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Shri G. H. THAKORE, M. A., (Cantab)
Elected President of the Indian Life Assurance Offices Association for
1955—56

10th Insurance Conference Number

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THE INDIAN POLICY-HOLDER

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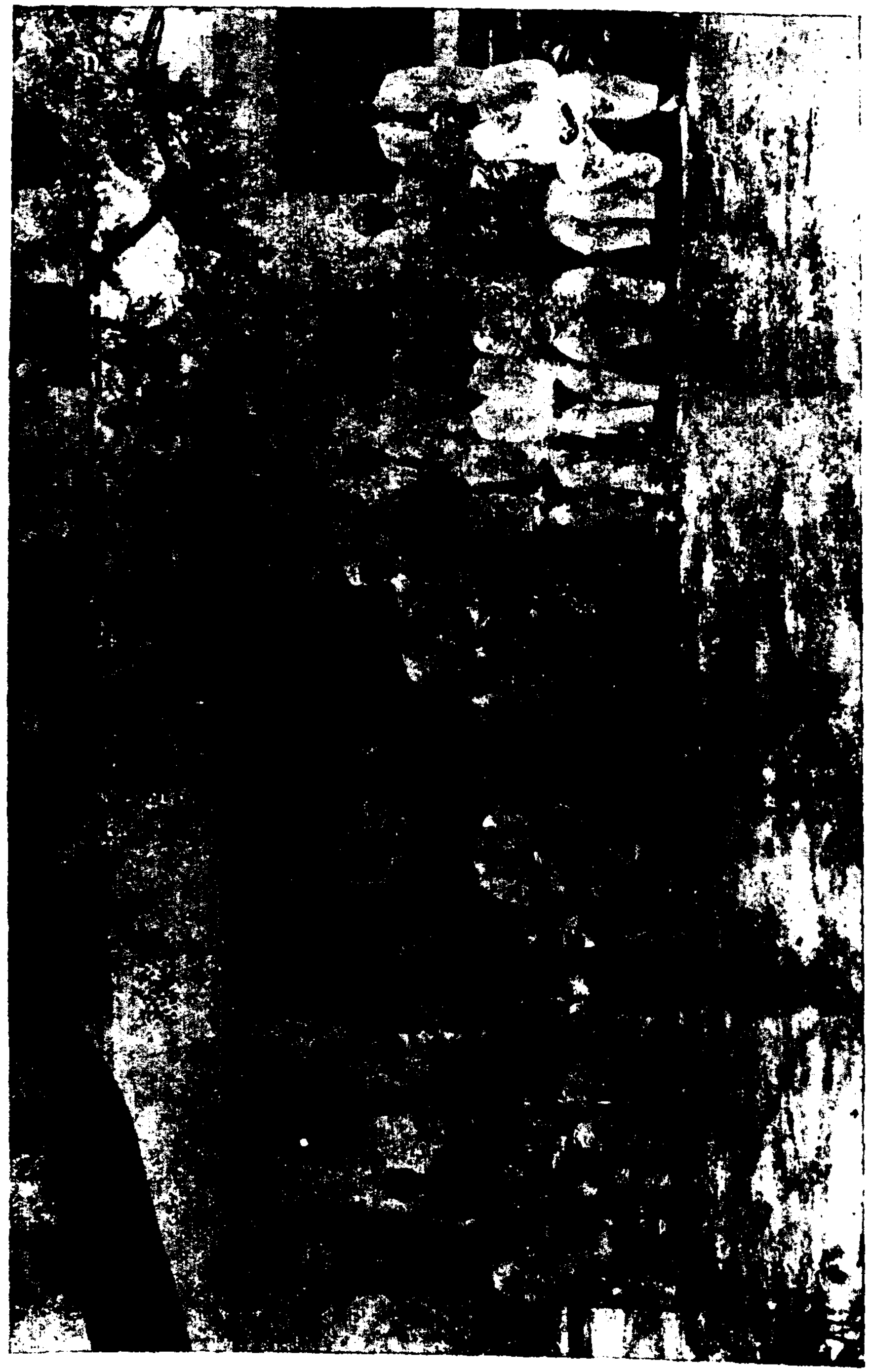
Life Insurance Business

"INSURANCE alone provides adequate security against premature death, against ravages of sudden disability and against helplessness consequent on old age. So long as these ills afflict humanity, prudent people should look to insurance to face them with courage and confidence." Thus observed Mr. K. Balasubrahmaniam, B. Com., A. I. A., President, Indian Life Assurance Offices Association, in the course of his welcome address at the tenth Insurance Conference, inaugural session. Surely, it is only this particular aspect that differentiates the Institution of Insurance from Banking and other Credit Institutions and which appeals to the public mostly. There is no other Institution yet devised to compensate adequately for losses arising from unexpected contingencies and the Insurance Companies alone are capable of bringing solace to people when they most need it. In India, while the educated urban population has all appreciation for the high ideals of service with which Insurance Institutions have come to the fore, the rural population is yet to be acquainted. But, the greatest handicap for a rapid liquidation of this ignorance and prejudice on the part of the rural population is not so much due to either illiteracy or lack of opportunities to know something of Insurance Institutions as want of confidence in them. In South India, particularly, the entire well to-do rural population has a fair idea of the purpose which Insurance Institutions stand for. Taken individually, everyone who can afford to pay for insurance cover is being approached systematically by the fieldworkers of many well organised Companies. Despite such efforts, if the results are not so much encouraging, it is because of the way in which a large number of Indian Insurance Companies carry on their business.

Primarily, the conception of the Insurance Companies that a very large amount of Life Assurance Business could be secured overnight is wrong. It is time and again pointed out that Life Assurance has made tremendous strides in Countries like the United States of America, Canada, and the U. K. that the per capita insurance in those countries is more than 100 times of the figure that works out in India and that therefore the scope in India for business is unlimited. Merely citing what has taken place in other vastly industrialised Western Countries where the per capita income is very high indeed, will not carry us any far. The percentage of the total population of our Country that receives a regular income either from their occupations or otherwise is small indeed and those that could afford to pay a regular premium to have a secure future is negligible. Further, in a Country where the joint family system that has been all along in vogue and which by itself served something like "Life Assurance" though has fallen into decay of late, is still in practice in a majority of family units. It is no exaggeration to say that for every earning member there are more than half-a-dozen dependents who are not in a position to materially contribute and therefore his income does not permit anything to be saved for the future. Insurance Companies in general do not bother much about the conditions that prevail in the country and they are concerned, having established themselves to do a certain service, only with their progress. Under pressure exercised by the Insurance Companies, the fieldworkers, anxious as they are to reach the target set for them, try to somehow snatch business and the progress so made leaves in the end only an unfavourable effect. Instead of getting more and more popular, Insurance Companies have to face in certain quarters even anti-propaganda. People, whose conditions cannot afford the regular payment of premia, but who have been cleverly induced to take out policies by the unscrupulous representatives of Insurance Companies, feel very much aggreived and agitated when they could not pay further premiums and when they are informed that only a fraction of the total amount paid by them is returnable. Disappointments of this kind work havoc among the rural population instead of anything good. Their confidence in the Companies and their fieldworkers is often tilted to the detriment of the business. Apart from this, there is also the effect due to non-payment of claim monies by Companies, though comparatively this number is small. His Excellency Sri Sri Prakasa, Governor of Madras, who inaugurated the Insurance Conference, deserves ample tributes from the insuring public of this country, for his sincere advice to the Insurance Companies in general on this point. Sri Sri Prakasa was too good to illustrate graphically his own personal experience in connection with the payment of a claim by a certain Indian Insurance Company to one of its clients. That does not mean that all Insurance Companies try to evade their responsibilities but a single instance of this kind is enough to drive the rural population panicky. If, therefore, Life Assurance Business should thrive in our Country also well, and serve as a powerful instrument for economic freedom of the people, all insurance companies without exception should build their business on the basis of great ideals. Under no circumstances any company should fail to uphold professional standards. And lastly there must be unity and proper understanding among Insurers themselves in all details of working. As it is, none of these vital principles are scrupulously followed by the majority of the Companies, irrespective of the size, strength or age. Every Company wants to somehow secure an increased volume of business and a mad race is now on and in this adventure, all sound principles are scattered to winds. Mr. K. Balasubramaniam has been at great pains to explain in the course of his Presidential Address at the Annual General Meeting of the Indian Life Offices Association, how the sudden and considerable reduction in the rates of premia announced by a member Company has ultimately affected all the Companies and what amount of confusion and strain was involved for nearly a year. Though most of the big insurers had written large volume of new business as a consequence it was not worth the labour and expense incurred, because they were after all "new contracts in place of the existing ones." One cannot imagine a more short-sighted policy than what the President of the Indian Life Offices Association himself has stated. He observed: "There are reports that policyholders were actively advised either allow to lapse or convert into paid-up their old policies and take fresh insurances at the reduced rates. When this became general, agents started approaching their old clients and gave them similar advice lest they may be snatched away by the agents of rival companies. Old policies were dropped and new policies were taken without much serious thought. Even policies issued prior to 1947 with old low rates were converted into paid-up assurances. It is also reported that policies issued in 1953 under the old rates were brought in 1954 as new business under the revised rates giving credit for the full premium paid deducting the cost of temporary insurance cover for the earlier period. Thus during the year 1954 all of us had the pleasure of re-writing as new business a large amount of business which we had placed previously on our books at an enormous cost and on which we were expecting to realise regular renewal premiums in future to compensate partly the extra initial cost already incurred." Comment is needless. In the same way, the "Staff Insurance Scheme" introduced by a few big companies, just to write an unusually large volume of new business at a greatly reduced rate of premium had its own repercussions. Competition in reducing the rates of premia dominated the whole business and **the reductions ranged between 11% to 22%** on the already reduced **rates of premia. Yet another important feature** of no less controversial nature introduced recently is the Bonus rates. All Companies are trying to declare a very high rate of bonus to the participating policyholders, and it would have been welcome if all the companies decided to do so after mature deliberations. But, one by one, each insurer wants to outwit the other. These unhealthy features, however favourable from the policyholders' point of view, cannot be considered to be a good augury for the future of insurance business in India. While a small number of well-established and financially sound companies might be able to stand the strain involved by such steps, all others who were forced to follow suit under pressure of circumstances will find themselves in not too satisfactory a position. Mere holding of Conferences and Annual Meetings and passing resolutions without the member Companies putting into actual practice the decisions arrived at will not be in the interest of anyone. Attempts are now being made in our Country to tackle the problem of poverty of the low income groups and Life Assurance Companies have therefore more scope for service, but they must deserve it by functioning more efficiently, by avoiding unhealthy competition and by adhering to the policy of "Live and let Live."



President and Members of the Indian Life Assurance Offices Association at the twenty-seventh Annual General Meeting held at Madras on 1—4—1955.

TENTH INSURANCE CONFERENCE.

THE Tenth Insurance Conference was held under the auspices of the Indian Life Assurance Offices Association at Madras on Friday, the 1st April, 1955, at 6 P. M. in the United India Life Assurance Buildings, Esplanade, Madras. His Excellency Shri Sri Prakasa, Governor of Madras, inaugurated the Conference.

Shri. K. Balasubrahmanyam, B. Com., A. I. A., A. C. A., J. P., the retiring President of the Indian Life Assurance Offices Association, extending a warm welcome to His Excellency, the Governor of Madras, and to all those who were present, addressed the Conference on the value of Life Assurance to humanity and the progress that Indian Life Assurance Companies have made so far.

Dr. Lakkaraju Subba Rao and Shri N. Rama Rau also addressed the Conference.

Mr. K. Balasubrahmaniam, in the course of his address observed:—

THE first Insurance Conference was held in Bombay in April 1928 under the Presidentship of Sir N. B. Saklatvala. The next three Conferences were held in the years 1934, 1935 and 1937 in Lahore, Bombay and Calcutta respectively. No conference was held thereafter till 1950 when the Indian Life Assurance Offices Association decided that Insurance Conference should be held every year at the time of the Annual General Meeting of the Association. Accordingly, Conferences were held about the end of March or the beginning of April in each year during the last five years in the four important Cities of Bombay, Calcutta, Madras and Delhi in turn.. We are meeting in this City for the second time after an interval of four years.

The value of such periodic Conferences can never be rated too high. It enables the workers in Insurance, whether, in the field or at the Head Office, to

Mr. K. Balasubramaniam, B.Com., A.I.A., A.C.A., J.P., the retiring president of the Indian Life Assurance Offices Association is seen delivering his address of welcome to His Excellency Shri Sri Prakasa, Governor of Madras, and others to the Tenth Insurance Conference held at Madras on 1—4—1955.

meet and discuss specific problems in relation to their work. It builds up contacts with the general public and presents to them the value of insurance and its importance both to the individual and to the Society. It focuses public attention on certain insurance problems with a view to cultivate public opinion. Though insurance has been growing in this country for nearly three quarters of a century, there is still much ignorance and prejudice against it due to want of understanding as to its real purpose and the service it renders to the community. Such conferences help to remove ignorance and prejudice against insurance and make the public more insurance minded.

Every one of our Conferences in the past had been well attended and lasted about two days. Papers on subjects connected with insurance were read and the discussions at the conferences were insstructive and helpful. Newspapers gave publicity to the proceedings and the people were brought closer to the business.

It is a truism but nevertheless requiring to be stressed often, that insurance means protection and security. Life is by no means a pleasant trip in this planet. There are many a danger lurking on the road we take-some we may foresee but cannot avoid. As these hazards are common to all of us, we have learnt to join in a collective enterprise, known as insurance, whereby financial consequences of a personal disaster can be softened. Insurance alone provides adequate security against premature death, against ravages of disease and sudden disability and against helplessness consequent on old age. So long as these ills afflict humanity, prudent people should look to insurance to face them with courage and confidence. All these are nothing new and have been stated so often before but they still require to be emphasised as they are not always remembered.

Banking and Insurance are the twin institutions that help people to save. Unlike banking where saving is not compulsory and withdrawal is easy, insurance helps people to save almost under compulsion and over a long period. After a person has taken out an insurance policy and paid premiums for some time the urge not to allow the policy to lapse is so strong that payment of renewal premiums becomes more-or-less compulsory. The Insurance Companies thus encourage thrift and mobilise the savings of the community. A very large portion of these savings are made available for financing nation building projects undertaken by the Government in the public sector A portion of these savings is also invested to finance sound industrial concerns in the private sector. Insurance Funds are also invested in promoting housing colonies, providing water supply, gas, electricity, transport and other amenities. I have by no means exhausted the list of beneficial activities which are financed either directly or indirectly by Insurance Funds.

It is vital that insurance should be kept as a positive force in the economy of the country. The Government should give all possible encouragement for its development. It is the duty of the insurers to organise this business efficiently, to publicise effectively and to administer economically. About thirty years back

His Excellency Shri Sri Prakasa, Governor of Madras is inaugurating the 10th Insurance Conference on Friday, 1—4—1955.

insurers were more preoccupied with finding a place for indigenous insurance in our own soil. Thanks to the support extended by our countrymen, the Indian insurers are now handling a substantial portion of the available business. They have now to find ways and means to increase the demand for insurance. They have to educate the public more about the value of insurance for the security and protection of the family and the part played by the accumulated insurance funds in the economic development of the country.

Life Insurance in India has remained largely confined to the urban middle and upper classes. It is now a matter of common knowledge that during the last decade or more there has been a shift in income. Due largely to the conditions arising out of the last war and the development expenditure under the Five Year Plan, there has been considerable rise in the purchasing power in the hands of the agricultural class and of the industrial workers. Insurers should now extend their insurance services to these classes. Insurance organisation should therefore cover a wider area. It should penetrate into rural India. It is in our village over eighty percent of the population live and toil and this population will be left out if these areas are not adequately covered. It is true our country is one of long distances and communications are not always easy. But given the necessary enthusiasm and drive these difficulties are not unsurmountable. The message of insurance should be taken to the millions of homes in our countryside if insurance is to take deep root in our land.

Attempts are being made to tackle the problems of poverty of the low income groups in our country by different methods and by diverse plans. Co-operative credit, Co-operative farming, Co-operative marketing constitute one phase of this programme. Extensive land reform and development of cottage industries constitute the second and River valley projects and power schemes are a third. The additional wealth created thereby has to be conserved as much in the interest of these workers as the community at large. Insurance alone can urge an industrial worker or a peasant to earn and save, conserve the savings for his future and rid posterity of its poverty as no other single agency can adequately do. A worker's insurance needs are modest, a few hundreds of rupees, may be more-Rs. 1000 at the maximum. His premiums have to be collected in small sums at his place of residence at regular intervals and these premiums should be kept low to make insurance popular. A systematic plan of expansion from the cities to the larger towns than to the smaller ones and subsequently to groups of contiguous villages should be first drawn up and it should then be worked up with the help of suitable personnel properly selected and adequately trained. No doubt this will require large initial outlay, intensive educative propaganda and infinite patience but the results will be worth the effort.

Let us now examine the machinery available in India to cater to the insurance needs of the low income groups in cities, towns and villages. Life Insurance companies are prohibited under the Insurance Act from issuing life insurance policies for less than Rs. 1000. Only Provident Insurance Societies can issue policies for less than Rs. 1000. Further an Insurance Company registered for transacting life insurance business is prohibited from transacting provident insurance business even in a separate department. As a result the growing insurance requirements of the low income groups have got to be catered for only by the Provident Insurance Societies. The history of such concerns in India has not been happy. Hundreds of Societies were started in the past. Most of them were uneconomic units. They worked for some time and then failed owing to unsound financial position, mismanagement etc. According to the latest Insurance Year Book, there are at present only 72 Provident Societies. The new business written by these Societies in 1953 was only Rs. 106 lakhs under 13413 policies and the business in force at the end of that year was Rs. 370 lakhs under 61815 policies. The total insurance funds of these Societies amounted to Rs. 103 lakhs. These figures indicate the poor progress made so far in this class of business.

The business usually written by the provident Insurance Societies in India is known as Industrial Insurance in other countries. It is the business of insuring chiefly the industrial or wage earning classes for small sums under policies providing for weekly or, sometime monthly premiums which are normally received at the home of the policy-holders by an authorised collector. Collection of the premiums is perhaps the most intricate of the administrative difficulties in the business. Industrial assurance is written on all members of a family from birth to age sixty or sixtyfive. Premium tables usually show the varying amounts of insurance obtainable on each plan and at each age for a given weekly or monthly premium. Premiums are usually based on the mortality experience of the general population. Medical examination before insurance is rarely required. Proposal and policy forms are much simpler. Industrial Insurance of this type is the only practical way by which wage earning classes may secure benefits of life insurance for amounts they can afford and on terms suitable to their requirements.

