacity of a bulldog, the friendship of a little child, the diplomacy of a wayward husband, the patience of a self-sacrificing wife, the enthusiasm of a Sinatra fan, the assurance of a Harvard graduate, the humour of a comedian, the simplicity of a jackass and the tireless energy of a bill collector."

When we go forth today, let us keep these things in mind:

1. Knowledge is power which must be acquired, but let us get it in a thorough and efficient manner.

2. If we do not have proper and sufficient prospects in this business of selling, failure will result. Quality and adequate prospects will lead to success.

3. Work habits are our habitts. We are either going to have bad ones or good ones. The choice rests with us.

If we can't have more time, we must have more results from the time at our disposal. We must organize for greather efficiency so that our success will be assured. Lack of will power to face this fact has caused more failures than lack of intelligence or ability.

We must organize and we can organize everything we do in this profession of life underwriting to reach the ultimate success we wish to achieve.

VALUATIONS

Circular issued to all Actuaries by the Controller on 25th January, 1955.

SUBJECT:—**Valuations and distributions of surpluses.**

Sir,

You are aware that substantial reductions of premium rates were effected by most of the big insurers transacting life insurance business in India last year. It appears that, generally speaking, these reductions were effected rather under the **stress of forces of competition** and without the companies concerned having made any actuarial investigation into the bonus earning capacity of their life insurance funds with their old premiums, under the changed conditions. Subsequent investigations would appear to indicate, in the case of many companies, that serious inequities may arise between policies issued under the current rates of premium and of policies issued under the old sets of rates if the same rates of bonus were to be declared on all policies at future valuations. And yet it seems possible, **judging by the current desire to impress by high bonus declarations,** that the forces of competition may again prove to be a potent factor in **influencing the companies to declare uniform rates of bonus to all policyholders,** regardless of equity or even of maintainablity of such rates at future valuations.

2. It is felt that there is a positive need for the actuaries, at future valuations involving the reduced-premium policies, to satisfy themselves by investigation, about the future bonus-earning capacity of the different blocks of their business before making their recommendations for the current declaration. In other words, the decision to declare either differential or uniform rates of bonus as well as the determination of the actual rates of bonus to be declared should be based on proper actuarial investigation in every case. It is also desirable that the details of this investigation should be made available to the Department of Insurance.

3. For the above reasons it is proposed that at the future valuations insurers should be asked to furnish answers by the valuing actuary to the following questions in addition to the abstract under the Fourth Schedule to the Insurance Act, 1938:

(i) Are the rates of bonus now declared largely maintainable in the future on the current experience of the company? If not, why are such rates of bonus being declared?

(ii) Is any distinction in bonus rates called for between policies issued under the current rates of preminms and policies issued under the old rates. If the answer is in the affirmative and

(a) if no distinction is actually

made how do you justify the declaration of uniform rates of bonus on all policies? or

(b) If some distinction is made, how do you justify that the distinction made is sufficient to serve the interest of equity?

(iii) Give details of the investigations which have been made by you to answer the above questions.

It is also proposed, wherever necessary, to publish an analysis of the answers in a suitable form in the Insurance Year Book. It is suggested that insurers with life business in force of less than Rs. 2 crores may not be subjected to the above requirements.

4. I have to request that you will be good enough to consider the above remarks and proposals and forward to me any views you may like to express thereon and any alternative proposals that you may consider to be more suitable.

5. As a decision in the matter should preferably be arrived at before the valuation to be made as at 31st December 1954 are taken up by the companies it is hoped that a reply will be received by the 20th February 1955.

Reply by the Bombay Branch of the Actuarial Society to the Controller's Circular.

The Bombay Branch of the Actuarial Society of India considered this Circular from the Controller in their meetings held on the 4th and 8th February 1955, and in accordance with the decision taken at these meetings, a letter dated 16th February has been addressed to Controller by the President of the Society. Below are some excerpts from it:—

1. Re para 1. in the Circular, "as details of these investigations have not been given in the Circular, we are unable to express any opinion on the above conclusion. Broadly speaking, the recent reduction in premium rates has restored the pre-1947 position and the rates have not been brought down to a level that cannot be considered safe.