Industrial Insurance business has developed to a very great extent in Great Britain and it is mainly transacted by Industrial Branch of the big Life Insurance Companies. Here in India, it appears, Provident Insurance Societies, as at present constituted, may not be able to develop this class of business to the extent required. It is highly desirable that the existing life insurance companies should be enabled to take up this business. They have the financial resources, technical skill and experience. They will be able to inspire better confidence among the classes that require this class of insurance. In fact there is no difference between Life Insurance and Industrial Insurance, though there my be difference in the methods of administration. The Insurance Act, 1938 will have to be amended to enable Life Insurance Companies to take up this business and it may not be difficult to convince the present Government of its need particularly when they have launched many schemes in their endeavour to banish poverty and establish a welfare State.

The Indian Insurance year Book for

1954 gives very revealing figures about the progress of life insurance business during the decade ending 1953. The new life insurance business rose from Rs. 109 Crores in 1944 to Rs. 155 Crores in 1953. Total business in force at the end of 1953 was Rs. 962 Crores as against Rs. 378 Crores in force ten years earlier. The total assets of Indian insurers had also increased nearly threefold during these ten years from Rs. 107 Crores to Rs. 316 Crores. Indian insurers have every reason to feel proud on this steady, sustained and even spectacular progress during these years. But when we compare the per capita insurance in this country with those of other advanced countries we realise that we are very much behind. Only about 30 lakhs of families in India have been given life insurance protection for Rs. 3000 per family on an average. The amount paid by way of life insurance premiums in 1953 was about Rs. 50 Crores which was less than half per cent of the estimated national income. There is therefore immense scope before insurers for further expansion and for greater and useful service.

Our First Five Year Plan is drawing to a close with a fair measure of achievement to its credit and a blue print is under way on a second and more ambitious Five Year Plan. The main object of these plans and projects is the creation of greater wealth in the country and its equitable distribution with a view to attain a better standard of life allround. Prosperity in the country reacts on insurance and insurance furthers that prosperity. This interplay is continuous and progressive. Our duty is therefore to help our countrymen to save out of their prosperity for their own ultimate good. Our low per capita insurance emphasises that we are still very much at the beginning of our labour and we have a very long road to cover. We have therefore to re-organise our activities to suit the new socialistic pattern of society that is taking shape around us. I have no doubt whatever that we will play our part to increase our usefulness to society and in the measure we increase our pace we increase our own stature as well.

We are on the beginning of a new era; One senses a new spirit in the air, out to strive for and accomplish great purposes. Let it be said of us, when the history of these times comes to be written that we have also played a great and constructive part in the achievements of this epoch, in this MIGHTY ADVENTURE OF BUILDING OF NEW INDIA

Mr. Sri Prakasa's Address

INAUGURATING the conference, Mr. Sri Prakasa said that they had to consider about the means for making our people insurance-minded and to spread this very useful nation-building activity to every part of the country. Proceeding, he recalled how he himself had assisted as a legislator in the passing of the Insurance Act in 1938. At that time, they tried to reconcile the conflicting interests of the large and the small companies, and he presumed the same trouble continued now also.

Many companies came to grief because of bad management and in a conference like the present one, it was their duty to set high standards. He knew of persons who induced others to insure, actually promising to share their legitimate dues with the persons whom they insured. That would not be good.

Again, not all companies were anxious to meet their liabilities. He knew of some companies which took great pains to find out the relatives and to pay the sum assured to them when the policy-holder died. He knew of such a company in the North and it had prospered as it deserved to. But, he knew of another company "that would raise a hundred legal difficulties before it would meet its dues" The Governor narrated how a certain insurance company in Lucknow was not anxious to pay the third party insurance claim made by the mother of a young man, an artisan, who had been killed by a motor van running over him in Lucknow. Though the driver was convicted and sentenced for negligent driving, yet the Company would not pay and the mother was turned away every time by the liveried peons when she tried to enter the office of the insurance company. The woman wrote to him and finally when he was in Lucknow, he himself went to the company. But the young man in the office would not listen to him and almost hinted by his manner that it was none of his business—even though at that time, he happened to be a Minister of the Government of India. However, he saw to it that the company paid the claim.

In India, Mr. Sri Prakasa, continuing said, there was no old age pension as in Western countries. In England since the institution of the system, it had been remarked that the average of life had grown higher, for now a man got his two pounds or so of pension every week and felt that he was no longer a burden on his relatives. When States like ours were not able to embark on schemes of old age pension, insurance companies had to come to the rescue by encouraging humble people, the poor people in the villages and the factory workers who worked very hard to invest according to their means.

"Something has got to be done to compel the humble people in the country to save so that when they get old they may have something to depend upon".

The Indian Life Assurance Offices Association

TWENTY-SEVENTH ANNUAL GENERAL MEETING

PRESIDENTIAL ADDRESS

delivered by

SHRI K. BALASUBRAHMANYAM, B.COM., A.I.A., A.C.A., J.P.

THOUGH Bombay and Calcutta had contributed much to the growth and development of Indian Insurance, it was in Madras earliest successful attempts were made to transact life insurance business. We learn from the History of Indian Insurance that a company known as Madras Equitable was established as early as 1829 and it functioned for nearly a century. This company having stopped new business in 1910, met with financial difficulties owing to heavy depreciation of its investments shortly after the termination of the First world war and ceased to function in 1921. Another institution The Madras Widows & Orphans Fund was established in 1834 as a Mutual Society and it rendered a limited but useful service for a long term till it closed down in 1926. This small concern also stopped issue of new policies for a long time before it went into liquidation. Perhaps many may not be aware that the oldest of the existing insurance companies in this country is the Tinnevelly Diocesan Mutual Insurance Co., Ltd. This company was started in Palamcottah in 1834 with the name of Tinnevelly Widows' Fund to help Catechists and teachers to make provision for their widows. The rules of the Fund were changed subsequently to enable ordinary life insurance to be transacted.

Before I give a resume of the activities of our Association during my year of office, I have to express my deep sense of gratitutde for the honour you have done to me by electing me your President. It is the highest position in our Association and is one of which any one may indeed be proud.

Since we met in April last year, we lost our old friend and colleague Shri Naval C. Jerajani by his sudden and untimely death on 17th July 1954. Shri Jerajani was a member of the Executive Committee of our Association during the year 1949 as also during 1954 till his death. He was a man of outstanding character and ability. He had rendered valuable services to the cause of Insurance in India and took active part in the activities of Insurance Associations in this country with which he was closely associated in recent years. Gentlemen, I shall now ask you to stand up and observe solemn silence for a minute as a mark of respect to the memory of Shri N. C. Jerajani. May his soul rest in peace.

When I assumed office, Life Insurance business in the country was seriously perturbed by the sudden and considerable reduction in the rates of premia announced by a member of our Association with effect from 1st March, 1954. In justification of the reduction it was urged that the mortality of Indian assured lives had improved. There had been an increase in the interest yield on the investments of Life Insurance Funds. The Expenses of Management had been showing a tendency to go down owing to the introductiou of Statutory limitations. It is reasonable that the margins arising from the improvements in the main elements on which premium structure is generally based should be passed on to the consumers. Cheaper insurance will give great fillip to our business in this country. Life Insurance premiums are higher in India and it should be reduced when it becomes possible.

On the other hand, the general view of the business was that the time was not opportune to adopt a general reduction in rates. No doubt there was the trend of improved mortality observed during the last several years. This improvement was, to a certain extent, taken into account when the premiums were increased in 1947. The interest yield on the investments of Life Offices showed a marked improvement only after the Bank rate was increased from 3% to 3½% in November, 1951. Previously for a number of years Insurers had to provide or write off in each year large sums from the Life Insurance Funds to cover the difference between the book values and market values of their investments. This had the effect of showing a gradual rise in the net interest yield on the mean Life Insurance Funds of all Indian Insurers. The real increase as a result of new investments yielding higher rates was comparatively small. It was felt that monetary conditions had not stabilised and it was difficult to forecast the future trend of interest rates with any degree of certainty even over the next few years. Lower trend in the expense ratio was mainly due to reduction in the expenses of companies which were previously spending more than what is now allowed to them under the Insurance Act and the Rules. An analysis of the expense ratio of big insurers showed a general trend for increasing expenses. The inflation and the consequent high cost of living were still affecting adversely the business of life insurance in the country. In spite of the earnest endeavours, a large number of companies owing to increased administrative and procuration costs were unable to keep their expenses within the limits prescribed and they were allowed certain excess expenses beyond the prescribed limits by the Controller of Insurance on the recommendation of the Executive Committee of the Life Insurance Council.

It was conceded that the experience of a few big insurers might justify a general reduction in premium rates. They might have margins arising from improved mortality, increased interest earning and reduced expenses. They might have also the strength to withstand any possible adverse experience in future. The question was asked whether it was reasonable for these insurers to adopt a course which might most likely cause serious difficulties to a very large number of units in the same business. As a result of the upward revision of rates in 1947 and the enactment of the povisions regarding limitation of expenses, small and medium sized companies were gradually consolidating their position and showing better results. Larger number of companies in this group had begun to disclose surpluses in their valuation. These companies could not afford to reduce their premium rates. They might not get business unless their rates were reduced. They would thus be compelled to reduce their rates in competition.

It was also admitted that the policy-holders should get the benefit out of the improvements and the insurance should be made cheaper. Suggestions were made that higher bonuses could be allotted. Premiums under non-participating plans could be reduced. If necessary, with profits rates could be reduced in stages. If these methods were adopted, small and medium sized insurers would have some opportunity to adjust their affairs to changed conditions. The problems with regard to the existing policies would not also arise. Considerable reduction in premiums would create a situation in which the existing policy-holders would find it more profitable to allow their policies to lapse or convert them into paid-up assurances and take fresh policies. This might affect financially even big insurers.

In spite of the strong feelings against a general reduction in rates, the insurer that had first announced the reduction decided to go ahead presumably to steal a march on its rival. Then the biggest unit in our business came out with a slightly greater reduction only to retain its business in competition though it was in agreement with the views generally expressed. While both the top companies were trying to get for themselves the available business at considerably reduced rates, other insurers being perplexed were waiting to see whether anything would come out of the efforts of our Association to stop this rate war. Other big insurers soon realised that further waiting would have meant a collapse of their organisation and decided to introduce reduced rates. It did not stop there. Small and medium sized companies had also to join the race even though they could not afford any reduction. Thus, as was expected, reduced premiums came to stay for all insurers.

It may be instructive now to study the effects of the general reduction in the premium rates. Most of the big insurers had written large volume of new business during the year 1954. Thanks to the publicity given to the controversy over the reduction of premium, people who were ordinarily indifferent began to take interest in our business. Some started enquiring whether they would stand to gain by going in for new contracts in place of the existing ones. Insurance workers were not slow to take advantage of this unexpected interest. There are reports that policyholders were actively advised either allow to lapse or convert into paid-up their old policies and take fresh insurances at the reduced rates. When this became general, agents started approaching their old clients and gave them similar advice lest they may be snatched away by the agents of rival companies. Old policies were dropped and new policies were taken without much serious thought. Even policies issued prior to 1947 with old low rates were converted into paid-up assurances. It is also reported that policies issued in 1953 under the old rates were brought in 1954 as new business under the revised rates giving credit for the full premium paid deducting the cost of temporary insurance cover for the earlier period.

Thus during the year 1954 all of us had the pleasure of re-writing as new business a large amount of business which we had placed previously on our books at an enormous cost and on which we were expecting to realise regular renewal premiums in future to compensate partly the extra initial cost already incurred. We received during the year unusually large number of applications for surrenders and paid-ups. We are aware of the financial strain caused in our valuations and otherwise by the conversion of policies into paid-ups particularly in the earlier durations with our practice of offering proprotionate paid-up values after there years and in some cases even earlier. We have no data at present to state precisely how much of the new business in 1954 resulted from the conversion of the existing business. We will get full details when the figures for 1954 are published in the 1955 Year Book. However, there is a strong feeling based on the experience of individual companies that the amount of business so converted should have been substantial. Your Executive Committee considered this matter in connection with the relaxation on the expense ratio required for the year 1954. It was felt that the increase of the renewal premium in the year 1954 must have been less than normal. Your Committee had therefore suggested certain extra allowance for expenses owing to the retardation in the growth of renewal premiums in 1954.

I have dealt at great length about the recent general reduction of premiums as I felt the subject was very vital to our business. We will be experiencing for sometime to come the after effects of the recent reduction which had been forced on all of us. If the matter had been first referred to our Association before taking action, the members could have discussed and arrived at a common decision in the interest of all concerned and avoided many of the adverse effects. This experience must have taught us some lessons. I hope and trust that no member of our Association will in future take unilateral action on a major issue like this without consulting our Association and without regard to the interest of the business as a whole.

I will now refer briefly to the Staff Insurance Schemes introduced by some of the Insurers under which a very large amount of business is reported to have been written in 1954. The business under this scheme was being written previously by direct contact with employers. No intermediary was generally employed and no agency commission was paid. A reduction of not more than 8½ % from the normal premiums was allowed on this business in view of the saving on expenses. The terms and conditions under which this business was written were completely altered in 1954. Instead of the employer arranging for the insurance of his employees, the Insurer started canvassing individually the employees. The employer does not contribute towards the cost of insurance but he has only to agree to collect the premiums from those of his employees who take advantage of the scheme and pay them over to the insurer. Normal machinery is employed in the canvassing except that the agents are allowed small commission on the first year's premiums and no commission on renewals. Reductions allowed on the normal premiums varied from 11% to 22%. These reductions were applied to the considerably reduced premiums introduced in March 1954. It is unfortunate that the competition in this front was also started by the same insurer who was the first to announce a general reduction in premiums. Here again, the largest unit in our business which was all along offering not more then 8½% reduction from the normal premiums for this class of business, entered the competition and offered these schemes on terms and conditions atleast as liberal if not more than that offered by its rival. Very few other insurers also entered later in the field. Unhealthy practices are reported to have been adopted to capture business under these schemes till the Executive Committee of the Life Insurance Council intervened in November 1954 and imposed certain additional restrictions on this business.

Your executive Committee considered the above matter early in November 1954 and recommended that in the interest of healthy growth of life insurance business in India all Staff Insurance Schemes should be withdrawn and any policies issued under rates other than the normal tabular rates shall only be under Group Insurance Schemes as defined in Section 4 of the Insurance Act. It was felt that the schemes as introduced were objectionable in principle and adversely affected the interests of insurance agents, insurers and policy-holders.

The Executive Committee of the Life Insurance Council in 1952 prohibited the practice of certain insurers offering reduced rates of premiums to certain classes of persons and successfully put a stop to it. Staff Insurance appears to go counter to the aforesaid accepted principle. Insurance agents are the backbone of our business. The Staff Insurance schemes take away from the field of their operation large number of persons who belong to a better class and who do not require much canvassing. Reduction in the rates offered arises mainly from the cutting down of agents commission. It may be asked whether it is in the interest of our business to do anything which may affect the efficient development of the insurance agency profession. Looking to the expenses incurred in canvassing, it appears that the business is being subsidised by the ordinary business. If the schemes are successfully introduced into all the eligible groups there will be large scale conversion into paid-up ones of existing policies. Apart from the agents losing the renewal commission they had built up by years of labour, the financial position of the insurers, particularly those of small and medium sized will be seriously affected. The businesss of staff insurance will become the monopoly of a very few top companies owing to their countrywide organisation and high level contacts.

The Staff Insurance Scheme now offered in our country is essentially different from similar schemes in force in other countries. The employer realising his share of responsibility in the matter of providing for the welfare of his employees after retirement and for the security of their dependents, voluntarily

comes forward to arrange with an insurer for the insurance of his employees. He undertakes to meet a share of the premiums payable besides arranging to deduct the employees' share of the premiums monthly from their pay and remit the same to the insurer. While the employees thus get the benefit of insurance for a lesser cost and are also relieved of the worry and inconvenience in arranging for the payment of the premiums on the due dates, the insurer in consideration of the complete relief in the matter of initial expenditure in securing business as well as in the matter of collection expenses in the subsequent years, agree to forego a small percentage of the premium. It is generally felt that if similar schemes are substituted in place of the existing schemes, complaints about the abuses of the schemes may be removed and the insurers would have helped to spread the noble cause of insurance among a multitude of middle class and lower income group families in the country. It is hoped that the sub-committhe recently appointed by the Executive Committee of the Life Insurance Council to evolve a suitable scheme will examine the question in detail in the light of the views generally expressed.

We witnessed during the last year the beginning of keen competition in yet another front, namely, the bonus on participating policies. Companies which had hitherto been conservative suddenly increased their bonus rates, in some cases even to the extent of double their previous rates. Insurers whose valuations were due only at the end of 1954 or later became little nervous about their position in competition for the new business in 1954. Few of these even went to the extent of advertising their probable future bonus rates. Insurers may be able to show increased surpluses at the current valuations owing to increased premium rates charged from 1947 and the interest yield arising from the writing down the value of their investments during the last four or five years. Substantially increased rate of bonuses can be allotted if the surpluses are fully utilised for the purpose. Will it be possible to maintain such high rates in future in view of the recent general reduction in premium rates? Will the new rates justify the declaration of high bonus rates? These are some of the questions which should be considered in the future bonus distributions. I earnestly hope that insurers will give careful thought and will not introduce unhealthy competition even in this sphere.

Thus our business was subjected to a series of shocks during the year 1954 and it is creditable that we had been able in a measure to overcome them. Our Association did whatever that was possible to discharge its duty to safeguard the interest of life insurance business in this country. I had already referred to the steps taken by our Association to stop the transaction of business under the Staff Insurance Schemes. In regard to the reduction of rates, immediately the same was announced by one prominent insurer, regional meetings of our members were held in four major centres—Bombay, Calcutta, Delhi, and Madras—to ascertain the general views. When it was found that the business was not in favour of a general reduction of rates, very strong representation was made to the Government about the adverse effects on the business as a whole by such inopportune reduction and requested them to take suitable action to maintain the status quo. You are aware as to what had taken place subsequently. If all our members had solidly stood behind the Association, perhaps events might have taken a different course. When the Executive Committee of the Life Insurance Council tentatively came to the conclusion that the adoption of the floor rates would prevent unilateral action by insurers of drastically reducing the rates and creating difficulties for the whole business, our Association represented against the adoption of floor rates and recommended for achieving the object in view, an alternative machinery which was accepted by the Executive Committee. Reduction in premiums in future can be made only after prior notice to and sanction from the Executive Committee.

I would like to refer to the report of the Committee on 'Finance for the Private Sector' published in June 1954. Our Association in addition to submitting a written memorandum sent a delegation to meet the Members of the Committee to put forth the views of our Association. The Committee in its report had accepted most of our recommendations. The Committee had recognised the increasingly useful role played by the Insurance companies in mobilising the savings of the community and making them available for investment in industries by taking shares and debentures of well established companies. The Committee had recommended some relaxation of the present restriction contained in Sec. 27 & 27A of the Insurance Act, so that Life Insurance companies may be able to make more funds available for investments in the private sector. The Committee had suggested that Sec. 27 may be amended so as to require the companies to invest 25 percent of their funds in Government Securities, 20 percent in Government and Approved Securities and the balance 55 per cent in other investments specified in Sec. 27A. The Committee had also accepted our suggestion that the limit of 2¼ percent referred to in both Sub-sections 27A(3) and (4) and of 2 percent prescribed in the former Sub-section might be raised to 5 percent. The Committee had referred to number of anomalies in the Insurance Act which inhibit investments by Insurance companies in the shares and debentures of concerns and had recommended that this matter be examined in detail by the Government in consultation with insurance interests. If these recommendations are given effect to, the insurers will be able to play a more important part in the provision of industrial finance for the private sector.

The Report of the Taxation Enquiry Commission had been published very recently and some of the recommendations in the report are of every great importance to our business. A memorandum was submitted by our Association to the Commission regarding the assessment of Income-tax on Life Insurance business, levy of Estate Duty on Life insurance policies, abatement of income-tax on premiums paid on life insurance policies. The maximum amount of life insurance premia plus contribution to provident fund in respect of which abatement was admissible, was limited to one-sixth of the total income or Rs. 12,000 for a Hindu undivided family

and Rs. 6,000 for any other assessee, whichever was lower. We had suggested that the aforesaid limits should be increased to one-fifth of the total income or Rs. 20,000 for a Hindu undivided family and Rs. 10,000 for any other assessee. The Commission was convinced that the abatemant of income-tax on life insurance premiums is one of the most appropriate means of promoting personal savings and recommended that the maximum amount for abatement may be increased from one-sixth to one-fifth of the total income subject to a maximum of Rs. 16,000 for Hindu undivided families and Rs. 8,000 for other assessees. We are very glad that this recommendation had already been accepted by Government and given effect to in the Finance Bill.

Contributions by the employer to provident funds governed by the provident Fund Act, 1925 (which include funds maintained for Government servants, railway servants and employees of certain public institutions such as local authorities and Universities) are not subjected to a tax and are not taken into account for determining the rate of tax on the other income. On the other hand, the contributions made in each year by the employer to a provident fund recognised by the Commissioner of Income-tax under Section 58-B of the Income-tax Act are treated as part of the employee's total income for the year though both the employer's and employee's contributions are entitled for abatement of tax. The Commission was impressed by the argument that in the case of members of recognised provident funds the grant of abatement on both the employer's and employee's contributions exhausts most of the amounts on which abatement can be allowed and leaves very little margin for insurance premium which can qualify for the concession. Hence the Commission recommended that contributions made by the employers to recognised provident fundshould not be subjected to tax and should not also be treated as part of the total income of the employees. In effect, the Commission wanted to treat alike the recognised provident funds and the provident funds governed by the Provident Fund Act of 1925 If this recommendation is accepted by the Government, larger amount of premiums paid on life insurance policies will become entitled to abatement of tax and life insurance will become more popular. It is hoped that the Government will accept this very important recommendation and give the much needed incentive to personal savings.

The question regarding the standardisation of various forms in use by Life Offices was engaging the attention of the Association for some time past. The Medical Report form was standardised in the year 1953 and the form for Personal Statement to be made by the proponent before the medical examiner was also standardised last year. These forms were circulated to members for their use. The Association has appointed a sub-committee to recommend standard Proposal form and Claims forms for the use of members and when these forms are ready they will be placed for your consideration.

The data for the preparation of Standard Heights and weights Tables has already been collected by the Association from the ten member companies who were invited to participate in the investigation. The data relates to a period of one year from 1-1-1953 to 31-12-1953. The work of grouping and tabulating this data is expected to be completed shortly and Standard Height and weight Tables will be available for your use very soon.

The preliminary work relating to the combined mortality investigation of Indian Assured Lives is proceeding fairly well. Large number of companies are participating in this investigation. Good amount of data relating to business on the books of the participating companies as on 1-1-1953 and on 1-1-1954 and also deaths during the year 1953 had already been received. A machinery for analysing the data received from members will now be set up and you will be having within a few years mortality tables based on the experience of Indian Insurers.

With the phenomenal growth of life insurance business during the last decade, the need for trained office personnel cannot be over-emphasised. Our Association, through the Board of Education is conducting examinations in insurance subjects since the year 1945. The examinations are divided into three parts and the Syllabus cover training in life insurance salesmanship, actuarial science and secretarial practice. Correspondence courses are prepared for each subject as an aid to the study of the courses. Examinations are held annually all over India at different centres. Since the year 1953 intensive refresher courses were introduced at various centres for the benefit of students appearing in Part I of the Examination. Every year, greater number of students qualify themselves for the complex and technical work in life offices. No effort will be too great for us in furthering the cause of insurance education by encouraging our staff and field force to qualify themselvs by apppearing in these examinations.

The desirability of having some training course for Insurance Agents and field workers is under the active consideration of the Association. The Executive Committee had during the year appointed a sub-committee to suggest a scheme of training of Life Insurance Agents for the adoption by member companies and this sub-committee is examining the whole question. The importance of Aptitude Tests in the selection of the right type of men for insurance had been widely recognised. Our Association decided to prepare such tests and this work has been entrusted to the Department of Psychology, University of Calcutta. When these Tests are ready, they will be circulated for your use.

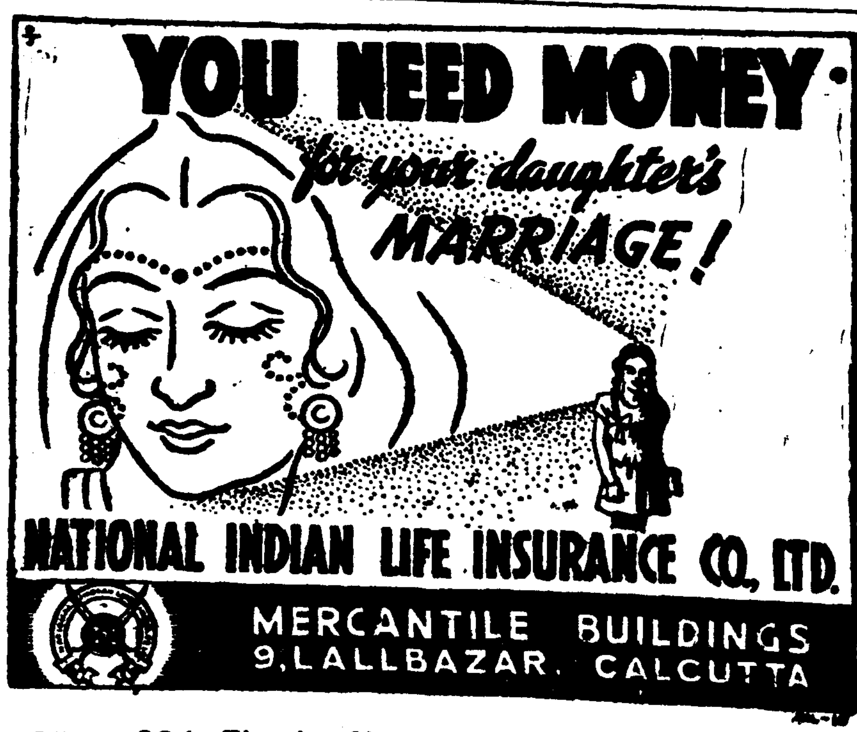
With the growth of insurance business the need for increased co-operation on the part of Insurers becomes a vital necessity. Only 75 out of 156 Indian Insurers registered under the Insurance Act to transact Life insurance business are our members. According to our present Constitution, an insurer wishing to become a member of our Association has to pay an entrance fee of Rs. 500 and an annual subscription varying with the premium income subject to a minimum of Rs. 200 per annum. The present entrance fee and annual subscription had been standing in the way of smaller insurers becoming our members. Your

Executive Committee considered this matter and is now recommending amendment in Article (3) (a) and (4) of the Constitution fixing minimum annual subscription at Rs. 100 and the entrance fee equal to a year's subsription to enable the small insurers to become our members. Necessary resolutions will be shortly placed before you for consideration. When the membership of our Association is enlarged as a result of this amendment, the Association will be able to render service to a wider field and represent on behalf of the business with greater authority. This you will appreciate is a move in the right direction.

Insurers have every reason to feel proud about the achievements by Indian insurance during the last decade. The Indian Insurance Year Book 1954 gives very revealing figures. The new life insurance business effected in India in 1953 was Rs. 154.5 Crores and the figures for 1954 should have been over Rs. 200 Crores. Total life insurance business in force at the end of 1953 was Rs. 962 Crores as against Rs. 378 Crores in force ten yeras earlier. The assets of Indian insurers had also increased nearly theefold during these ten years from Rs. 107 Crores to Rs. 316 Crores. No doubt these figures are impressive. But when we compare the per capita insurance in this country with those of other advanced countries we realise that we are very much behind. At the end of the year 1953 only 41 lakhs of policies were in force. If we take into account the fact that the same life had been insured under more than one policy, it is seen that only about 30 lakhs of families in India have been given life insurance protection for Rs. 3,000 per family on an average. Again the amount paid by way of life insurance premiums in 1953 was about Rs. 52 Crores which was less than half percent of the estimated national income. These figures clearly indicate that we have touched only the fringe of the problem. Insurance organisation has remained largely urban in character and the middle class among the population formed the backbone of our business. There has been a shift in incomes and a considerable rise in the purchasing power among the industrial workers and agricultural classes. Our organisation should now cover a wider area. It should extend to all classes and penetrate into rural areas. There is immense scope before us for expansion and for greater and useful service. I am confident that our members will play their part as they had done in the past.

Before I finish, I should like to say that it has been a proud privilege for me to serve the Association as its President for the last one year and I am grateful to all of you for the co-operation extended to me for rendering this service. I have also to offer my grateful thanks to the members of the Executive Committee, Board of Education, Standing Committee, Mortality Investigation Committee and the various sub-committees for their unstinted help and valuable advice. I must express my appreciation of the good work done during the year by our Assistant Secretary and all other members of the office staff.

Gentlemen, I thank you all once again and resume my seat with the hope that our Association will continue to make increasing contribution to the efficient and rapid development of life insurance business in our country.



Staff Insurance Schemes

BY J. R. RANA, M.A., F.I.A.,
(*Actuary, United India Life Assurance Company, Limited.*)

THE latest circular dated 25th March 1955 from the Secretary, Executive Committee, Life Insurance Council must have disappointed most Life Insurance Companies not doing any staff insurance business and must have irritated and annoyed those companies which are securing a good volume of business under the Staff Insurance Scheme. The disappointment to the former is due to the fact that the Staff Insurance Scheme is still allowed to operate. They had hoped that the scheme would be put an end to and thereby one undesirable development since the reduction in premium rates early last year would be cut short in its career and would not be allowed to proceed further. The irritation and annoyance to the latter is due to the fact that frequent revisions take place in the scheme, each revision being more stringent than the previous one. At every stage the premium rates are increased and policy conditions are made to approach conditions of ordinary policies thereby compelling these Insurance Companies to insure the employees of the same firm on different terms and conditions according as they came before or after the revision.

The first circular on Staff Insurance Scheme from the Secretary, Executive Committee, Life Insurance Council is dated 17th July 1953. In this circular only two important conditions are laid down, namely, the minimum number of employees to be insured and the collection of premiums by or under the supervision of the employer. There was no restriction on the premiums charged and this led to a reduction of as much as 20 per cent (or even more) in the tabular premium in respect of Staff Insurance Scheme Policies. Prior to the reduction in premium rates in April 1954 the Staff Insurance Rates were lower by about 7 or 8 per cent of the tabular rates but after the reduction a severe competition took place for staff insurance and the result was the high reduction in staff premium rates as stated above.

The competition was taking such an ugly shape that the Executive Committee of the Life Insurance Council had to intervene and the second circular from the Secretary dated the 13th Nov. 1954 was the result of the decision taken by the Executive Committee. Under this circular the reduction could not be more than 10 per cent, and the agency commission, if any, was limited to a maximum of 7½ % of the first year premium and no renewals. A sub-committee was appointed to go into the question once again and their report has resulted in the third and the latest circular (mentioned earlier) dated the 25th March 1955. The reduction in premium rates is to be only 8 per cent and the policy conditions similar to those of ordinary policies. Another circular might follow in the wake of the report of yet another Committee appointed to ascertain facts on staff insurance scheme.

The Staff Insurance Scheme is not a new development after the reduction in premium rates in March 1954. It was existing long before that time. Employees of certain firms were given concessional rates because no intermediary was required for securing that business. Negotiations took place at top level and employers encouraged their employees to avail of the Insurance benefits at cheaper rates. In any Staff Insurance Scheme the co-operation and the active assistance of the employer is absolutely necessary. That is why even in the current scheme it is stipulated that the premiums are to be collected by or under the supervision of the employer. This is not enough. The full role of an employer will be considered later when we discuss the merits and de-merits of the present Staff Insurance Schemes.

It may be interesting to compare and contrast the Staff Insurance Scheme as it is understood by us and the Group Insurance Scheme as it is prevalent to a large extent in Western Countries and particularly in America.

(a) Under Group Insurance at least 75% of the eligible persons must be insured at the outset and insurance is compulsory for all future entrants. Under the Staff Insurance Scheme there is also a stipulation regarding the minimum number of persons to be insured; but the minimum is not more than 50%, and the insurances of future entrants is purely voluntary.

(b) In the Group Insurance the employer pays the whole or a large part of the premium. Under the Staff Insurance Scheme the employer usually pays no portion of the premium whatsoever.

(c) Under the Group Insurance Scheme the policy is issued to the employer and the insured employees get certificates of insurance individually from the Insurance Campany. Under the Staff Insurance Scheme policies are issued to employees individually.

(d) Group Insurance is an additional amenity provided by the Employer whereas Staff Insurance is merely a device to secure Life Insurance at cheaper rates by the employees themselves. The only trouble the Employer takes is to supervise the collection of the premium and to remit the amount to the Insurance Company.

(e) Under a Group Insurance Policy, only one Insurance Company can offer its policy to a particular employer, whereas under Staff Insurance Scheme, two or more Insurance Companies can also function simultaneously.

It will be seen from the above that, if the employer is interested in providing additional amenities to the employees, he should go in for a Group Policy with an Insurance Company. The cost of the scheme can be minimised by providing a term insurance on a year to year basis for the employees in the service. If there is a Provident Fund the proceeds of the provident fund would help the person on his retirement from service. A pension scheme for the employees will also serve the same purpose; but the difficulty of both these is that in the event of premature death of an employee while in service, very little would be available from the Provident Fund and nothing under the Pension Scheme. If there is an insurance on year to year basis, the dependants of the employee who die in service will receive a lump sum which will be very helpful. The cost of such a scheme will be stabilised in the long run. Persons retiring at age 55 or 60 will be replaced by new recruits between the ages of 20 and 25 and every such retirement and replacement by a youngster will tend to reduce the cost of Group Insurance Policy if it is under the term assurance plan on a year to year renewal basis.

It is unfortunate that Group Insurance on the above lines has not made any progress in our country. At present the employer-employee relations are none too happy and the employer is reluctant to consider any additional amenity for his employees which will add to the cost of management. The Staff Insurance Schemes on the other hand are not objected to by the employers because they do not incur any additional expenditure except the cost of collection and payment of premiums to the Insurance Company. The employers do not like to strain the relations with the employee by refusing to assist even to this little extent. But as mentioned above for the satisfactory working of the Staff Insurance Scheme the Employer must not only take more interest than what he does at present but should also contribute to some extent to the cost of insurance of his employees.

We shall now consider the merits and de-merits of the present Staff Insurance Scheme and suggest improvements where necessary. Staff Insurance Scheme enables the employee to secure Life Insurance at cheaper rates. The business secured by a Life Insurance Company is of a more stable nature and may be expected to continue in the books of the Company for a long time. Valuable contacts are established by the Insurance Company and the new entrants become the prospective policyholders of the Insurance Company. The Employer-Employee relations might improve if the employer popularises the staff insurance scheme.

The disadvantages of the scheme are that two or more Insurance Companies canvassing in the same firm create an unhealthy atmosphere and the scope for malpractice may increase. On account of the competition from two or more Insurance Companies the formation of a group is delayed. Top level negotiations do not take place and the Insurance Companies negotiate quite often through Trade Union Leaders completely ignoring the employer. If the stipulated minimum number required to form the group under the Staff Insurance Scheme is sufficiently high so as to preclude more than one Insurance Company operating in one concern healthier conditions could be established, top level negotiations could be resumed, undesirable competition eliminated and all parties could be satisfied. There is nothing wrong in the Staff Insurance Scheme as such, and if the policyholders coming into Staff Insurance Scheme are merely getting the benefit of the costs saved on intermediaries, it is quite an equitable arrangement and the advent of such a business cannot be a burden on the other policyholders who under no circumstances should subsidise the Staff Insurance Scheme.

Address by Sri Lakkaraju Subba Rao

(Chairman, Andhra Insurance Co., Ltd.,)

at the Insurance Conference.

THE Constitution of India envisages a Welfare State, to secure to all its citizens social and economic justice and to promote among the people fraternity assuring the dignity of the individual. The objective of the Indian Government is to evolve a socialist pattern of society. To what extent do life insurance companies contribute to the achievement of such a State and the evolution of such a pattern of society? The object of insurance is to help the individual with the cooperative and coordinated efforts of the community of policyholders by contributing to and pooling of the resources. Thus wise aid is given to individuals when it is most needed. What one individual cannot achieve by one's own effort is achieved by the community. One for all and all for one is practically the basis of insurance. In case of premature death of the only earning member of a family which has no other resources to fall back upon, nothing would save the family from immediate ruination except life insurance. Life insurance is thus a component part of the socialist pattern inasmuch as the community of policyholders come to the rescue of the individual either by covering risk in case of premature death or making a provision to a person in the evening of one's life when one's capacity for earning is considerably reduced.

Having regard to the population of India are we in a position to state that sufficiently large number of families or individuals are covered by insurance? The total number of policies issued by Indian insurers is 38,33,000 and by non-Indian insurers is 2,46,000. The total sum insured including bonuses is Rs. 961,89,00,000/-. The annual premium income is Rs. 47,41,00,000/-. The Indian families number 7.24 crores according to the report of the National Income Committee. Taking the whole population of India the insured and the non-insured, the rich and the poor into consideration, the per capita saving for insurance premium is not more than 1½ rupee per annum. But looked at from the point of view of the number of policies the average saving of the policy-holders by way of premium may be about Rs. 120/-per policyholder. Some of the policyholders may be paying much more towards premia and some much less. Some individuals may have purchased a larger number of policies than others. Statistical data on these lines are not available.

Though the average works out that 1 in 90 may have purchased an insurance policy, yet, having regard to purchase of a larger number of policies by some individuals we shall not be far from right if we assume that one in 110 or 120 has purchased an insurance policy. I do not assert for a moment that the average is quite correct.