2. "Questions (i) and (ii) included in para 3 of your Circular relate to problems which every valuing actuary is expected to consider before making his recommendation as to distribution of surplus.

"The answer to your question (i) must necessarily be in the affirmative except in exceptional cases where there are large adventitious profits in an intervaluation period, for no valuing actuary would ignore the important aspect of maintainability of bonus when recommending declaration of a particular rate of bonus.

"Any requirement that the valuing actuary should give details of the investigation he has made to satisfy himself that the rate of bonus currently declared is largely maintainable in the future would, therefore, imply duplication of the valuation—one by the gross premium method which is commonly adopted in this country and the other, a bonus reserve

valuation. It might be asked why the bonus reserve valuation itself should not be submitted as the official valuation. Apart from the fact that some of the important questions in the Fourth and Fifth Schedules of the Insurance Act, as they stand at present, are not quite suitable for being answered satisfactorily with respect to a bonus reserve valuation, there is the very strong practical objection that details of a bonus reserve valuation, if published, are likely to be misunderstood by the public, however guarded the actuary may make the statement as to the rate of furture bonus for which he has made a provision, and it would be impossible to avoid giving the impression that future bonus at the said rate is guaranteed. It is felt, therefore, that it would not be practicable proposition to give a satisfactory reply to your question (i) because, short of an additional valuation by the bonus reserve method, we are not aware of any other investigations the results of which would enable a satisfactory answer to be given to this question.

3. "Question (ii) of the Circular requires the actuary to state whether — any distinction in bonus rates (is) called for between policies issued under the current rates of premiums and policies issued under the old sets of rates."

"From the question it appears that while it is desired that the valuing actuary should separate the policies issued at current rates of premium from the rest of the portfolio on the ground of heterogeniety. the latter is assumed to be homogeneous group. It is not clear how this bisection can be justified as the present portfolio is itself a conglomeration of different blocks of policies issued on the basis of varying scales of premia. The uniform reversionary bonus system which has been adopted by the large majority of Companies in India is designed to ensure broad equity and it cuts at the very root of this system to deal separately with different blocks of policies for the purpose of distribution of profits.

"If a company has in the past been declaring bonuses at the same rate on different blocks of policies issued on the basis of different scales of premia, equity requires that the practice should be continued.

"If, when the premiums were reduced recently, the rate or rates of bonus for which the with-profits policies are loaded were left unaltered, that would confirm the intention of the Company concerned to continue to adhere to a policy of uniform bonus distribution.

"The life fund in respect of the existing portfolio would, generally speaking, have been invested in assets which on the basis of the high prices at which they were purchased would yield a much lower rate of interest than the assets in which the funds in respect of new policies are invested. It would be seen, therefore, that as far as the rate of interest on investments goes, the new policies have an advantage and that their contribution to the surplus will be prorata higher. (Further), mortality varies not only according to the year of experience but also according to the year of entry. Accordingly, new policyholders would as a whole be subject to a lower rate of mortality than the existing policyholders and the former's contribution to the mortality surplus would be proportionately higher.

4. "So long, therefore, as the bonus policy of a company points to an intention to adhere to the uniform reversionary bonus system and the bonus system and the bonus earning power of the policies subject to new scales of premia is not significantly different from that existing portfolio which itself is a heterogeneous group, we feel that further questions of differentiation between the bonus declared on existing policies and that allotted to new policies need not be raised. Where, however, the bonus loadings in the new scales of premiums are different from those contained in the previous scales of premiums and / or where the past practice of the Company has been to declare different rates of bonus on blocks of policies issued on different scales of premia, equity will require continuation of such differentiation in declaration of bonuses.

5. "It is our considered view that, under the Insurance Act as it is, you have sufficient powers to challenge a valuation if you have reasons to believe that it does not properly indicate the condition of the affairs of the insurer by reason of the faulty basis adopted thereon. These powers, we feel, are comprehensive enough to cover even cases where the bonus declaration is not in consonance with the state of affairs of the insurer.

6. "Before concluding we have to briefly refer to your suggestion at the end of para 3 of the Circular that insurers with life business in force of less than Rs. 2 crores may not be subjected to the proposed requirements. The object of the proposals contained in your Circular being to ensure equity, we feel that there is no case for exempting any category of insurers from the requirements which may ultimately be decided upon. Equity has to be maintained as much in the case of a small insurer as in the case of a big one."

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The eminent Bombay Actuary Mr. K. A. PANDIT, B.Sc., F. I. A., has addressed the Controller of Insurance, as follows:

"Re: Valuations and distributions of surpluses

"I have duly received your letter Ref. No. IRC (4)/55 of the 25th ultimo."

"I agree that last year, reductions in the premiums were effected mostly under the stress of forces of competition. But they were certainly not done ignoring the bonus earning capacity of the funds under the changed conditions. In this country premium rates both with and without profits have been revised often in the past and the main consideration in such revisions has been the maintenance of bonus. Without being very exact about the dates, I may mention here that premiums were revised in the years 1939-40, 1943-45, 1947-48 and the latest 1954. In all these revisions the question uppermost was the maintenance of a fair rate of bonus. It was found that falling interest rates in the first three periods made it difficult for the companies to maintain their bonus and thus it was thought prudent to revise the premiums applicable to new policyholders so that both old and new policyholders may be assured of a fair rate of bonus. In the same way the recent revision in the year 1954 has been made mainly with a view to keeping the bonus declaration at a fair level rather than pushing up the bonuses which may not remain equitable to all the policyholders who entered a company during any of the past 15 years.

It is true that equity would demand differentiating of bonuses with respect to each group of policyholders at varying rates of premiums. But this would be difficult in practice in view of the above pattern of life business in this country wherein many groups have been insured at different rates of premiums. Further, the valuation methods in this country would not allow the determination of surpluses which could be equitably distributed. The valuation bases are decided more from the standpoint of maintaining the stronger reserve position rather than the point of view of maintenance of a specific rate of bonus. No valuation in this country would be found to have been conducted on the method known as "BONUS RESERVE METHOD." Thus, it would be impossible to determine the quantum of surplus which could be fairly distributed separately to each group of policyholders paying premiums current from the date above mentioned.

"I would, therefore, say that declaring the bonus rates differently for different blocks of policyholders would be unfair and impracticable."

2. It may be desirable to know the bonus earning capacity of the different blocks of business of a company while making a valuation. But I fail to understand its utility value when it is felt that it would be practically impossible to differentiate bonuses. The decision to declare uniform bonus would be invariably taken in view of the inequity of differentiated bonus in the absence of the appropriate valuation machinery."

"Further the underlying motive of premium reductions being the stabilization of bonuses, it would be like frustrating the very motive which prompted the revision of with-profit premiums if bonuses are differentiated."

"Further, the rate of bonus declared, though maintaining a relation to the rate maintainable on the current premium rates cannot be kept low. In the past valuations, the Company might have withheld bonus or declared at rates lower than what were maintainable then mainly from the considerations of building up the strong position of reserves or on account of possible future depreciation on investments or some other factors. If therefore, subsequently the conditions have become favourable, it would be just and proper that bonuses be pushed up so that policyholders may be compensated for deprivations of certain bonuses which were due to them in the past."

"Thus, though the need to satisfy by investigating the bonus earning capacity of premiums may be academic, it will not serve any purpose and thus the submission of such details may not be necessary. In fact, I would very strongly suggest that in the interests of equity, all the policyholders of a company should be treated on the same footing since the life insurance Fund is the trust fund available to all its members and that no attempt should be made to differentiate the surplus which have come about by the interplay of many factors, bonus-loding being one of them The bonus loading has always been more or less maintained at each revision and thus distinction of bonus should not be favoured."

3. "In view of the above aspects of the problem, I would wish that no replies to the questions in (i), (ii) be asked for. On the contrary, I would suggest that the Controller may insist on uniform declaration of bonuses without the distinction of old and new policyholders which itself indroduces inequity. This method would be fair to all policyholders "

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Comments by Mr. S C. DAMLE, M.Sc., F.I.A., made at the meetings of the Bombay Branch of the Actuarial Society of India.