Looking at it from another point of view the average amount insured per policy is about Rs. 2400/-. Some policies may be for much larger amounts and some for smaller amounts. When the average cover is Rs. 2400/- per policy, even amongst the very limited number of policyholders it is obvious that we have a very low economy compared with other progressive countries of the world.

The planning wing of the All India Khadi and Village Industries Board estimated the annual requirements of a family of 5 for healthy and reasonable living conditions at Rs. 3000/-per annum. It provides Rs. 100 per annum for insurance for old age.

Let us take the United States which is considered to be on all hands a very prosperous country. For a population of 150,000,000 there are 90,000 000 policy holders at the end of 1953. The average per policy-holder in terms of rupees according to present exchange is a little over Rs. 16,000/-. The 90,000,000 policyholders have 239,000,000 life insurance policies. On an average a family owns 3 policies as 79 percent of all families owned some type of life insurance. The survey showed that insured American families spend on the average 4 per cent of their disposable income for life insurance premiums and that the average life insurance for a family in terms of rupees is about Rs. 27,500/-. Let us also take the case of Canada. The ownership of life insurance by Canadian families is the highest in relation to the national income of any country. Both the United States and Canada are democratically governed countries. Neither Feudalism nor Capitalism due to Colonial exploitation is there. These are the conditions in both the countries where there exists the much abused Capitalism. It should not be forgotten that both the countries concentrate their attention on reducing inequalities in life and levelling up standards of living. Capitalism regulated by intelligent democracy has achieved these results. Wherever necessary can we not draw upon their experience without forswearing ourselves against it? We cannot become a prosperous Welfare State unless we produce more and increase at the same time the purchasing capacity of the individual regulated by proper distribution.

We were taught previously that that Government is best which governs least. The theory of laissez faire in a modern welfare State has no place. Now the trends are towards totalitarianism as is observed by no less a person than Bertrand Russell, the great philosopher. The swing of the pendulum is towards extreme left We in India want to strike the golden mean without falling victims to regimentation.

Now and then we hear some persons insisting upon nationalisation of insurance, nationalisation of banking and nationalisation of several other industries. While there are large projects and heavy industries which are not within the competence of individuals or associations and which ought to be sponsored and owned by State and should be under the control and authority of the State for purposes of national progress and even safety, there dose not seem to be much force in the proposal that insurance should be nationalised. It is a field of enterprise that should be left to the private sector. No doubt one of

the directive principles of State policy as defined in Section 41 of the Constitution Act, is that the State shall within the limits of its economic capacity and development make effective provision for securing the right to public assistance in case of old age, disablement etc. There are other ways and means by which the State can give relief in those directions without entering the field of insurance. It is observed in the First Five Year Plan that 'in the transformation of the economy that is called for, the State will have to play the crucial role. Whether one thinks of the problem of capital formation or of the introduction of new techniques or of the extension of social services etc., one comes inevitably to the conclusion that a rapid expansion of the economic and social responsibilities of the State will alone be capable of satisfying the legitimate expectations of the people. *This need not involve* complete nationalisation of the means of production or *elimination of private agencies in Agriculture or business and industry*. It does mean, however, a re-orientation of the private sector to the needs of a planned economy' It is also stated 'that in regard to certain key industries like Coal, Iron & Steel, Aircraft manufacture, Ship building, Telephone, Telegraph, Wireless etc., the State is to be responsible for further expansion except to the extent that it considers the cooperation of private enterprise necessary for the purpose. In the rest of the industrial field the initiative for development and the responsibility for management will rest on private enterprise. Government have however the right to acquire any undertaking interest and to intervene in cases where in the public the conduct of industry under private enterprise is not satisfactory, I have quoted somewhat in extenso from the Five Year Plan and I make no apology for it. I shall not be wrong in my inference if I state that development of insurance rests on and can be left to private enterprise. Under the Insurance Act when the Government has found that the management of certain insurance companies is not satisfactory the Government have not only intervened but also assumed management. It cannot be gainsaid that to secure the interests of the policyholders it is absolutely necessary that the Government should have an effective control over managements and investments. On behalf of the Insurance Companies it is pleaded and pressed that a larger percentage of investments may be permitted in other than Government and approved securities. It is for the experts and the Government to come to an understanding in that respect. Whatever it be I am one of those who are of opinion that advice from and control of Government are necessary.

In the First Five Year Plan it is again stated 'that the rest of the industrial field (meaning thereby industries already referred to such as Coal, Iron & Steel etc, is to be open to private enterprise, individual or cooperative, but that the State will intervene whenever an industry under private enterprise is found to be unsatisfactory., Private enterprise operating in terms of legitimate profit expectations and the efficient use of available resources has an important part to play in developing the economy. The nationalisation of the existing enterprises which means acquisition by the Government of the existing productive assets has in our field only a low priority especially as most of the purposes of such a transfer of ownership can be served by judicious regulation.

In this connection I cannot but refer to the proposed amendments to Section 31 of the Constitution Act. There have been heated debates in the legislature of India and outside on the amendment to Section 31. The insurance association will do well to bestow some thought on the proposed amendments to Section 31 of the Constitution Act particularly in the light of the possibility of nationalisation of insurance to which I shall refer again later.

Having said so much about objectives, ideals and opinion of Government I shall now touch upon a few of the problems immediately facing the insurance companies in their working. The problem of lapses is a hardy annual. I find that it is common not only in India but also in advanced countries like the United States. The volume of business secured in other countries as well as in India is the highest in the month of December and least in the months of January and February. How to prevent lapses is a problem that has to be tackled by experts and it appears that lapses are more where policies are purchased on premiums payable at short intervals.

Now the prices of agricultural produce have fallen and are falling. From the point of view of the consumer, I believe, it is good. The insurers will do well to think of the reaction which the fall in prices of agricultural produce has on insurance. During the period of economic depression from 1930 to 1935 when prices were very low there was comparatively more insurance business. We need not apprehend that the insurance trade will be adversely affected by the fall in prices of agricultural produce.

Land reform also which is likely to be adopted in the various States may have some reaction on insurance in rural areas. It needs watching and effective measures will have to be taken by the insurers to maintain and improve their business in rural areas.

One of the recurring problems facing insurance companies is that of investment. It is recognised all over India that there is a shortage in housing. Construction of houses is not keeping pace with the increase of population and with increased migration of rural population to urban areas. The cost of construction of houses has gone up, and it is beyond the capacity of the middleclass-man to invest a fairly large amount on houses. Very recently an exhibition of house construction was held in Delhi. The insurance companies will do well to study the problem relating to construction of houses and launch housing schemes assuring a fair income to Insurance Companies after making due provision for repairs, depreciation and taxes. Construction of good houses at cheaper cost is a problem that should be studied by the various insurance companies.

The scheme to insure borrowers to cover loans in case of death similar to the one called the Credit Life Insurance in the United States may also be considered for adoption by the Executive Committee of the Insurance Association.

I should like to make a suggestion regarding insurance education. Now that a large number of persons are employed in the insurance trade I would commend to the Universities that a special course in insurance may be framed so that they may

give efficient service to the public.

A Committee consisting of experts in the line should be constituted after publication of the Taxation Enquiry Committee report to suggest amendments to the Indian Insurance Act.

I understand that a much larger volume of new business was done in the year 1954 than ever before. The reduction in the premium rates and good bonus declarations may be mainly responsible for the position. The sudden reduction of rates by some big companies without the knowledge of the insurance association had an adverse effect on medium sized and small companies for a time. When there is an Association of the standing of the Life Insurance Association is it not fair that the question of reduction of rates should have been considered by the Association in its collective capacity? Would it not be in the interests of the collective security of all the life assurance companies that such a step should have been considered by them beforehand? The big companies which can stand the strain of competition may drive the medium sized and small companies out of the field. Then it would be creating a monopoly in the insurance field for a few companies and it would be then easy enough for the Government to nationalise the insurance industry because they would have to deal with a much smaller number which results ultimately in the extinction of both the big, the medium and the small companies. One of the methods adopted by some of the companies with a view to show an increase of new business is reported to be this. The policy-holders are advised to convert their existing policies into paid up assurances and to take new policies with them under the reduced rates. Though ostensibly for a time they show increased business artificially manipulated, it will have a deleterious effect on the trade in the long run and it will be doing disservice to the public and the insurance field.

The question of nationalisation of insurance was raised both in the Lok Sabha and in the Rajya Sabha recently. The Minister for Revenue and Civil Expenditure answered 'that it had come up for departmental examination on several occasions in the past that the pros and cons together with its variants such as partial nationalisation, State's entry into the field etc. continued to be studied even now. The Controller of Insurance who has recently proceeded to Australia and Newzeland under the facilities provided for the scheme was asked to study the State run schemes there.' It is now for the Insurance Companies to take note of the answer and to conduct themselves in a manner which will not give room for the Government to nationalise the insurance under one pretext or other.

Appointment of Agents

BY G. SOMASUNDARA ROW, M.A.,
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A subject to this type for a frank discussion at a symposium arranged in connection with the Annual Conference of all the Members of the Life Assurance Offices Association in India calls forth the garnered experience and practical wisdom of all those engaged in this trade. Hence one feels constrained to spread out one's thoughts and ideas on this extremely thorny subject as the task is too delicate and can hardly be pronounced exhaustive and thorough from the standpoint of practical application and success.

It is a commonplace observation that Agents of Insurance Companies constitute their very life-blood and inferentially, unless the Agency Phalanx is healthy, the Insurance Companies can have no good organisation in order to meet adequately their respective needs of expansion, progress and service. It is something that the wake of State legislation some steps have been taken by the Insurance Act 1938 and the Amending Act of 1951 and Rules made thereunder to give the Insurance Agents a status and authority to pursue their trade which they did not enjoy previously. But legislation cannot by itself fully meet the situation. No doubt, before the advent of the Act, a mere enquiry or letter from any person desiring to take up an agency brought to his door-step in no time a letter of authorization from the Company to which the communication was addressed. Enquiries about the applicant involved no elaborate procedure and if he happened to be quite a fresher or new entrant in the line for the first time, the conferment of Insurance Agency on him took no time, the link being purely through correspondence, especially in areas where there was no paid field staff such as Organizers or Inspectors to pass on instructions for a personal contact with the applicants before they could be finally selected. From the standpoint of expenses touching the purse of the applicants too, it was a gratuitous affair as there was no need to take out any licence or spend any money in the direction by way of remittance of the scheduled fee. Thus, on either side, a spirit of **laissez faire** reigned supreme and neither the Agent nor the Companies had any need to bother to build up the agencies or set them going by a careful process of their selection and retention with any attention to resourceful and systematic training in field work. This happy-go-lucky way which went on undisturbed upto 1938 was given a rude shock for the first time when the New Insurance Act insisted on a trade licence taken out by all those engaged in

Insurance trade and made procuration of business an offence without holding a statutory licence. This was originally for a period of one year only, renewable every year, on payment of a nominal fee of Re. 1/- and the fee was subsequently raised to Rs. 1/8/- per year. Even this, however, did not much help to change the status of the Agents or the tenor of their work as it was very often the look-out of the paid inspectors and other Field Officers of the Companies to manage to plant such agencies easily and get business recorded under them. The interest of the Agents was not personal and had to be kept up with great difficulty by the field staff of the Insurers. To that extent, the legal restriction of a licence and a fee for the same, one may venture to say, did not produce the intended effect. The hard task of building up a good agency force remained as difficult as ever and the keen competition among the Insurers was the only propelling force in the creation of numerous insurance agents all over the Country as evidenced by the stamp revenue that it meant to Government Department of Insurance, Simla. The Companies and leading men in Insurance in India got deeply exercised over this matter and when the Act was amended in 1950, it was felt desirable as also necessary to levy a higher licence fee of Rs. 5/- and prolong the period of licence from one to three years — a change which certainly had a steadying effect on the hitherto slipshod haphazard way of recruitment and registering of agents.

Though licensing of Insurance Agents has, in a way, helped to broadbase the trade, the simple fee-link has not in any way materially changed the position in regard to their calling, their right place in the social economy of the Country, and the mutual hold the Insurance Companies and the Insurance Agents have on each other, the stuff of which they are made remaining almost the same. The idea that an Insurance Agency is a lucrative one is what holds possession of every novice in the line. As per contra, the Companies view every licenced agent as a potential source of adding to their new business for commission the payment of which they have provided in their accounts. This simple mechanical link, the principle of a **quid pro quo**, does not, however, seem to answer the present day trends and needs of Life Insurance with the result that a new type of alignment and approach is incessantly called for if the Insurance Companies and the agents alike desire to reap greater fruits of their labour and grapple sincerely the various problems that confront them as they proceed with their work in the existing tension of a heavy competition not only among the concerns in India but also vis-a-vis the foreign Companies whose record of service to the public is of no insignificant order and to this day (even in the wake of our emancipation from foreign political thraldom) very often bids fair to receive the best and most cordial consideration and continues to be worthy of praise and earnest emulation to reorientate our methods and ideas so as to suit the new and growing needs of this greatly-thriving Industry which has come to stay in this land and which is bound to lead us to a very bright future in the new set-up of a Welfare State.

The present problem of appointment of agents must needs include Chief Agents and Special Agents, who like the ordinary licensed agents are all recruited on com-

commission rates which has been strictly limited by the Statute. It is true that specification of the rate of overriding commission has [illegible] so far as the Chief Agents are concerned. The expenditure regarding the Chief Agencies has, however, been bridled in a general way linking it up with the over-all expense ratio, the import of which is too well-known to Companies and their Managements to be off their guard by keeping themselves within healthy bounds both by virtue of the legislative effect and practical insight they bring to bear on the successful administration of affairs.

In all the categories, the task of right selection and appointment is by no means an easy one. The staple of field-workers is no doubt the ordinary licensed agent whether he works for the Company directly or through a Chief or a Special Agent. Thanks to the present Act, indiscriminate Chief Agencies have ceased to figure in the organization of the Insurance Companies, especially of the type that was largely in evidence when a Chief Agency was conferred more to facilitate the incumbent to draw a higher and more favourable rate of commission on his business turnover. The present statutory restriction of a Chief Agency to a territorial jurisdiction of not less than a Revenue District for its monopolistic operation has made such Chief Agency a well-knit unit of organization which can be better controlled by the Companies with mutual regard and co-operation. The appointments of this nature having now been reduced to the minimum, the privilege of holding a Chief Agency is at present held only by capable men and influential firms and the energy of the Companies is spared and not unduly frittered away. The Statutory position commits both the Chief Agent and the Company and with goodwill and cordiality they can both sail smoothly and to mutual advantage. The numerous Chief Agencies which in the past used to tax the Companies with all their bother even in the absence of substantial results as per contracts are happily at an end and this class of appointments no longer proves irksome to the Companies as they are few and far between.

It is the second class of Agency appointments, that of Special Agents, that still continues to worry the Managements for reasons which seem to be as yet beyond control. For one thing, there is no hard and fast line of territorial demarcation for their business activities. The Special Agents hop about, work hither and thither, contribute to overlapping and even friction in the organizational set-up as they are found side by side with co-special agents, the paid Organizers and Inspectors of the Company, not to speak of centres where expensive establishments such as Sub and Branch Offices are also run. Secondly, their selection or appointment is governed not by merits of business capacity but by a number of other considerations (more remuneration by way of overriding commission being the primary) which do not harmonise with the needs of expansion commensurate with the money spent on it. These promiscuous appointments have naturally ended in arrangements which very often prove nominal and defunct more to swell the stamp revenue than to answer their rightful purpose. It may be argued that in so far as no regular salary payment is envisaged under a Special

Agency, their existence in whatever number and at whatever place need not disturb our mind. Such an arrangement does not, however, take into account the positive factors that must be strengthened and linked up for an efficient and solid organisation with reference to the particular area where these Special Agents are made to move about in all directions and build up the name and business of the Company of which they are representatives. Unhealthy competition among co-workers and bad feelings do not pull well. On the other hand, they prove a great handicap for a healthy constructive activity, each vying with each other and adopting questionable methods which are never in the abiding interest of the Company. Areas so organised are fraught with dangers which tell on the progress of the Companies and readily open room for rivals to carry off and snatch away the fruits of other men's toil.

Thirdly, we come at last to the very crux of the problem, the appointment of ordinary agents holding a licence to ply their job. It is here all our skill and wisdom have to be brought into full play. The indiscriminate and over-ambitious scheme of scattering the agencies anywhere and everywhere and for the mere asking denotes desultory attention rather than determined effort to furrow the field and raise the crop in the fulness of the harvest time. It has been the experience of many Companies that every next door in a street has their agent without any intelligent plan or insight into human nature or capacity for this line of work. The plantation of such haphazard agencies has been mainly due to want of a proper appreciation of the desirable qualifications of the men chosen either by the Companies direct or by their paid and other Field personnel. No great thought is bestowed on the choice and in the emotion of the first personal contact, the candidate is not only picked up but also fixed. There is no bother about how the new recruit has to be fitted into the frame-work, his equipment, training and inculcation of knowledge in the methods of salesmanship and the rest. Thus the root cause of the enormous waste of energy in this direction is the very ignorance of the person or the machinery that handles these appointments and happily looks forward to results which will never be forthcoming even if the number of agents runs into several thousands in the Registers of the Insurers. It is here all our resourcefulness in organizing efficiency and informed wisdom should fully come to our rescue as otherwise insurance agency, as we want it to be, cannot be built up and will never be able to take its honourable place in Society like any other respectable and lucrative profession. To devise ways and means by which the right type of agents assist the Companies, it has been recently felt with increasing urgency that appointment of agents should necessarily go hand in hand with their proper training and without such steps no useful and efficient agency force can be created and fostered.

If the following suggestions merit consideration, they may be taken up by the Members of the Life Offices Association:—

(1) Avoidance of overlapping to fixing up agents.

(2) To stop indiscriminate multiplication of agents in one and the same place irrespctive of its size and potentialities.

(3) Clarification of the jurisdiction of paid Inspectors and Organizers.

(4) Not occasional but very frequent visits of Field Officers to agents not only to book ready business but also keep them fully informed and instructed with all useful tips for practical guidance in their day-to-day work.

(5) To provide incentive to the ordinary agents, it is submitted that field appointments to salaried posts and others with definite monthly pay and emoluments should be made open to the most successful persons from the rank and file — a consideration which is slowly gaining ground though its implementation is still haphazard when other considerations continue to prevail overwhelmingly.

(6) Periodical gatherings of agents to be arranged both at the Branch Offices and at the Head Office for imparting knowledge and equipping them properly and retaining their hold and loyalty on the respective Companies they have been serving. Just as the service factor endears the policyholders to their agents, in the same way, the factor of personal attention of the Office Executives to the agents and the inspiration they are able to give them now and then with their close touch will certainly go a long way to build up a solid agency system that will stick on to their respective Companies without being easily distracted or side-tracked by rival concerns.