In the first part of his letter the Controller of Insurance has made a refereuce to the last year's general reduction of life insurance premiums as being carried out under the forces of competition and without the Companies concerned having made any actuarial investigation into the bonus earning capacity of their life insurance funds with their old premiums, under the changed conditions. As the bases which fit the new rates of premiums under the altered conditions are already available with the C.I., that authority is no doubt in a better position to know the difference between the rates of bonus recommended for distribution after a valuation and the definite provision which the basis fitted to the premium rates indicates as being sustainable by the premiums: being charged for new business after the revision of premium rates. There is in particular one point to which I drew the attention of members on Friday evening and which I am mentioning again as I learnt that some members sitting at a distance could not hear me clearly on that date. That point is with reference to the bonus earning capacity of the life fund with old premiums under changed conditions. The present speaker in a Note published in the 1953 Annual Number of the "Indian Policy Holder" showed the ridiculous results which are obtained by any attempt to fit the premiums by assuming by constant renewal expenses throughout and a constant simple reversionary bonus in the case of with Profit Endowment Assurance. On Friday last I referred to Table 2 at page 22 of the J.I.A. Vol. LXXIX Part I No. 351 in the paper: A consistent System of Investment and Bonus Distribution for a Life Office by G. A. Bayley and William Perks. That table shows what the future rates of bonus for policies of various ages at entry, terms and durations in existence at the time when the rate of interest changes from 3 to 3½ % would be supported by the

existing premium rates on that date. The authors further point out "in particular, it will be observed that a permanent change or 10sh % in the interest rate gives rise to an average change of rather less than 5sh. % in the future bonus rate for a block of business well spread over the various durations". Gentlemen, I would request you to examine the future rates of bonus for new business supported by the existing premiums, i. e., duration '0' when the provision before the change in the interest rate was 30s% for all ages and terms at entry. You will observe from Table 2 that the future rates of bonus for age at entry 20 and terms 40 is £1-19s-6d. and for age at entry 50 and term 10 it is £1-16s-4d. There is thus a clear difference of 3s. 2d.%. This by itself should have been a sufficient justification for a slightly downward revision of premium rates even if advantage were to be taken of the increase in interest rates to reasonably increase the bonus rate. The actual reductions in any particular case is a matter between the C. I. and the individual actuary but this much is clear that qualitatively a downward revision was called for in the interest of equity itself.

2. Assuming then that a downward revision of premium rates has been effected, let us consider the position for new and old policies at a valuation for distribution of surplus after the change in the premium rates. As Bayley and Perks have pointed out that assuming a uniform simple reversionary bonus is to be awarded to all policies in force at the time the new premium rates were introduced the increase in the rate of simple reversionary bonus would be only ¼ % i. e., 2½ %o p. a. on With Profit Endowment Assurance policies. It should be remembered, however, that Bayley and Perks have considered the effects of a change in the Rate of Interest only. Thus if the provision for bonuses derived from the actual loading for the purpose in the revised premium rates were to exceed the previous provision by 2½ %o per annum for an increase of ½ a per cent in the interest rate the same rate of bonus could be equitably declared on both old and new policies at a valuation soon after the introduction of the reduced premiums. But as time passes and policies of short duration at the date of change of premium attain higher durations the bonus rates supported by those premiums would work themselves out and higher bonuses on those policies would result; but the volume of business would be diminishing whereas the volume of business under the revised premiums would be increasing. Thus the difference between the bonus rates resulting from past business and those resulting from new business would diverge as time passes.

3. But it may happen, as I suppose, it has already happened in the case of some of our large insurers that the old policyholders may take proportionate paid-up policies and insure themselves again at lower rates of premium In such a case the likelihood is that policies of shorter duration may be 'enblock' converted into P. U. P.'s and only the policies of larger duration out of old business may remain on the books of the insurer after the revision of premium rates. In such a case the divergent difference in bonuses earned by old premiums and those earned by reduced premiums at successive valuations may considerably be reduced. If the difference is not significant it would perchance waste of labour to try to differentiate in the bonus distribution between the policyholders paying old rates of pre-

mium and those paying reduced rates of premiums.