The idea that it is not the status of the Company but that of the agent that matters in business-getting has been widely prevalent in the Country because of the subtle process of exploitation of the gullible people. It is high time this apparently innocuous idea is given complete go-by and totally discarded. It is not to underrate the endless potentialities of the personal influence and capacities of the concerned agent when we insist on the right emphasis. The Company, be it big or small, as well as the agent go to propagate successful and enduring Life Insurance benefits in the community whom they serve with all their qualities of head and heart and the old, worn-out concept of the agent's over-prominence in this set-up is the main cause for the facile belief that a so-called very substantial agent's potentialities for business must soon dry up when once his field is exhausted. This, however, is a lopsided view as the field for Life Insurance is like a perennial fountain which, if not approached with the dangers of half-knowledge, must assure us of its continual flow opening up new avenues and channels which the ill-informed and untutored people can never hope to visualize, explore and extend either for their own benefit or that of those among whom they have to toil and moil not only to tide over the ordinary problem of bread-winning but also raising themselves to the elegant social level of being the friends of the poor and the rich alike.

Paper read at the 10th Indian Insurance Conference.

Premium Debit Lists

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IT is the practice of Life Offices to send premium notices to their policy holders reminding them of the payment of their premiums. Though not obligatory, this is done as a matter of convenience to the policy holders and has become the established practice of all insurance companies. It is a matter of convenience to the Companies as well to know when the premiums on the policies issued by them become due.

In the early stages of a company, the premium notices can be prepared with the help of what is called a "Due Book." A Due Book is one wherein is entered the particulars of all policies for which premiums fall due in a particular month. There will be one "Due Book" for each month. The premium notices and receipts are prepared by hand with the help of these Due Books.

With the growth of a Company, this system tends to become very cumbersome. The drudgery involved will be great besides waste of human labour. The inconvenience of the system will be felt especially when the company wants to decentralise the issue of premium notices and receipts. And a company shall have to decentralise the issue of premium notices and receipts at one stage or other if it wants to increase its service to policy holders.

It is in these conditions that the help of the modern machines comes in handy to us. The advantages of mechanisation are well known and it is not necessary to enumerate them here. It is enough for my purpose to state that in a company where the mechanisation exists, the "Due Books" are replaced by the "Debit Lists" and both the debit lists and the premium notices and receipts are printed by the help of the machines instead of being written by the hand.

The debit lists and the receipts can be printed by one and the same machine. But from experience, we found that if these are done by two different machines, it is possible to eliminate some of the mistakes that are likely to creep in if both of them are printed by the same machine.

The Debit Lists can be prepared by the "Powers" from cards in which the particulars of policies issued, have been punched. These cards known as "Premium-Master Cards" are arranged in three groups A, B and C. 'A' Group relates to policies for which premiums will fall due in the months of January, April, July and October. "B" Group relates to policies for which premiums will fall due in the months of February, May, August and November, "C" Group relates to policies for which premiums will fall due in the months of March, June, September and December.

When the Debit List for a particular month is to be prepared, the premium master cards are taken out and the cards for which the premiums are due in that month are extracted by sorting on the "sort" column. The renewal cards are reproduced for these and checked on the interpolator. The renewal cards are then interpreted. With the aid of the Advance Premium Register, the cards relating to premiums paid in advance are removed. The remaining cards are sorted according to the Branch and the Debit Lists for each branch in duplicate, one to be sent to Branch and the other to be retained at Head Office, are printed. First years and renewals are printed separately.

The premium notices and the receipts are printed by the "Adrema" machine. For each policy, a plate is embossed with the following particulars.

Policy Number
The sum assured
The Date of Risk
The Mode of Payment
The instalment premium (and)
the Agency and Branch Codes.

The Plates are arranged branch-wise in group and policy number order. The premium receipts are printed from these plates. With the help of the 'pip" device only the receipts for the premiums due in a particular month are printed. The receipts are printed in triplicate. The first portion serves as the premium receipt. To distinguish the first years premium receipts from the renewals, the receipts are printed in two distinct colours.

After the debit lists and the receipts have been printed they are checked with a view to find out the discrepancies between the two. All such discrepancies are entered in a book called the "Debit List Investigation Book" There may be receipts printed for which, the corresponding numbers may not be in the debit list. These are called "extra" receipts. Or there may be numbers in the debit list for which the corresponding receipts might not have been printed. These are called "extra" numbers. Both these "extra" numbers and "extra" receipts will be noted in the "Investigation Book" The extra numbers are scored out from the Debit List and the extra receipts are kept separately. The remaining number of receipts should tally with the total number of entries in the debit list. This is verified by counting the receipts and the numbers in the debit list separately.

After checking, the debit lists and the connected receipts are sent to the respective branches along with a covering memo. This memo contains particulars regarding the exact number of receipts sent and the total amount of premium.

The debit lists and the receipts are sent to the Branches between 22nd and 25th of the month preceding the "due" month.

When the Branch Office receives the debit lists and the receipts, it must check them carefully and intimate the Head Office of any discrepancies noticed particularly in regard to previous payments received and posted as per the premium registers maintained in the Branch Office. For this purpose, a form is used called the "Memo. of Acknowledgment." This

has to be filled up and sent to the Head Office before the 10th of the "due" month. Any discrepancies noticed and intimated in the form will receive the immediate attention of the Head Office and the position as per Head Office records will be furnished to the Branch.

Besides the main debit list sent to the Branches, a subsequent debit list called the "Supplementary Debit List" is also prepared and sent to the Branches before the 10th of the "Due" month. This list contains cases which should have been included in the main debit list, but for some reason or other, have been ommitted to be done so. The list is prepared in reference to the "Debit List Investigation Book" and the "Additions Book."

The Debit List Investigation Book has already been referred to. It contains the discrepancies that have been found and noted when checking the main debit list with the connected receipts. After the main debit lists are sent to the Branches, these discrepancies are investigated into. It may be that some of the "extra" numbers in the debit list might be there as a result of their having deen included under the wrong Branch. Then the corresponding receipts will be found as "extra" receipts under the correct Branch. In these cases a cross reference is given in the Investigation Book and the Powers will be instructed to transfer the cards to the correct Branch. There may be some "Extra" numbers for which the corresponding receipts have not been printed. This could have happened because of some defect in the "pip" device in the Adrema plates. In these cases, the "Adrema" would be instructed to print the receipts. Or it may happen that the extra receipts are there though the previous premiums on these policies are not received. In this instance, the Adrema will be asked to transfer the plate either to non-forfeiture or lapse trays. The same instruction will be given to "Powers" if a number in the Debit List comes as an "extra" number under similar circumstances.

The "Additions Book" contains policy numbers for which the receipts for previous premiums were issued at the time of the preparation of the main debit list. Since these numbers have not been included in the main debit list, these along with the numbers taken from the Debit List Investigation Book are included in the Supplementary Debit List.

The Debit Lists and the receipts are kept in the Branch for a period of two months. For example, the Debit Lists and the receipts for January 1955 will be with the Branch from 1-1-1955 to 28-2-1955. On the first day of the third month, the Branch Office will return the unpaid receipts and the Debit Lists along with a statement of unrealised receipts. Besides, a statement of reconciliation showing the number of receipts sent, the number of receipts issued and the number of receipts returned should be prepared and sent by the Branch. The importance of this reconciliation lies in the fact that it is the only available check on wrong and improper issues of premium receipts.

When the unpaid receipts and the statement are received at the Head Office, a note of all the unpaid receipts is made in the copy of the debit list kept by the Head Office. These receipts will be issued at Head Office as and when the payments are received in respect of them. The statement of unrealised receipts is sent for further attention to "Adrema" and "Powers" With the help of this statement, the Adrema and Powers transfer the plates and the cards relating to the unrealised receipts from the "Force Tray" to the "Non-forfeiture" or Lapse" tray as the case may be.

These policies under the "Non-forfeiture" or "lapse" will be brought back into force as and when they are re-instated or revived. This is done by entering these numbers at the time of the reinstatement or revival in a book called the "Force Book" With reference to this book, the "Adrema" and the "Powers" will "move" the plates and the cards from the non-forfeiture or lapse to Force. These numbers will be included in the next debit list as and when they are prepared.

Paper read at the 10th Indian Insurance Conference

How to Improve Office Efficiency

By J. A. MANSOOR, B.Com., F.I.A.,

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Introduction

"OFFICE efficiency" in its literal interpretation means efficiency in the office—expeditious disposal of work in the office within the minimum possible costs. To achieve this, however, efforts cannot be limited to the office alone, as for instance, in a Life Office where one is dealing with the policy-holders, field workers, medical examiners, etc. Necessity requires investigation of methods to achieve efficiency outside the "office" in those spheres with which the office comes in daily contact.

The factors involved in considering any efficiency methods can be grouped broadly under three headings, Service, Time and Cost.

(A) Service Factor

Service implies that the requirements of each item of work, the implementation of every procedure, the reply to every letter and the maintenance of every record is absolutely correct. Perfection in Service would, in this way, mean the very ultimate in exactness and hence as one has to deal with human beings, with different temperaments, personalities, ability and efficiency [illegible] ever attaining this perfection. It is a goal, however, that one can attempt to approach and the methods of this approach may now be considered.

Planned Office Procedure

When one has to deal with human beings particularly of average calibre and capacity, it is wisest to prepare for each item of work a simple but full procedure as to how that work is to be carried out. The reason for this is that the clerical staff should be required to exercise their own judgment as little as possible. Mistakes due to erroneous judgment can thus be avoided, necessity of reference to superiors minimised and the speed and efficiency gained after some time in doing a particular job of work the same way exploited. Planning of these basic procedure is thus the very basis on which the entire administration rests. Hence it is suggested that proper machinery be set up to determine these procedures, and a representative body of supervisory officials meet at intervals to consider their working in practice and in what way improvements can be devised. Suggestions of the employees themselves can be invited and rewards by way of cash sums, for instance, be given where the suggestions are capable of practical application and if introduced would result in simplicity or elimination of unnecessary or duplicate procedure.

Printed Forms

Forms and printed matter should play as large a part as possible in correspondence outside the office for such material

combines all the factors involved in Office Efficiency. A properly devised form conveys to the recipient the exact position without frills or fancies. At the same time, only a few blank spaces, such as date, address, etc, have to be completed by the office staff and this results in speedy disposal of work with the least possible cost. Forms thus play a more important part than most people realise, with the result that they are sometimes carelessly devised and in large offices very often different forms convey the same meaning. Here too machinery must be set up to go into the forms existing in the office, improving them, eliminating the unnecessary ones– word by word, line by line, form by form. Besides this, the machinery should meet regularly to study suggestions for improvement of a form already passed by it in the light of experience or changed requirements. Briefly, the printed form should have the following requirements:—(a) Short, concise and to the point. (b) As few blank spaces as possible in the body of the form. (c) Neat and well printed. The printed form is able to deal with the problem in the required way for the thought-process of the staff is virtually eliminated, the time involved in drafting and typing cut down to almost nil, with the consequent saving in clerical and machine costs.

Job Specialisation

The advantages of division of labour are well known and this principle of dividing different jobs into separate component parts is an essential prelude to efficiency and service. Staff trained to do a certain job day after day should soon become expert at that job. This does not mean that there should not be a change in the work given to an individual. Variation of work is vital, if staleness is to be avoided. It is also necessary that staff should not have an outlook narrowed down within the confines of their own work. Futhermore, in case of absenteeism, transfer of staff from one section to another is a necessary part of administration and there should be no bottleneck created as a result of such absenteeism. However, division of labour can nevertheless be given practical effect to within the above limits. In particular, attempts should be made to have a separate section of staff to deal with correspondence and other contacts with the public, and internal accounting and recording. Correspondence is a specialised business and the effect of a nicely drafted and courteous letter is very great indeed. It is not merely a jumble of words and a collection of sentences. It is the reply to a query, the contact between the office and the important public. A delayed letter or a discourteous one can well nigh result in loss of business and goodwill, an ambiguously worded draft, in prolonged and wasteful correspondence ad dissatisfaction. Correspondence staff have therefore a particularly greater responsibility. They should be well versed in the language with which the correspondence is being conducted and should know what are the essentials of good correspondence. They should be trained to avoid the usual stilted phrases, to write concisely and convey their ideas exactly. Periodically brief circulars can be given to them as to what is meant by "good" correspondence and how to avoid the obvious pitfalls. Large offices in particular should be careful in building up improved correspondence service, for often this most important contact with their public is lost sight of to the bitterness of the the latter and detriment of the former. The larger the office, the more Government-like is its correspondence, and it is no secret how bad is any Government in these matters !

A corollary to good correspondence is neat typing. The letter, when it reaches the recipient should not have an immediate adverse reaction, psychological though it may be. A neatly typed and presented letter is pleasing to the eye, and if well written leaves nothing more to be desired. Just as one likes to remain clean and fresh and presentable, so also the immediate reaction on receipt of a letter should give, if not a similar pleasure, at least a passing thought of the efficiency of the sender.

Supervisory Staff

The supervisory staff, needless to say, must be efficient. They must know exactly what are their duties, responsibilities and powers. Unless they set an example, the staff immediately below them can never be expected to show the expected efficiency. The cut of a coat depends mostly on the quality of the tailor; so also the efficiency of the staff depends largely on the quality of the supervisor. One of the greatest dangers which have to be avoided is the shirking of responsibility, the bane of all such "military" types of organisation. The supervisor is expected to use his judgment and common sense to deal with the day to day problems and if he is not in a position to decide the issue, to place the whole problem in a concise manner to his superiors for a decision—wherever possible to suggest the decision himself. To enable his service to be utilised to the best possible advantage, his powers should be sufficiently wide so as to allow him to use his discretion within limits. He should on no account be tied down to the routine of a "post-office" job, for in that event he is quite unnecessary, besides setting a bad example to the staff beneath him. The higher officials of the firm may have to be drawn from this material and this point must never be overlooked.

Systematic Filing

Easy accessibility of records is another MUST if efficiency is to be stepped up. In offices where a large number of subjects is dealt with, it is essential to trace easily and readily a paper on any one subject. Individual departments usually have their own records, and a separate department deals with the general records of the firm which are referred to by more than one department. Here too machinery should be set up to first determine exactly what type of subjects are covered departmentally and how they can be split up for recording and easy reference. Code numbers may then be given for each separate subject, allotting a separate file for the same. The files so allotted can then be grouped in a systematic manner and pigeon-holed for record. Each type of work may require its own type of filing system but before its introduction the whole position must be most carefully reviewed so that once the files are to be maintained in a certain way there will be no necessity of changing the system for a good many years. A complete, systematic and easily understood filing system however is essential for smooth and proper working of an office, whatever the details may be to suit individual requirements.

Departmentwise Separation of Work

Just as one has division of labour amongst the staff over jobs of work, similarly maximum efficiency is achieved in splitting up the various jobs of work into like groups, allotting the proper number of staff for each like group, or department as they can be called, with a departmental head responsible for running the department efficiently. One must be careful not to make the departments too many or any department too large. This departmental splitting up is just another form of division of labour where the head becomes a specialist in the particular items of work with which his department has to deal and where he is also responsible for the work of his staff, their leave, promotions, etc.

Inder-department Movements

An evil, however, follows the above system of department separation for often a particular work has to move from one department to another and this usually means unnecessary delay. Procedure must therefore be laid down to expedite the movements of such papers. A simple way that suggests itself, for instance, is to pass the papers, duly receipted from one departmental head to another, such papers being passed on as soon as they are complete in one department. An overall check can be kept to see that all incoming letters are dealt with within a specified period.

"External" Efficiency

As pointed out in one of the earlier paragraphs, efficiency in the office itself is interdependent with efficiency outside, for instance, in its relations to its branches, salesmen, etc. Each branch should have a proper and definite idea as to its functions and powers and to this end similar procedures must be prepared and followed. Co-ordination between branches and their home office must receive particular attention, and it is here that waste can be easily avoided but where it more often than not, creeps in. Periodic check by the home office of each branch is well worth the expense involved. In the same way, each of its salesmen, running perhaps into thousands, must be taught and retaught how exactly they are to correspond with the office, how exactly they must fulfil their functions and responsibilities. Obviously if they would do their work as expected, the load on the home and branch offices would be considerably lightened, with a consequent increase in efficiency.

The General Manager

Finally, but obviously the most important, the overall controlling authority over the efficiency of the office is the General Manager. He has his finger in every pie, so to say, but that finger should be a probing one and a guiding one. The modern tendency, and the right one too, is for the General Manager to distribute his routine powers to certain officers and keep upon himself the main powers of guiding the firm's policy as well as co-ordinating the different functions of work, departments of his office and general efficiency of the entire institution. As far as efficiency is concerned, a simple way of finding out how his office is working is to direct all letters of complaint to him. After calling for reports from the department concerned, an analysis of the complaints may show that there is something intrinsically wrong with a certain procedure and his efforts can then be directed to correct it.

(B) Time Factor

So far, the question of service has been analysed and methods of improving it discussed. Equally important, however, is the factor of Time. No amount of careful correspondence or correct disposal of work will be of any use if such correspondence or work is not disposed of very quickly. In these modern days of the telegraph, telephone and aeroplane communication delays are virtually eliminated. Tempo of life has thus quickened and in its wake has come the demand for quick disposal of work. The well-known adage "Time and Tide wait for no man" has now to be applied to modern ideas of efficiency requirements.

Checks

How then can the Time factor be streamlined? Basically this can be done by preparing the procedures already discussed in a manner which can be followed expeditiously. If thereafter checks are maintained to see that particular jobs of work are disposed of in the time scheduled for them, the time factor pertaining to the human element can be controlled.

Perhaps the most useful check on the time factor is to provide maximum periods for disposal of correspondence, different periods prescribed for different problems according to the type of work and the anticipated stages through which it has to pass. The inward sheets of each day's post received can provide columns for disposal details and periodically the departmental head can check to see that each and every letter is dealt with in the prescribed period of time.

Time-reducing Machinery

Modern discussion of efficiency methods must take into account the various types of machinery which have been devised to cut down the Time factor and eliminate to a large extent the element of human effort. What type of machines is required depends on the size of the office and upon its business. A universal requirement is the typewriter and most large offices will have enough use for a franking machine, aduplicator and an address ing machine. Offices dealing with accounts must certainly have adding and calculating machines, electrically operated preferably. The very large offices dealing with tens of thousands of customers will, in these days, instal a card system with its related punching, sorting, ganging, interpreting and tabulating machines. Daily new machines are introduced in the market, for the world is now turning to the machine to eliminate human failings and depedence on human idiosyncrasies. As time becomes more important, service to the clients a greater necessity, competition more keen and business more complex, the installation of machines to replace human effort to as much an extent as is possible is the only logical step.