4. I have so far considered only the effect of a change in the rate of interest with reference to future premiums. But when the rate of interest increases there is a depreciation in the value of the assets and an increase in the valuation rate of interest. Whether the effects of those two changes balance each other or result in a profit or loss depends on how far the Immunization theory (Full or Paid-up Immunization) has been followed in practice in the investments of the insurer and of the effect of options. But under the heading "Bonus Policy" F. M. Redington has pointed out that it has to be remembered that the immunization of new business is only possible by reason of the existence of the large fund of existing business. He further points out that "Few British actuaries would differ from the conclusion that the wider grounds for uniformity in bonus declarations override the mathematical grounds for differentiation,

5. In all this so far we have not considered the peculiar and still not properly considered effect of assessment of income-tax on Indian Life-funds' earnings. It has been pointedly maintained last year by Shri R. M. Mehta that all life-insurers in India are assessed on the basis of actuarial surplus and, therefore, the relevant rate of interest to be considered under Indian conditions is the gross rate and not the net rate which may be appropriate under British conditions. The effect of this itself would mean similar consequences as those following the rise in the rate of interest except that no depreciation on the value of assets has to be considered. But the net rate of interest has been used in premiums and in valuations and will probably be used for sometime at least in future also., Though the effect of the significance of the gross rate may thus be marred in the estimation of policy liabilities and in the quotation of premiums its effect is bound to be felt in the amounts of surplus released for distribution from time to time. This effect is all the more Important in the case of increases with comparatively large paip-up capital or other accumulated reserves. It would be within the rights of the insurer to distribute the surplus resulting from interest on capital and for other reserves between the old and new policy-holders in such manner as the insurer may choose.

6. Coming now to Mortality, Gentlemen, you will perhaps agree that there has been a very substantial improvement in the mortality experience of Indian Assured Lives over the experience represented by Oriental (1925-35) experience. I have also reasons to believe that some tables of mortality and monetary functions may be available in the near future which may replace the out of date tables based on Oriental (1925-35) experience. If and when these tables become available the premium rates calculated on those tables will no doubt be substantially lower than the rates of premium based on Oriental (1925-35) experience. The same thing could apply to valuations. But even without releasing the surplus which might result from such a change of basis it would be evident from the published figures in some of the valuation reports that the surplus resulting from this source may not be quite insignificant and margin in mortality contained in the premiums may well amount to a slight additional loading for bonuses. How far the revealed surplus from mortality will be from old business and how far from new business and similarly how it will vary with age (and duration though the effect of duration may be insignificant under Indian conditions) cannot be assessed from general conditions.

7. **Expenses**: Expenses generally speaking of Indian Insurers are high in comparison to those of Foreign insurers in their own countries. There are no doubt obvious exceptions to this general statement. But in the 1950 Amendment of the Indian Insurance Act a definite provision has been made for the limitation of expenses of insurers. In the case of most of the insurers the premium rates were already revised and increased before the 1950 Amendment of the Indian Insurance Act. It would be evident by a reference to the Indian Insurance Year Book 1953 pp. 13-14 that the Expense-Ratio of Indian Insurers has declined after the 1950 Insurance Amendment Act came into force. What is even more the decline in the expense ratio appears to be greater when half a dozen insurers having the largest premium income are excluded. It would, however, be necessary to consider this in some detail before any conclusions can be drawn from this as the mere consideration of the overall expense ratio may be quite illusory on account of the necessarily high expenses in the earlier years particularly the first year of a policy and which will, therefore, be related to the new business figures. Except in the case of a few insurers the contribution to surplus from this source would be indeed, if anything, negative. Moreover, the variation in the method of providing for expenses in the premiums and in the valuation as also in the method of limitation of expenses may result in the surplus and/or from this source depending upon the distribution of terms on which policies are issued, It is possible, however, that the three, above mentioned, ways in which expenses may be viewed may, lead to the same total amount for expenses if the business is well spread over the various terms.

8. **Miscellaneous sources of surplus:** It is difficult to say qualitatively the relative importance of this source of surplus in any particular case. But the conservative manner in which decisions in many cases may be taken leads one to expect significant contribution to surplus from this source.

9. It has been known that considerations of equity would require the distribution of surplus from different sources in different ways. The most equitable system of bonus distribution would, therefore, be by the contribution method. But it has also been shown that the British technique of reversionary bonuses either by the net premium method at a depressed rate of interest or by the bonus reserve method of valuation in practice equally well serve the interests of equity.

10. In India, however, it has been the practice to provide for future expenses and profits by throwing off a percentage of the future premiums valued. What is more this percentage is generally the same for all ages, terms and durations. As the present speaker has shown in his note cited earlier this method leads to ridiculous results. But there is one redeeming feature in favour of this technique. The percentage thrown off is

not necessarily the same from one valuation to another of the same life fund. Hence the only objection that can be raised against this method at the worst is that it is not scientific though it may make adequate provision in total in some cases.

11. The method in use in India, however, also makes different degrees of provisions for future bonuses in the case of different insurers. It would, therefore, be necessary in order to avoid any violent disturbance in Indian Life Insurance to introduce reforms as are contemplated in gradual stages making due allowance for the age and the amount of business in force with a particular insurer. In addition it will be necessary to evolve a system whereby due allowance could be made in the case of any particular insurer receiving a violent recession on account of some unfortunate chance occurance.

12. But at the present time one obvious result of the introduction of the type of reforms contemplated in the circular letter would be to satisfy the statutory requirements, if finally approved, at the cost of hidden reserves at present maintained in the margin in mortality, interest loadings and profit from miscellaneous sources. The present speaker wrote an article in "Commerce" of Bombay sometime in March, 1950 when the Insurance Act Amendment Bill was on the anvil of the House. A copy of the article was also sent to the then Superintendent of Insurance and I am inclined to believe that the measures of the type visualised therein would go a longer way in bringing about the necessary changes in Indian Insurance than the type of measures proposed now. But in the absence of the measures suggested by myself in 1950, the type of measures now proposed would no doubt be helpful with suitable modifications in the light of the observations made so far. More specifically my conclusions on the proposals are:

1. (a) Gradations of applicability in accordance with the age of and the business in force of a particular insurer, insurers with less than 2 crores of business in force being completely exempted.

(b) Provision for reducing for this purpose the age of an insurer if any sudden loss is incurred to allow time to re-coup from such a loss.

(c) Strict enforcement in the case of insurers of age, say, 40 years and the business in force of, say 40 crores.

N.B.— There is no special sanctity in the number 40 but this number is taken to include all large insurers who started life insurance business before the first world war

2. With reference to (i) please substitute the following for the words "in the future," "during the future period over which the present policies in force may remain on the books of the insurer."

3. With reference to (ii) the following restrictions are suggested for consideration.

The first sentence need be answered only if the specific loading for a simple reversionary bonus contained in the current rates of premiums is less by more than 2½ per 1,000 per annum than similar provision contained in the premiums quoted for new business immediately before the last revision of premium rates in 1954 or 1955.

4. With reference to (iii) the following modification is suggested State the nature of investigations made, if any, or the grounds on which the answers to the above questions are based.

Review

The Canara Mutual Assurance Company, Limited, UDIPI.

A most progressive and well managed Mutual Institution in South India, the Canara Mutual Assurance Company, Limited, Udipi, is the first to release the Annual Accounts for the year 1954. Proposals of the aggregate value of Rs. 1,02,73,700 were received by the Company during 1954. A business of Rs. 88,29,450 resulted in new policies. Compared to the new business record of only about Rs. 50 lakhs, for 1953, the Institution has done wonderfully well during 1954. The income by way of premium amounted to Rs. 20,15,646 and that of interest etc., amounted to Rs. 3,59,479. The ratio of expenses of management to the premium income, calculated as per rule 25 of the Insurance Rules, works out to only 12.76%, thereby demonstrating that the Management has carried on the business in a most efficient and economic way.

The Life Fund at the close of the year stood at Rs. 1,06,49,229. The net addition to the Fund during the year 1954 alone amounted to over Rs. 12,69,000. A reserve of Rs. 3,54,400 is also maintained to offset any fluctuation in the investment values.

A valuation as at 31st December, 1953 of the company was made. Inclusive of this valuation, the Company has made five valuations since its inception in 1935. All the valuations were made on very stringent basis. The latest valuation was made on a 2¾% interest basis. Despite the very stringent basis, the surplus disclosed was so high that the Company was able to declare a decent rate of bonus, Rs. 18/-per thousand per annum on all with profits whole life policies and Rs. 15/-per thousand per annum on all with profiits Endowment policies. Interim bonus was also recommended to be paid at the same rates. The Actuary who conducted the Valuation has paid a glowing tribute to the management of the Institution on these splendid results. He observed "It is a matter of pride for the company of your size to be in a position to declare substantially high bonuses without relaxing the strong reserve position which you have been maintaining for the past many years." The Company well deserves such a worthy tribute and we wish it every success.