How best the machines can be used is of course to be determined before installation. The operators must be trained, the procedures laid down so that maximum use can be made of these mechanical contrivances. Breakdown service must be prompt so that bottlenecks, which if created can in a short while result in chaos, are completely eliminated. Indeed the punched card machines can, in a large offiice, be put to cansiderable use, taking over the entire accounting and statistical work. It is thus of highest importance to have a set of procedures that utilise the entire machine time, and at the same time perfectly co-ordinate with the other departments of the Office. With the elimination of the human factor, except in operation and co-ordination, accuracy and speed are set to a new high level, and cost of unit output reduced——the essential requirements of efficiency.

Layout of Office

Another important aspect of the Time factor in its effect on efficiency is the internal layout of the office. Besides giving a more efficient appearance, a proper, well-laid out office eliminates the need for movement of papers and personnel. Departments coming into actual contact with the public should be near one another and near the entrance to the Office. Other departments should be grouped according to their inter-dependence on one another. The supervisor in charge of a number of departments should also be in a position to keep proper control over his departments without having to move far off. With an alert peon service and a complete internal telephone system, internal movements can be minimised and thus efficiency to one more degree attained.

(c) Cost Factor.

The Cost factor, the last of the trio, has not yet been touched upon but actually throughout the entire discussion above, it has to play a predominant part. In normal course, the theoretical idea of "efficiency" implies it; in actual practice, the modern trend of keen competition and small margins demand it.

Operational Costs

At present it is not possible to anticipate cost of each operation, for statistics on this subject are rare, if at all available. The practical solution, therefore, would be to effect the improved systems of efficiency and thereafter attempt to work out the cost of each operation. This would not be easy. To work out the cost of running a business, for instance, is fairly simple but not so, the cost of each letter despatched. The former is an overall cost but the latter depends upon the cost of paper, printing, clerical staff involved, typist, their output, despatch clerk, peon service and stamps utilised—certainly a heterogeneous mixture, and that too in not-too-clear proportions! Very roughly however the cost of each operation can certainly be calculated, and if thereafter ways of stepping up efficiency are introduced and the cost remains the same or even goes down per unit output, that is one step nearer the goal of efficiency.

Maximum Use of Machine and Staff Time

Of course an indirect way of saving costs without in the least deteriorating efficiency, is to see that every employee and every machine is utilised to his or its full working capacity. That is more easily done in the latter case. But even in the former, some standards of normal quantity of work should be introduced. Where the employee does not reach this standard, here then is a loophole into which expenses will needlessly drain, and which should be filled up.

Of course, costs can be easily cut down by obvious means, where these can be readily visualised and in such cases steps should be taken to do so. For instance, the postage bill can be minimised by examining how many forms can be better printed in postcards, how many forms can themselves be eliminated, how many can be sent by ordinary post instead of by registered post, by book-post instead of ordinary post, or by combining for the same addressee two or three days' correspondence, where it is not urgent.

Continuous Cost Analysis

Generally, however, the cost factor in efficiency remains in the background and the general manager of the firm must always keep it in mind, making periodical investigations and keeping comparative statistics, with the intention of cutting down on costs without impairing the Service or Time factors. Sometimes it may become advisable to do so even to a slight detriment of the latter factors and it will be the genearl manager's duty to decide which is the more important to his firm.

Quality of Staff

Finally, but perhaps, most important of all, an efficiency source which affects Service, Time and Costs is the employee himself. He is parhaps the most indeterminate source with which one has to contend for he is not a standardised product nor a definable one nor even a dependable one under any circumstances. He is a product of so many facets that his service capacity is not certain, the Time element vague and hence Cost factor indeterminate. All that can be done is to try to select the more educated man as one's employee and try and eliminate the applicant who is certain to be lazy or below average; thereafter train the employees sufficiently in their work and see that conditions of service are not detrimental to efficiency. For the average employee, if he is to give of his best, his conditions of service should be good pay, leave, medical facilities, etc. At the same time, an active policy should be followed to discourage slackness or inefficiency, the officer in charge of personnel seeing to this.

Encouragement of Efficiency amongst Staff

Efficiency of employees could also be improved in two ways. Firstly, they should be encouraged to show special improvement in quality and quantity of work, this encouragement taking the shape of special cash grants, special promotions, higher grade promotions and so on. Obviously there will not be many who can qualify to the standards required. Secondly, work can be paid for on the piece-wage system. or on a combination of fixed plus piece-wage pay basis. The latter is ofcourse the ideal way of encouraging efficiency but its obvious limitations are apparent. A piece-wage system can be adopted only where the work can be split up for determination of a wage per unit of work. These items in a commercial office are often limited. Where a regular salary and over and above that a piece-wage system is adopted, the further difficulty is to determine what is the norm for receipt of regular salary. Besides that, it is sometimes difficult to justify that latter system of payment for some sections ameanble to it in an office whereas other sections do not have this facility. In a commercial office, therefore, the attraction of better pay and grade must, it seems, be the only direct method of

News

Tenth Insurance Conference

Inaugurating the Tenth Insurance Conference at the United India Buildings on the 1st April 1955, Mr. Sri Prakasa, Governor of Madras said that poor people should be brougt within the scope of Life Insurance so that they may be compelled to save something for their old age. He also expressed his hope that the Insurance Companies would always be prompt in their payment in cases of premature death of the policyholder. The full text of Mr. Sri Prakasa's address as also of Mr. K. Balasubramanyam, President of the Indian Life Assurance Offices Association is published elsewhere in this issue.

Mr. N. Rama Rau, Chairman of the United India Life Assurance Co., Ltd., speaking on the occasion said that the Insurance business had a special role to play in the evolution of a socialistic pattern of Society. Referring to the monopoly business by some companies, he said representatives of the big and small companies would meet and evolve a formula which would enable them to co-exist and work in greater harmony. Mr. G. H. Thakore, Manager & Secretary of the "Bombay Co-operative" proposed a vote of thanks. The inaugural function concluded with a dance recital.

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The Indian Life Assurance Offices Association.

27TH ANNUAL GENERAL MEETING.

The 27th Annual General Meeting of the Indian Life Assurance Offices Association was held at Madras on Friday, 1st April 1955 at 10 A. M. at Hotel Dasaprakash, Poonamallee High Road, Madras.

The meeting was presided over by Shri. K. Balasubrahmanyam, B. Com., A.I.A., A.C.A., J. P. who delivered the Presidential Address.

The Meeting adopted the accounts for the year 1954 and elected the following six gentlemen as Members of the Executive Committee:

Shri. R. M. Desai, (Indian Mercantile)
,, S. K. Desai, (Devkaran Nanjee)
,, A. H. Kaji, (Vasant)
,, K. R. Puri, (Sunlight of India)
,, V. Venkatachalam, (South India Co-operative)
,, V. H. Vora, (New India)

The Meeting also adopted certain amendments to the Constitution of the Association in order to enable small insurers to become members of the Association and strengthen the representative character of the Association. Prior to these amendments, an Insurer wishing to become a member of the Association had to pay an Entrance Fee of Rs. 500/- and an Annual Subscription varying with the premium income subject to a minimum of Rs. 200/- per annum. The above scale of Entrance Fees & Annual Subscription was standing in the way of small insurers for becoming members of the Association.

As a result of these amendments, the

Annual Subscription payable by members having their annual net premium income upto Rs 2½ lakhs and over but below Rs. 5 lakhs will now be Rs. 200/- only whereas the Annual Subscription payable by members having their annual net premium income below Rs. 2½ lakhs will now be Rs. 100/- only, and the Entrance Fee payable by a new member will be equal to the amount of the first Annual Subscription payable by such a member, but not exceeding in any case Rs. 500/-. It is hoped that these amendments would now attract a large number of small life insurers to become members of the Association.

Shri. G. H. Thakore, M. A. (Cantab) Manager and Secretary of the Bombay Co-operative Insurance Society Ltd, has been elected as the President of the Association for the current year. A Life sketch in brief of Shri G. H. Thakore, M.A. (Cantab), the new President of the Indian Life Assurance Offices Association is given below.

New President Elected

Shri. G. H. Thakore. M.A. (Cantab) who has been elected the president of the Indian Life Assurance Offices Association for the year 1955 is the Manager and Secretary of the Bombay Co-operative Insurance Society Ltd. and Honorary Managing Director of the All India Co-operative Fire & General Insurance Society Ltd. He has been a member of the Executive Committee of the Indian Life Assurance Offices Association since the last several years and acted as Honorary Secretary of the Association from 1944 to 1946. He was also a member of the Executive Committee of the Life Insurance Council for the years 1951 to 1954. Besides, he is a prominent Co-operative Worker, being a member of the Bombay State Co-operative Council, Chairman of the Greater Bombay Co-operative Board and a member of the Managing Committee of a number of Co-operative Institutions. Moreover, he is a member of the Executive Committee of the Indian Insurance Companies' Association, Bombay and an active member of several Insurance Organisations.

The Office Bearers and the Executive Committee for the year 1955 will be as under:

President:

Shri. G. H. Thakore, (Bombay Co-op.)

Deputy Presidents:

Shri. K. R. Puri, (Sunlight of India)
Shri. A. B. Chatterjee, (Metropolitan)

Honorary Secretary:

Shri. S. K. Desai, (Devkaran Nanjee)

Messers: K. Balasubrahmanyam (Bombay Life), R.M. Desai (Indian Mercantile), Devi Chand Sawhney (Lakshmi), A. H. Kaji (Vasant), K. L. Gupta (Bharat), P. R. Gupta (Ruby), N. V. Nayudu (United India), T. R. A. Pai (Canara Mutual), A. T. Pai (National Indian). P. K. Sen (Calcutta Insurance), G. G. Soundankar (Sahyadri), M. V. Sohonie (Bombay Mutual), S. C. Roy (Aryasthan), V. Venkatachalam (South India Co-operative), V. H. Vora (New India).

Tenth Insurance Conference

The Business Session of the Conference was held on Saturday, 2nd April 1955 at 2-30 P. M. and the following Papers and Short Contributions for the Symposium were discussed.

Papers For The Conference.

How to improve Office Efficiency.

(i) Shri. I. Brahmananda Rao. M.A., F.I.A., Asstt. Actuary, Andhra Insce. Co. Ltd.

(ii) Shri. R. M. Desai, Assistant Manager, New India Assurance Co. Ltd.

(iii) Shri. N. S. Parkal, Canara Mutual Assurance Co. Ltd.

(iv) Shri. J. A. Mansoor, B. COM. F.I.A., Secretary, Bombay Mutual Life Assurance Society Ltd.

Title to Life Policies.

(i) Shri. R. S. Datar B.A. LL.B., Western India Life Insce. Co. Ltd.

(ii) Dr. J. P. Contractor, ph.D. (Econ) M. A., LL.M., New India Assurance Co. Ltd.

(iii) Shri. T. S. Krishnamurthi, M. A., F. C.-I. I., Asstt. Manager, United India Life Assce. Co. Ltd.,

(iv) Shri. H. D. Suri. B.A., LL. B., Law & Claim Supdt. Bharat Insurance Co. Ltd.

Short Contributions For The Symposium

Premium Debit Lists

(i) Shri R. M. Desai, Asstt. Manager, New India Assurance Co. Ltd.,

(ii) Shri S. J. Reddy, M. A., F. C. I. I., United India Life Assce. Co. Ltd.

Commision Accounting

(i) Shri P. V. S. Raju, G.D.A., F.C.A., office Manager, Andhra Insce. Co. Ltd.

(ii) Shri R. M. Desai, Asst. Manager, New India Assurance Co. Ltd.

Appointment of Agents

(i) Shri G. Somasundara Row, M. A., Asstt. Agency Manager, Andhra Insce. Co. Ltd.

(ii) Shri S. C. Mitra, M. A. Agency Manager, Palladium Assce. Co. Ltd.

The Insurance Association of India

Regional Councils.

In the elections recently held at Madras, Delhi, Calcutta and Bombay, the following gentlemen have been duly elected members of the four Regional councils and their three Committees for the year 1955-56.

Madras.

Regional Council: Messrs. N. Rama Rau, A. M. Soundararajan, P. J. Mathai, K. G. Mathews, P. R. D. Carmichael, B. S. Badradri, and C. N. Reed.

Fire Committee: Messrs. A. M. Soundararajan, P. J. Mathai, G. Venugopal, V. S. Kanagasabai, S Vishwanathan, M. V. Prakash and K. Venkatakrishnan.

Marine Committee: Messrs. K. S. Ramamurthi, A. M Soundararajan, V. Gopalan, R. V. Logarajulu, C. N. Reed, A. R. Srinivasan and K. Venkatakrishnan.

Miscellaneous Committee: Messrs. V. S Kanagasabai, A. M. Soundarajan, R. Ranganathan, J. Matthan, T. J. H. Walden, A. R. Srinivasan and K. Venkatakrishnan.

Delhi :

Regional Council: Messrs. A. N. Obhrai, N. N. Budhwar, C. L. Sangari, D. L. Puri, P. K. Guptu, S. N. Gupta and B. K Chatterjee.

Fire Committee: Messrs. A. N. Obhrai, B. N. Chopra, S. L. Khanna, Charanjit Singh, P. K. Guptu, R. K. Mahra, and Inder Nath.

Miscellaneous Committee: Messrs. L. C. Gupta, S. N. Chakravarty, Charanjit Singh, L. D. Chowdhury, H. C. Kukreja, B. K. Chatterjee and S. C Chatterjee.

Calcutta:

Regional Council: Messrs. S. D. Srinivasan (National), N. M. Medora (B. I. G.), B. R. Modi (New India), B. N. Chakravarty (Concord), C. W. Harrold (Alliance), I. E. Gillanders (New Zealand), and V. E. Pennell (Royal).

Fire Committee: Messrs. D. Das Gupta (Hind. Genl.) P. P. Ginwalla (Great Pyramid), K. P. Modi (Ruby), B. R. Modi (New India), R. V. Welch (Comm. Union), A. D. Moodie (Royal) and D. H Giles (Alliance).

Marine Committee: Messrs. P. Balan (United India Fire), J. P. Bhargava (Concord), P. C. Sekhar (Hercules), A. C. Guha Ray (Hind Genl.), K. N. R. Wilson (New Zealand), S. Mookerjea (Lond. & Lanc.), W. H. Hay (South Br.).

Misc. Committee: Messrs. T. S. Muthuswami (Std. Genl.), B. C. Rakshit (National Fire), W. R. Pandit (B. I. G.), P. M Shroff (Ruby), R. J. Shelton (Comm. Union), H. C. Pearce (Guardian), and R. S. Elliott (Emp. Liability).

Bombay:

Regional Council: Messrs. R. M. Desai (Indian Mercantile), K. C. Desai (Vulcan), H. M. Chawalla (Concord), S. K. Desai (Dena), H. Mercer (Royal), W. M. Roberts (Comm. Union), and B. J. O'Shaughnessy (Yorkshire)

Fire Committee: Messrs. M. J. Dagley (Hind. Genl.), E. Ramakrishnan (New Great), G. H. Thakore (All India Co-op.), R. H. Mehta (New India), T. P. Panthakey (New Zealand), R. E. Blair (Emp. Liability) and K C Carley (Motor Union).

Marine Committee: Messrs. J. L. Baxi (New Great), A. L Nanavati (Indian Globe), T. N. Telang (New India), Koppikar (Indian Mercantile), S. D. Collins (Lond. & Lanc.), T. R. Yoxhall (Maritime) and

Misc. Committee: Messrs. M. V. Nadgbar (Jupiter), E. J. Poncha (Hercules), R. S. Mehta (Concord), D. S. Dixit (New Great), A. B. Hennessey (Comm. Union), Chalmars (New Zealand), and Porotock (Legal & Genl.).

Calcutta Insurance Ltd.,

Party to Mr. P. K. Sen.

To meet Mr. P. K. Sen, Manager, Calcutta Insurance Ltd., Calcutta, who had been to Madras in connection with The Indian Life Offices' Association Conference and also in connection with the meeting of the executive committee of the above Association, Mr. A. Srinivasa Rao, their Manager, Madras Branch, got up a Tea Party at Hotel Dasaprakash, on 4th April, '55. There was a select gathering of representatives of the Company and some prominent businessmen and patrons of The Calcutta Insurance Ltd.

Dr. B. M. Das, Director, Indian Institute of Leather Technology, presided over the function. Mr. P. K. Sen welcomed the gathering in a few words and introduced to the audience Dr. B. M. Das who was a good friend of the founder of The Calcutta Insurance Ltd., late Mr. J. C Das and also who was well-acquainted with the progress of the Institution.

Dr. B. M. Das in his presidential address introduced to the audience, Calcutta Insurance Ltd., and explained to them the benefits of the Insurance and also how the Calcutta Insurance Ltd., was started long ago by some prominent Bengalee gentlemen with a view to service rather than profit and also explained how the late Mr. J. C. Das toiled day in and out for bringing the Institution to an All India level. He also complimented Mr. P. K. Sen, for his hard work in the cause of the Institution and spreading its message throughout the length and breadth of India. Mr. P. K. Sen, he said, coming from an eminent and intellectual family of Bengal took up to business rather than following up the beaten path of his generation to go into some profession like Law or Medicine or Service and Mr. J. C. Das had the insight to pick up Mr. P K. Sen to take up the insurance work and a better choice could not have been made. He also appealed to the public to give their co-operation to spread the Insurance benefits through this Company in the South.

Mr. P. K. Sen in his concluding speech explained to the audience how The Calcutta Insurance Ltd., was growing up step by step and has to-day become one of the leading life offices in India and also how the directors and the management are taking every precaution to safeguard the interests of the policyholders and how by their cautious policies, they have been able to build up a good reserve and the Company on a strong foundation. He was sure that with the local enthusiasm that has been shown so far, the Company would be able to make headway in the South. He assured on behalf of the management that they will do their best to give best of Insurance services to their clients.

Mr. A. Srinivasa Rao, their Local Branch Manager, proposed vote of thanks.

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Industrial & Prudential Assurance Co., Ltd.

The Delhi Branch of the Industrial & prudential Ass. Co., Ltd, celebrated the 3rd anniversary of the conversion of the Chief Agency into Branch at the Wenger's, New Delhi, on the 7th of April 1955, at which all the important workers from various centres under the Branch were present. There was great jubilation and enthusiasm among the workers who felt really proud of the achievement of the Branch in the short space of there years. Shri V. C. Setalvad, the Managing Director of the company who was unable to be present, has sent a telegram in which he congratulated the workers on their splendid achievement since the inception of the Branch.