News

The Nagpur Insurance Institute.

An eloquent plea that insurance men should place the interests of the trade as a whole above the individual interests of particular companies to which they may remain attached, was made by Mr. D. Subramanian, F. I. A., General Manager, Andhra Insurance Co., addressing local insurance men at a meeting held under the auspices of the Nagpur Insurance Institute on Wednesday the 16th at the National Insurance building, Mr. Sadhale of the 'Bombay Mutual' presided.

Big companies have duties to perform

Thanking the Insurance Institute for the opportunity afforded to him for joining them in thinking aloud on some of the current problems, Mr. Subramanian pointed out that it would be a good education if members in the same trade met often, looked at common problems, from all points of view and discussed them frankly and free from fear. He was anxious that they should always realise and feel that they are all in a grand, noble and useful business and have confidence that if the trade as a whole is alright, the individual companies would also develop on a sound basis. Expressing his personal deep conviction that "the big companies have duties to perform while small companies have rights to claim" Mr. Subramanian opined that the only good thing and the only sefeguard in capitalism is competition and that if competition vanished and gave place to monopoly, then it would result in all sorts of evils Sounding a note of caution, he mentioned that so long as there is healthy competition and a number of companies functioning in this country, the Government would think many times before nationalising insurance. If however monopoly should come into existence and only one or two big companies should be working and if the small companies are forced to go out of existence, not only would Government interference be made easy but also the small companies themselves may be obliged to join together and even say "we are unable to run; better Government take over the entire trade. In that event, the first casuality of nationalisation which was in the offing would be life insurance. Mr. Subramanian maintained that it would therefore be in the interests of the big companies even to forego some business if necessary and perform their duties towards the smaller companies and allow them to remain in business.

Reduction in premium rates

Adverting to the recent reduction in the rates of premiums. Mr. Subramanian made it clear that he was not against the reduction as such of the premium rates, but only to the way in which it was done. He felt that the reduction should have been effected in the normal course instead of having been forced down abruptly by the action of one or two big insurers, and thereby setting in motion a panic in the trade and a big race for new business. It would have been wiser if the competition had taken place in increasing the rates of bonus instead of a reduction in the rates of premiums, as the effects thereof would have been felt only gradually in course of time. He opined that competition between the various companies should not be in rate war but be in the matter of rendering service to the policyowners and that the big companies should set better standards of conduct and service as a guide to the smaller companies. He paid a tribute to some of the big companies who have taken the initiative in the matter of giving training to the agents.

Answering questions, he felt that it would be wise for the companies to declare a higher rate of bonus to old policies with higher rates of premiums and lower rates of bonus to policies with reduced premiums. He felt that the code of conduct has, instead of improving matters, only helped demoralisation to set in. His personal opinion was that the distinction in the rates of premiums of tariff and non-tariff companies should go.

With a vote of thanks proposed by Mr. A. S. Narayanan of the 'United India' and after light refreshments and tea, the meeting terminated.

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Mr. D. S. Craigan, Asstt. Manager for India, Pakistan, Burma and Ceylon of the Prudential Assurance Co., of England was the Chief Guest of honour at a meeting of the Nagpur Insurance Institute held at the Mount Hotel, Nagpur, on Friday the 11th February 1955. It may be mentioned that when nationalisation of insurance was under consideration in Britain, Mr. Craigan was one of the twelve persons who were selected to enlighten the public about the exact implications of nationalisation and mould public opinion in that country.

Mr. Craigan thanks

Mr. Craigan pointed out that insurancemen had all too few opportunities of getting together. He therefore commended the Nagpur Insurance Institute for providing a forum wherein all those engaged in the business could gather together and discuss matters of common interest. He thanked them for having given him the opportunity of meeting all of them and appreciated the idea of having, under the auspices of the Institute informal round table discussions on general matters of common interest.