After the workers had been entertained to a sumptuos tea, the Branch Manager Sri K. C. Kaifi said that it was really a memorable day as this day three years ago became the starting point of rapid and solid expansion of company's business in the area under the Branch. Amid cheers he mentioned that the Branch completed a business of Rs 30 lacs in the first year, Rs. 40 lacs in the 2nd year, Rs. 62 lacs in the 3rd year and the workers intended to complete business of Rs. 75 lacs or more in 4th year which had just begun. Amid great applause he announced that during 1954. Sri A. S. Walia was being awarded a Gold Medal for title of the "Man of the Year" for writing the highest business at the lowest cost during 1954 and Sri S. N. Bali had won the Managing Director's Gold Medal for doing the highest amount of business during December 1954. He further praised the work of other workers who were responsible for the position which the Delhi Branch had attained at the time of entering the fourth year of its existence. Thereafter Syt. K. C. Sabharwal, ex-Chief Agent of the company who has been connected with the company for the last 35 years and is rightly regarded as "Father of the Delhi Branch" decorated M/S. N. Bali and A. S. Walia with Gold Medals on behalf of Sri. V. C. Setalvad, Managing Director of the Company and also awarded prizes to M/s J. R Anand, Kishan Singh, G. M. Mehta, S. L. Talwar, S. K. Jain and Ch. Yad Ram and R. S. Devi Dayal Varma.

In the end Sri. G. M. Mehta thanked the Branch Manager for his cooperation and sympathetic treatment and assured him on behalf of all present that they would definitely reach the target set for the coming year.

Oriental Govt. Security Life Assce. Co., Ltd.,

The Branch Secretary and the Inspectors of the Coimbatore Branch of the Oriental Government Security Life Assurance Co., Ltd., and its Subsidiary, the Oriental Fire and General Insurance Co., Ltd., entertained the members of the Staff to a grand dinner party on 28th January 1955 to celebrate the unique record established by the Coimbatore Branch in the matter of New Business for the year 1954. The function was held in the tastefully decorated top floor of the premises of Messrs. Seetharam Vilas, Imperial Bank Road, Coimbatore.

After dinner, Mr. C. R. Rajan, Branch Secretary, addressing the gathering said that he was very happy indeed that under his term of office the highest business ever written by the Coimbatore Branch was recorded in 1954 which was nearly double in volume of that transacted in the year previous and this, he said, was not a little due to the enthusiasm and imagination displayed by the Organising officials attached to the Branch. He also paid a glowing tribute to the members of the staff for having enthusiastically co-operated with him in the task, unmindful of the great stress and strain caused by several events like the sudden reduction in premium rates etc.

Mr. M. N. Krishnamurthi, Assistant Branch Secretary and Mr. S. K. Viswanathan, Inspector, speaking on the occasion said that the success achieved was entirely due to the able directions of the Branch Secretary and the spirit of comradeship created in the field force by his unassuming manners. His sincerity of purpose and devotion to duty would serve as an example for others. Mr. P. K. Parameswara Menon, B. A., Senior Assistant thanked the hosts on behalf of the members of the Staff and assured the Branch Secretary of their continued loyalty to him and to the Company. He also expressed the hope that the Branch Secretary would see to the betterment of their lot.

Employees' State Insurance

Scheme Inaugurated In Hyderabad

Mr. Khandubhai K. Desai, union Labour Minister inaugurated the Employees' State Insurance Scheme in Hyderabad at a public meeting in the New Municipal Park at Mushirabad, under the presidentship of the Chief Minister, Dr. B. Ramakrishna Rao, recently.

Lieut-Colonel V. M. Albuquerque, Director-General of Employees' State Insurance Corporation welcomed the Minister. He said till now, about seven lakhs of workers had come under the scheme. It was his hope that the scheme would be put into effect in South India by the end of this year. It had been decided to introduce it in seven industrial centres in Andhra and in Madras City shortly. Attempts were being made to bring it into force in Bangalore and Travancore-Cochin also. The Director added that the Corporation would set up Regional Boards of local Committees and regional Medical Councils in suitable areas. Employers and employees of the area would be represented on such Boards, Committees and Councils. The Director in conclusion appealed to the employers and employees to give their utmost co-operation to the scheme and make it a success.

The Employees' State Insurance Scheme will come into effect in Hyderabad and Secunderabad including Sanatnagar on May 1 and will benefit about 20,000 employees including 3,000 women. For providing free medical treatment for insured factory workers, the State Government have, set up three fulltime dispensaries manned by eight full-time Doctors with auxiliary staff. Facilities for treatment have also been arranged for workers residing in sparsely populated areas at nine other existing Government and Cantonment Board dispensaries.

While it is the intention of the Government to extend this scheme to all major industrial areas in the country before the end of this year, at present, it applies to all factories other than factories using power and employing 20 or more than 20 persons. In the first instance, all employees including persons holding supervisory posts and getting remuneration of Rs. 400 or less per month will be covered by the scheme.

Proposals In Madras State

The Employees' State Insurance Scheme is likely to be inaugurated in Madras City on August 15 this year.

Proposals for inaugurating the scheme in Madras and other centres of the State it is understood are engaging the active attention of the Government.

Mr. T. S. Ramanujam, President, City Trade Union Council, met Mr V. Balasundaram, Commissioner for Labour, Madras, and complained to him that although the trade unions in the City had demanded the inauguration of the scheme in Madras City for the past two years, the Government had not moved in the matter.

Tribute To Prithvi Insurance Co.

The Prithvi Insurance Company, Limited, and the Asiatic Government Security Life and General Assurance Company Limited, celebrated the ninth annual convention of the Companies on 27-2-55 at 155, Lloyds Road, Royapettah. Mr. K. Kamaraj Nadar, Chief Minister presided.

Mr. S. Parthasarathi, Managing Director, the Prithvi Insurance Company, Limited, welcomed the Chief Minister and pointed out that Mr. Kamaraj was associated with their activities as the Director of the Prithvi Mutual Provident Company Limited during 1948-52. During that time, they had his full moral support and he had taken a keen interest in the progress of this Company not because he happened to be connected with it but because it represented that part of the country to which he was much attached. The annual conventions, he added, helped them to discuss matters of common interest.

Mr. G. S. Kalyanasundaram, Manager, explained the object of the Convention.

Mr. Kamaraj distributed prizes in the various competitions. After referring to his connection with the Company, he said that it had made tremendous strides during these years due to the untiring efforts of Mr. Parthasarathi. He had never encouraged distinction amongst the members of the staff and indeed, that was his father's ideal and he had but followed his footsteps. Mr. Kamaraj pointed out that such annual conventions helped them to come into closer contact with each other and also gave a fillip to the staff and the agents.

Mr. T. Bhowmik, Divisional Manager, proposed a vote of thanks.

Earlier, there was a music concert by Srimathi M. Jayalakshmi accompanied by Srimathi Santha Rathnam on the violin and Mr. Ravindran on the mridangam. The Prithvi Club Dramatic Section put on Board a Tamil farce.

Insurance Bill.

Lok Sabha passes Measure

The Lok Sabha passed the Insurance (Amendment) Bill as emerged from the Rajya Sabha on 26th April.

The Parliamentary Secretay to the Finance Minister Mr. B. R. Bhagat, explaining the Bill, said that Section 118 of the Insurance Act of 1938 barred the application of any of the provisions of the Act to insurance business carried on by the Central Government. This had resulted in the denial to the policy-holders of the post office life insurance fund of the rights of assignment or transfer of policy or of nomination. The original nominations made by the policy-holders were irrevocable whereas in the case of private insurance companies, the policy-holders could change the nominations.

The present Bill amended Section 118 of the Insurance Act of 1938 suitably so that the Central Government was given the power to apply such of the provisions of the Insurance Act as were considered necessary to any insurance business carried on by the Central Government.

Mr. Kamal Kumar Basu (Communist—West Bengal) welcoming the Bill pleaded for extending postal insurance to the common man until Government nationalised the insurance industry in the country.

Mr. C. P. Matthen (Cong—T.-C.) said the Government should start a State Insurance Corporation on the lines of the State Bank and run it on commercial lines. He wanted both the private and public sectors in respect of insurance to work side by side.

Mr. Bhagat in his reply said postal insurance had been extended recently to employees of commercial and industrial undertakings run by Government. He did not think it would be practicable for Government to extend postal insurance to the public at this stage as the proposition was beset with administrative difficulties.

The House then passed the measure.

Oriental Inspector Transferred.

A pleasant function was got up on Saturday, the 26th March 1955 at the premises of the Oriental Life Office, Coimbatore by the Officers and Staff of in honour of Mr. D. Seshadri, Inspector, who was under orders of transfer to Vallore, in charge of the Company's Inspectorate Office there.

Mr. C. R. Rajan, Branch Secretary, spoke in appreciative terms about the qualities of Mr. Seshadri, wishing him success in his new sphere of activities. Mr. S. Mahalingam, B. A., Senior Assistant, speaking on behalf of the members of the Staff said that Mr. Seshadri by his sweet temper and charming personality has won the affection and respect of all, both in the Office and in the field.

Mr. Seshadri expressed his gratitude to all concerned and said that whatever success he has had was entirely due to the guidance he received from the Officers and the co-operation shown by the field force and the Office Staff.

After Tea and a group photograph, the function came to an end.

Police Co-operative Life Insurance Society Ltd.

Mr. B. B. Dotto, Secretary, Police Co-operative Life Insurance Society Ltd. and Member, Executive Committee, Life Insurance Council called a meeting of the Principal Officers of all the Departmental Life Offices in Calcutta at his Office on Saturday, the 16th April, 1955 to discuss in connection with withdrawal of Income Tax relief to Co-operative Insurers and Staff Assurance Schemes. The meeting was well attended and it has been decided to send a joint Memorandum for Income Tax relief, enjoyed by the Co operative Insurers since the passing of Co-operative Act. If this Income Tax relief is withdrawn it will mount up over all expenses of Co-operative Insurers by over 2% and this will jeopardize the progress of Co-operative movement in India. This will be against the avowed policy of the Government, both Central and State, as the growth of Co-operative organization is being vigorously encouraged everywhere.

Book Reviews

Insurance Vade-Mecum, 1954-55 by Mr. S. L. Tuli, published by the Insurance Publicity Company, 46, Daryaganj, Delhi-7 Price Rs. 4/-:

This is the 29th Edition and Mr. S. L. Tuli, as usual has given it his careful attention to collect the latest particulars from all Insurance Companies and arrange them under suitable headings. Besides details relating to revenue accounts, expense ratio, new and total business, capital, dividend paid during 1951, 1952 and 1953, funds and other liabilities, investments, interest yield, valuations, etc., particulars of insurance associations and societies, administrative divisions of India and Pakisthan, rates of income-tax, important provisions of the Insurance Act, Estate Duty, Tables of Mortality, height and weight, blood pressure, interest, commission etc., premium rates, various types of assurances etc., are given. It is a very useful reference book for all engaged in the profession of life insurance selling and Mr. S. L. Tuli deserves congratulations for regularly bringing out such a publication every year.

Insurance Almanac, 1954-55 by Mr. K. L. Sahgal, Managing Editor, Insurance & Banking Monthly and Mr. R. K. Sahgal, B.A., Published by Insurance & Banking Publications, 1/4, Regal Buildings, New Delhi. Price Rs. 5/-

This publication also is one like that of the "Insurance Vade-Mecum" giving a lot of useful information regarding Insurance Companies' working in India. Particulars from the latest Revenue Accounts and Balance Sheets of Insurance Companies, Rates of premia, list of Actuaries in India, Lloyds Agents in India, Surveyors and Loss Adjusters, prominent Insurnce Journals, Tables of expectation of Life, Blood Pressure, height/ weight, etc., policy conditions, list of Hazardous Goods, Civil Aviation ratings, Occupational Ratings, and similar details that Insurance men would have to very often refer during their work, are given. It is not an easy task to compile a publication of this kind, and the authors deserve very much to be complimented.

Mr. M. S. Krishnaswamy,

We welcome the recent appointment of Mr. M. S. Krishnaswamy, as the Branch Manager (Life) at Madras for the New Asiatic Insurance Co., Ltd., Mr. Krishnaswamy has served the profession in similar responsible positions in the past and has always acquitted himself most creditably. We have every hope that the popularity and the business turnover of the company in the South will increase rapidly under the energetic and enthusiastic lead of Mr. Krishnaswamy.

I. L. A. O. A. SUB-COMMITTEES

The Executive Committee of I.L.A.O.A. meeting in Madras on April 2, set up sub-committes reconstituted as under:

Mortality Investigation Sub-committee:

Messrs. K. Balasubrahmanyam (Convener), K. L. Gupta, M. V. Sohonie, L. S. Vaidyanathan, V. H. Vora along with the President and Honorary Secretary.

Mortality Investigation (Technical Sub-Committee)

Mr. K. R. Srinivasan,
,, K. Balasubrahmanyam,
,, R. M. Mehta,

Mr. M. V. Sohonie,
,, A. Srinivasa Raghavan,
,, K. L. Gupta,
,, H. L. Datta,
,, H. L. Bhatia,
,, S. D. Srinivasan,
,, P. K. Ghosh,
,, J. R. Rana,
,, S. Rangarajan,
,, I. Brahmananda Rao,
,, K. A. Pandit,
,, H. K Sen.

The Members of the Technical Committee from various regions constitute the Regional Committee to advise the members in the region in the matter of collection of data for the Mortality Investigation.

Legislation Committee: Messrs. G. H. Thakore, K. L. Gupta, S. C. Roy and V. H. Vora.

Occupational Committee: Messrs. K. Balasubrahmanyam, S. D. Srnivasan, K. L. Gupta, S. N. Vaidya, K. Y. Joshi, P.K. Ghosh, J. R. Rana, M. V. Sohonie, R. M. Mehta and H. L. Bhatia (for a period of two years).

Standardisation of Proposal and Claim Forms: Messrs. G. H. Thakore, President, M. V. Sohonie, V. H. Vora and S. K. Desai, Hon. Secretary.

Preparation of courses for Training of Field workers: Messrs. N. V. Nayudu, T. R. A. Pai, V. H. Vora and T. V. Raghaviah.

Social Functions

The round of social functions included Dinner by the Chairman and Board of Directors of the United Life Assurance Co., Ltd., on March 31; Lunch by Prithvi Insurance Co., Ltd. on April 1 and Dinner given by Mr. T Gopal Krishna of Bharat Insurance Co., Ltd., Lunch given by the Actuaries Club, Madras on April 2, and Dinner by a Committee of Hosts, the same day.

Reinsurance Association of India (International), Ltd.,

We are glad to be informed that the Reinsurance Association of India (International) Ltd., has obtained the certificate of Registration from the Controller of Insurance, Government of India for transacting business.

The Association has commenced writing reinsurance business in Fire and we are informed that it will soon start miscellaneous and Life Insurance Business also.

An Association of this kind in our Country is most needed and has great scope for service. It will not only offer re-insurance facilities for all Insurers but will also serve to keep within the country the amount now being drained by way of insurance premiums to foreign countries. The Association will be all the more welcome as it is established on the the principle of "*mutuality*", and the sponsors of the Association have no pecuniary interest, or profit motive. Only the insurers themselves who are members of the Association and who contribute to its successful functioning will be the beneficiaries. Any Insurer can easily become a member by giving some Fire Business and participating in all matters relating to the Association on a footing of equality. We are confident the promoters with their long experience in the Insurance business will be able to exercise due caution in the selection of risks and control the expenses within reasonable limits so that the initial years for the Association will serve to strengthen its foundations. The Association's retentions in Fire business are modest and it has been decided to pass on the excess to other Indian Insurers so that the Portfolio is well distributed. Thus, the Association's policy is "give and take" and with such laudable objectives in view, it is bound to function successfully. We are sure, Indian Insurers will welcome the Association and extend their wholehearted co-operation for mutual benefit.

India Life & General Assurance Society, Ltd., Coimbatore.

ESTABLISHED in 1927, this Institution has progressed steadily year after year as a result of cautious and economic management. Its Managing Director and Chairman, Mr. M. S. Palaniappa Mudaliar, B. A., and its Secretary, Mr. C. R. Sivasubramanyam, B. A., have both given their best attention in all matters of detail almost from the beginning so that today the Institution enjoys a sound financial position and steady business progress.

At the end of the year 1953, the total life insurance business that was in force amounted to Rs. 1,04,79,593.

A valuation was made as at 31st December, 1953, under the following stringent basis.

Table of mortality was Oriental ultimate, unrated and interest 3%. The Children's Deferred Assurances before risk were valued by accumulation of all premiums received. An additional sum of Rs. 85,000 was provided for any unforeseen contingencies in respect of both interest and mortality. Percentage of premiums reserved for both with profit and non-profit, 25%. The surplus as per valuation amounted to Rs. 3,18,351. Out of this the with-profit policyholders' share amounted to Rs. 2,91,943.

The Actuary has complimented the management on the very satisfactory position of the Company and has also recommended the declaration of a Bonus at Rs. 15/- per thousand sum assured for each inter-valuation year for all Endowment Assurances Single Life and Joint Lives (with profits) and Rs. 20/- per thousand sum assured for each inter-valuation year for all Special Whole Life Assurances (with profits). Children's Deferred Assurances are entitled to profits from the date of deferment. The Bonus vests immediately on allotment in respect of each year's premium paid or payable.

The amount allotted to the Shareholders out of the surplus amounted to Rs. 23 877.

Thus, the Society commands a good financial position and offers excellent security to the policyholders. Its future is bound to be a great success and we wish the institution greater prosperity.