Staff or Group Insurance Scheme

Mr. A. S. Narayanan, Convener, then mooted for discussion the question of the desirability or otherwise of the introduction of Staff or Group insurance schemes and also the desirability or otherwise of control of the present unrestricted competitions for new business and the resulting unhealthy practices. A large number of members present took part in the lively discussions that ensued.

With a vote of thanks proposed by Mr. K. P. Unwala of the 'Oriental' and after refreshments and tea, the meeting terminated.

The Insurance Club, Patna.

The Insurance Club, Patna, considered the Staff Insurance Scheme in all its aspects and held that the scheme, as is being enforced by some Insurers, is bound to disturb the organizational set-up and will, in the long run, adversely affect the interest of the Insurance industry as a whole.

The Club therefore requests the Controller of Insurance to see that the Insurers concerned withdraw the scheme forthwith.

The Insurance Club, Patna, resolved that in view of the fact that the Government of India is initiating a Bill for amendment of section 118 of the Insurance Act, 1938, a similar Bill may also be moved for amendment of Section 44 (2) of the Act so that an Insurance Agent may, during his life time, nominate in writing the person or persons to whom the agency commission shall be payable after his death. This will not only maintain the spirit and purpose of the Act but also protect the interests of both the Insurers and Agents.

Insurance Club Madras

There was a dinner meeting of the Club held on 11—2—55 at New Woodlands, Mylapore. The President of the Club Mr. R. Parthasarathy of National Insurance Co. Ltd, welcomed the chief guests, Sri B. K. Satalwad of Ruby General, Sri B. C. Rakshit of National Fire & General, Sri P. N. Gupta of Ruby General and Mr. M. N. Seth of Sterling General and introduced them to the members present. There was a representative gathering from various insurance Companies and the chief guests were entertained to dinner.

Sri B. K. Setalwad complimented the Club on its activities and mentioned about the reduction in fire premium rates and also cautioned a note of warning that Nationalisation would set in if the Companies are not able to carry on with the reduced premium rates on sound and healthy lines.

Sri B. C. Rakshit pointed out that gatherings of insurance representatives at social level frequently would promote mutual goodwill and cordiality and this would to some extent mitigate bitterness in competing for business in the market. He also suggested that this Club could be converted into a powerful instrument to ventilate the feelings of all the insurance representatives and make useful suggestions regarding the conduct of insurance business.

Mr. P. N. Gupta thanked the Club for doing them this honour and suggested that similar social clubs could be started in northern Indian cities also like Bombay, Delhi and Calcutta etc.

Mr. M. N. Seth entertained the audience with humorous anecdotes after which the function came to a close with a vote of thanks by the Secretary.

Ruby General Insurance Company Ltd.

"Mr. B. K. Setalvad, General Manager of Ruby General Insurance Co., Ltd., at Calcutta and Mr. P. R. Gupta, General Manager (Life Deptt.) of the said Company at New Delhi paid an Inspection Visit to their Madras Branch and Southern Circle Office between the 9th and 13th of February 1955. Their visit ended with a pleasant function of an AT HOME at Woodlands, Mylapore, given by the Branch Staff Members to the distinguished visitors. Almost all the Sub Office Managers and Field Officers of the Southern Circle Office attended the function which went off well. There was a group photo taken on the occasion. Mr. E. Natesan, Manager, Southern Circle welcomed the distinguished guests in a brief speech. Both Mr. B. K. Setalvad and Mr. P. R. Gupta spoke a few words advising the Field Workers of their responsibilities and duties. Mr. A. Vaidyanathan, J. P., Life Branch Manager, Madras, proposed a vote of thanks and the function ended"

Wedding

On the 29th January last the Marriage ceremony of Srimati Shyamali, second daughter of Sri N. G. Samaddar an ex-President and the General Secretary of the Insurance Club, Patna, was solemnized with Dr. Sankar Prasad Shome son of Dr. Debendranath Shome of Dakshineswar at the Patna residence of Mr. Samaddar. About 1000 elite of the town including the Mayor, Deputy Mayor, Insurance Magnates etc. graced the occasion and were entertained to a sumptuous dinner.

Mr. Samaddar's brother, Dr. S. Samaddar M.B.B.S., F.B.U., the President of the United Independent Councillors Party of the Patna Municipal Corporation and other members of the family were all attention to the guests.

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