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INDIAN Policy-Holder MADRAS

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THE INDIAN POLICY-HOLDER

VOL XXI MAY 1955 NO. 1

STAFF INSURANCE SCHEMES:

THE problems arising out of the introduction of Staff Insurance Schemes by a small number of prominent Indian Insurers, it is reported, were again considered by the Executive Committee of the Life Insurance Council and a circular has been issued to all Insurers embodying the modifications made in the instructions given previously. The Secretary of the Indian Life Assurance Offices Association, Bombay, in a communication to the Chairman, Executive Committee, Life Insurance Council, Simla, has put forward the Association's definite views that the decision arrived at has not in any way improved the situation as the modifications made have not either considered the fundamental aspects involved or solved the evils underlying the business of Staff Insurance Schemes. The Executive Committee, Life insurance Council, has made a distinction between Insurers organised on Branch basis and those organised on Chief Agency basis. The modifications now communicated give an advantage to those organised on Branch basis taking the view that payment of commission to Branches does not arise. Surely, as the Indian Life Assurance Offices Association has pointed out, such a distinction is "utterly unwarranted." Especially in our Country, the way in which field organisation is tackled and expenses incurred, irrespective of "Branch Office basis" or "Chief Agency basis" does not in actual practice admit much of a difference to make any distinction. Anyway, the point for serious consideration should be whether "the Staff Insurance Scheme" as such could be allowed to be transacted at all knowing full well that the scheme is not capable of treating all policyholders alike, and that it is being taken advantage of by only a handful of dominating insurers to the detriment and growth of the rest of the Insurers. The Scheme is in no way different from other ordinary Life Assurance plans excepting that the rates of premia are considerably lower. The scheme cannot be considered as coming under "Group Insurance" transacted extensively in other Countries and also in India to a limited extent. Uunder the "Group

Insurance plan" the entire staff or a section of the staff with the requisite minimum number, is covered by a single policy, the premium on which is payable either by the employer or by the employer and employees jointly. The question of individual selection under the scheme does not arise at all. But the Staff Insurance Scheme introduced by Indian Insurers have none of these features. Instead of Insurance Agents approaching the prospects in any organisation individually, the employer of the Organisation is approached directly by the Head or Branch Office of Insurance Companies and the Staff individually and policies issued to each person as per his choice in the matter of plan, term, etc., Thus, There is absolutely no difference between those who insure ordinarily and those engaged in any organisation, insure. The risk involved in both the categories of policyholders is none the less, but there is a considerable difference in the rates of premia. The reduction in premia to those who insure as an employee in an organisation is stated to be possible on account of the elimination of the middle man, the Agent, and consequently the saving of the agency commission. In actual practice the reduction may be found to be even much more than the savings by way of commission would justify. Leaving alone this aspect of the scheme, the introduction of "Staff Insurance Scheme" is not beneficial either to the Insurers, or to the policyholders or the general insurance development in the Country. The urge for those who took out policies in the recent years ordinarily would be to have them paid-up and take out new policies under the "Staff Insurance Scheme" at a greatly reduced rate of premium. Already such a vicious circle has commenced and it is not in the interest of any insurer to rewrite the same business and by so doing no progress worth mentioning can take place at all. On the other hand, the large number of Insurers who do not introduce the "Staff Insurance Scheme" will find themselves handicapped in doing fresh business. The fieldworkers also will in course of time feel disheartened. At a time when Indian Insurers should think of getting into their field organisation thousands of new hands and make every effort to increase their new business, devising ways and means to deprive the remuneration of the existing agents is most unfortunate. Such a move will not be to the healthy development of Life Insurance business in our Country, and it is therefore necessary that Insurers as a whole should be prohibited from carrying on business under the "Staff Insurance Scheme" and from introducing in future any scheme analogous to it.

Concept of Social Security

BY SRI M. BHAKTAVATSALAM,
Minister for Agriculture, Madras.

SOCIAL security is a dynamic concept. It can be achieved for the society as a whole by the society as a whole. The need for protection against the various economic and social risks to which an individual is exposed in his life has now been officially recognized in a majority of countries and on an international scale in the Charter of the United Nations. The 'National minimum' as Social Security that has come to be known in Western countries, is a comprehensive term and aims at providing security to a majority of people from the beginning to the end of their life.

It is a matter of common observation and experience that every person who earns a livelihood for himself or his family, i.e., every person who is engaged in a gainful occupation is exposed to certain risks, which make his income unsteady and as such hold a constant fear for all the wage-earners including industrial employees. These risks include sickness, invalidity, employment injury, maternity, unemployment, old age and death. Some of these contingencies particularly, sickness, injury and maternity come as a double curse, viz., there is loss of income on the one hand as well as increase in expenditure on the other.

Some people may have a little saving to fall back upon to meet these contingencies; but seldom does this saving prove adequate and generally one has to resort to borrowing at exorbitant rates of interest. Others may not have had the prudence to save or the wherewithal for providing for such a contingency.

Migration to Towns

Further, with the growth of modern industry and certain other circumstances, more people move from villages to towns to take up jobs in factories. This movement of people in India is migratory in character and they have to live away from their homes and families. When a worker falls sick, he has none to look after him. His illness is not properly cared for and in certain cases, instead of recouping, he deteriorates, resulting in the sapping of his vitality. This has proved harmful to the industries.

The lack of security of income during these contingencies has again led the workers to become migratory. In such circumstances, the worker has no other alternative but to return to his village. This results in the high rate of absenteeism. Under such conditions, it is all the more necessary that social security measures should be taken and the labour force protected against these risks and stabilised.

Usual Methods

The usual methods of meeting such contingencies and solving the problem of economic insecurity have been as follows:

(i) *Individual basis*:—Savings and borrowings.

(ii) *Family basis*:—Old persons and invalids were supported by the earning members; so were the children. The reciprocal obligation of the parents to support the child and the grown-up children to support their old parents have been recognized from the ancient times.

(iii) *Charity and Community help*.—The village community helping those families which cannot provide for themselves. There have been Relief Funds and Charitable Institutions—both religious and non-religious.

With the change in the economic structure mainly due to the advent of machinery and the scattering of family members in different places, the age-long structure of family life, especially those of the artisan classes, who usually worked with their own tools and in their own homes, has broken down. But the social changes introduced by the industrialization and economic conditions have considerably weakened this sense of reciprocal obligations in several families.

Mutual Aid Systems

The village communities as such are ceasing to provide adequate support or protection, with the result that the grown-ups leave family surroundings and seek employment in industrial undertakings in towns. Thus the industrial revolution has brought into existence a large class of city dwellers who depend for their livelihood on their earnings by working in factories. Since most of these persons have left their homes and their relations behind in villages, as and when such contingencies as mentioned above arise, they have to seek new modes of mutual help based on common economic interest.

This has found expression in modern times in two main movements, viz., (i) Trade Union Movement and (ii) Mutual aid organizations. The mutual aid movement either within or outside Trade Unions did go a long way to help the working class with better conditions of living, but have failed to solve the problem of economic insecurity to the extent necessary. Being purely voluntary schemes, they have failed in many countries to bring a large proportion of the working classes within their orbit. The poorer sections of the working class have little chance of putting by any savings from their meagre earnings and becoming members. Thus the mutual aid system could not effectively solve the problem of economic insecurity. Therefore, it falls on the society as a whole and on the State, in particular, to protect these wage-earners against such risks.

State approach to problem

The social or State approach to the problem generally takes one of the following three forms: (i) State subsidised schemes of voluntary insurance, (ii) Social Insurance, (iii) Social assistance. Several European countries, such as the United Kingdom, Switzerland, etc. experimented with the State-subsidised voluntary Social Insurance Schemes; but these schemes were ultimately given up for the reason that either the social conditions for its success were lacking or the State subsidy was not sufficient. Apart from this, even these schemes failed to insure the majority of these groups, which

needed insurance protection most, viz., those with the lowest wages or employed in the most irregular or casual employment. Therefore, the need for compulsory Social Insurance has arisen. Further social assistance is usually a supplement of Social Insurance only and as such is not by itself a solution of the problem.

Social security is not mere legislation. It is not just social economics. It is not charity. The proper motivation of social security is not fear, but hope. In modern conditions, therefore, when prices are high and wages not high enough to support all the members of the family, the best method of social security is by the collective effort of all members of the society to insure against these risks and that is known as Social Insurance, in its various aspects as Health Insurance, Old Age Insurance, Unemployment Insurance, etc. The workers in India are in need of such a method. Hence a recognized method of positive approach for protection against the risks faced by the wage-earner is through Social Insurance in the present-day condition.

Social Insurance Schemes.

Social Insurance Schemes can broadly be described as having the following main features:—

(i) The obligation of the society to protect those of its members who become victims of social contingencies. This obligation is inherently recognized.

(ii) It involves the creation of a Fund out of which all benefits in cash and kind will be paid.

(iii) A fund created by contributions not only from those to whom benefits are granted, but also from other members of the society interested in their welfare as well. Generally the State as the custodian of the Nation, the employers as interested in the welfare and efficiency of their employees and the employees themselves who are the beneficiaries, contribute towards the Fund.

(iv) It is compulsory in character so that the State imposes an obligation on those members of the society for whom a particular scheme of Social Insurance has been designed to insure themselves against contingencies provided for therein.

(v) The benefits are so designed as to provide for the maintenance of the usual standards of living of the various classes of the community covered.

(vi) Benefits are granted as a matter of right and without any 'means test,' so that there is no damage to the self-respect of the individuals concerned. Certain qualifying conditions as to the period of employment or contributions to be paid or of residence are, however, usually attached to the grant of benefits to prevent malingering and other abuses.

The main differences between social insurance and commercial insurance are:

(i) Social insurance is compulsory, while commercial insurance is not.

(ii) In social insurance there is a sharing of cost between different parties including the State, while in commercial insurance the insured persons have to meet the entire cost of the insurance.

(iii) The element of private profit may be one of the main factors of commercial insurance, which is totally absent in social insurance.

Employees' State Insurance Act.

The question of instituting Sickness Insurance Schemes for industrial workers in India came under the consideration of the Government of India for the first time in 1927 in connexion with the conventions regarding Health Insurance of workers which the International Labour Organization had adopted at its Tenth Session. However, no further action was taken until the Government of India, in 1943, entrusted to Prof. Adarkar the work of formulating a scheme. He prepared a scheme for Health Insurance which was examined by two I. L. O. experts, who suggested certain modifications to it. This was considered by the Government of India, who, in 1946 introduced a bill called the "Workmen's State Insurance Bill" in the Central Legislature. This bill was passed as the Employees' State Insurance Act in 1948, to provide certain benefits to employees in case of sickness, employment injury and maternity.

Before the pasing of this Act, two measures of Social Security existed in India. They are "The Workmen's Compensation Act" and "The Maternity Benefit Act." Even though these measures provide some income to the workers at the time of employment injury and to women workers when they could not work due to maternity, they are limited in scope and liability. As such, they hardly form part of social security programme, as it has now come to be understood in other countries.

In view of various circumstances prevailing in our country, the Employees' State Insurance Act is very limited as regards the risks it proposes to cover at present. However, in course of time, there is vast scope for its extension.

— *Madras Information*

Insurance Club, Patna

14th Annual Conference

The 14th Annual Conference was held on the 9th May 1955 at the Radhika Sinha Institute Hall, Patna, under the auspices of the Insurance Club. The Conference was inaugurated by Sri Arun Chandra Guha, minister for Revenue and Defence Department, Government of India and Sri B. K Setalvad, General Manager of the Ruby General Insurance Co., Ltd., was the Chief Guest. Sri R. C. Choudhury, the President of the Club presided over the function and presented the welcome address. Speaking elaborately on the many critical problems the insurance business was facing to-day, he said as follows:—

COMPARED with the industry of insurance in England and America, Indian insurance is of recent growth. In the latter part of the nineteenth century, some companies were, of course, started in India. But it is only in the dawn of the present century that the urge of "Swadeshi", led to the starting of a number of companies mainly in Bombay, Bengal Madras and the Punjab. The founders of Indian insurance had to toil and struggle in the initial stages of existence of the industry. They had to face tremendous odds. Insurance consciousness in the country was at a low level and as such the percentage of people, who realised the importance of life assurance policies was very small. Even most of these people suffered from inferiority complex which made them shy in purchasing policies from the Indian insurers. Still, with the fire of "Swadeshi" kindling the hearts of the progressive section of our countrymen, all national industries, including that of life insurance, progressed steadily. After the first World War, when the country-wide message of Non-violent Non-Cooperation of the Indian National Congress strengthened the slogan of "Buy Swadeshi", Indian insurance under the policy of expansion of some of the individual insurers, began to take longer strides forward. To-day, when the country has attained independence and every industry is receiving support and protection from our own Government, Indian insurance is making formidable progress.

But it is this gigantic stature that has brought in its trail a number of serious problems over which every well-wisher of Indian insurance should ponder individually and collectively, so that this industry may be brought to move on healthy lines and thereby make material contribution to the economic reconstruction and advancement of the country.

The foremost problem of the insurers today is how to maintain a progressively increasing business year to year. New business is the food of a life office from which it derives strength and nourishment. New blood circulates through the veins with added strength and thereby increases its solidarity. Unlike human beings, a progressive life office does not decay with age, but moves from strength to strength and becomes more and more a bed-rock of safety and security to a larger and larger number of its constituents. The all-absorbing interest of the management of life offices is therefore focussing today on this question of maintenance of a progressivly increasing trend in business. This trend is manifesting itself, however, in the form of a race to write higher and still higher business in which several insurers have joined.

At the beginning of 1954, the sudden and dramatic announcement by New India of a substantially reduced rates of its premia, the shot was fired for starting a new race. Competition was let loose in the market. Oriental, taken by surprise, quickly followed suit and started the chase which has been taken up by others, not willingly but just to maintain their relative positions in the race.

This sudden reduction of premium rates by New India was questioned and evoked mild protests from many a quarter. Although this Company is member of the All India Life Assurance Offices Association, it is said, it had not consulted that body before taking this step on such a vital issue. It may be said that insurers had in the recent past increased their premium rates without prior consultation with other insurers. In the case of an increase in rates it is a factor that operates adversely and it is upto the individual company to take the risk involved. But as a matter of fact, the increase in the premium rates made about six years back was a concerted move. On the other hand, in a question of reduction of premium rates, the company concerned corners others and makes a virtual rate-war inevitable, as it has happened in the present case. It is not possible to make a precise forecast as to how small and middle-sized companies will fare under this rate war. But there is no doubt that it has put them under a severe test and time will alone show how long they will be able to bear the strain.

The reduction in premium rates gave full impetus to a mode of canvassing for new business which was so long disapproved by all insurers. The main slogan of insurance workers in the field was to advise their prospective clients to get all their existing policies converted into paid-up ones and have fresh policies under reduced rates of premium. The workers prepared lists of policies of recent origin and a regular campaign was started for closing these policies in the books of the companies concerned and replace them by fresh policies. In this campaign the more alert a worker was, the more he gained. The element of competition was further strengthened by another declaration equally unexpected and dramatic of high rates of bonus. A "Bonus War" has been started and the Insurers whose valuations were due at the end of 1953 made all possible attempts to push up their rates of bonus to as high a level as possible. Some of these whose valuations were not due at the end of 1953 probably felt themselves weak in the market in the face of this spectacular declaration of bonus and they went so far as to publicise indirectly and in advance that they too were going to declare similar rates of bonuses or even higher in their coming valuations. The valuation results enabled the insurers concerned to make a gift of a new slogan to their workers "Reduced premiums" and "increased bonus". Armed with this slogan, the workers moved triumphantly in their march for converting old policies into paid up assurances and replacing them by fresh ones. This has enabled the insurers in general to raise their respective figures of new business by a margin unprecedented in their history and some in particular to a spectacularly high level. An analysis of the new business of 1954 is likely to disclose that 40 % or thereabout, of that year's business was only conversion business and therefore not strictly speaking "New Business". The message of insurance has not reached out to a larger population at all.

Who has benefitted by this type of business? Not the policyholders. A policy holder's investment in a life office comes to the safety lines after it acquires surrender value. By having fresh policies after stopping the older ones and taking new ones, the policy holders lose the security of surrender value and start again with nil value for three years more. Conversion of old policies into paid-up ones and having fresh ones in their places is by itself unprofitable to the policyholders All along in the past the life offices were not in favour of such practice and they advised their workers and policyholders accordingly. But today they have to remain, perforce, silent spectators to the enactment of this drama.

But does this business benefit the Insurers either? To the extent this business is a mere replacement of some old policies it has removed from the books of the companies a portion of its renewal premium income. Statistics of lapsation show that the percentage of lapses is high in the first year of existence of policies. It diminshes less and less in the subsequent years. But the fact remains that out of a particular year's new business, the total lapse in course of 3 or 4 years is very high as is being repeatedly pointed out by the Controller of Insurance in his annual reports. The survivors out of these casualities become the assets of the insurers and the renewal premium paid by them becomes their source of strength. The insurers have now lost that assured income by conversion of the policies into paid-up ones. The replacing New policies will not be the same source of strength, because these new policies again will go through the usual process of lapsation. In effect, there will be a net loss of premium income. This tragedy could have been averted, if old policy-holders could be assured that in their case equity shall be maintained in the matter of declaration of bonus rates. In spite of queries from different quarters on the subject, the insurers remained reticent. In fact, an impression has been given to the old policy holders that all policies, old and new, will be allowed uniform rates of bonus. This, in its turn, helped the workers to persuade the old policy holders to close their existing policies and have fresh policies in their places.

Not content with the pace of progress with the facilities of reduced premiums and high bonus rates, some insurers, possibly with the fear complex, lest others should over-power them in their race for new business, threw open in the market a scheme known as the "Staff Insurance Scheme" to the employees of some banks and commercial firms. Under this scheme, the employees of these were offered rebate in premiums to the extent of 10 to 20 p. c., as it is said, over the already reduced rate under the ordinary tables of assurance. This scheme undoubtedly squeezed out a very big block of business for the insurers concerned, to the utter bewilderment of those who did not offer this scheme.

Upto 1953 some non-Indian insurers offered to selected Indian lives, reduced rates of premium by 10 p. c. or so. Some of the Indian insurers offered similar rates in the market just to face competition from the foreign insurers. But at the same time they strongly protested against this practice. It is really strange that the very companies who had expressed their strong disapproval of this scheme allowed themselves to indulge in a similar game.

Strong and vigorous protests were made by various associations and individuals. The Life Insurance Council intervened. While they allowed the scheme to continue, they issued directives to the effect that reduction in the tabular rates should not exceed 10 p. c. and that agency commission on first year's premium only should not be more than 7½ p. c. The Council also appointed a sub-committee to go into the details of the scheme and report. The finding of the sub-committee as has been viewed by many, are disappointing. They have not only supported the scheme but have also taken out the little sauce that was left by the Life Insurance Council, by removing the agents altogether from the arena of procuration of this type of business. By obliterating agency commission altogether from the Staff Insurance Scheme, the Committee has struck at the root of the organisational structure of the life offices.

If 'Staff Insurance Scheme' has to be pushed by the insurers, they should see that they get their tabular rates of premium in full, leaving the employers and the employees of a firm to settle amongst themselves as to how much of the premium the employees should pay and how much should the employers contribute as a measure of help to their employees. The employers may be given some concession in return for their undertaking to collect the premiums from the employees and send them direct to the insurer concerned. But under the scheme, as is being pushed, the insurers are offering reduced rates of premium direct to the employees of the firms concerned. This may be construed as rebate and as such infringing section 44 of the Insurance Act.

One may visualise a stage when insurance business may be secured without agents. But even then the fact remains that in all stages, the existence of "insurance workers" as the media for procuration of business shall remain inevitable. It may be that the present system of working of the agency force, the indiscriminate granting of licences and consequent appointment of agents have enough scope for reform. But any attempt to efface the procurers of business from the arena is unthinkable.

The small and middle sized companies have been hard hit. If they have to participate in this game of competition with their big brothers they will not only lose the game but may have to face also a financial crisis. The introduction of Staff Insurance Scheme by some insurers has made the position delicate and embarassing to many. It is fervently expected that the department concerned in the Government of India would step in and give a balanced judgment over this thorny question.

To day India affords a vast and productive ground for life insurance business. The Estate Duty Act, the Five Year Plan, aiming at all-round improvement of the economic condition of the country by increasing employment and national income, will give an impetus to the growth of the industry of insurance. For this a scientific approach to the problem of procuration of business has to be planned. The present modus operandi has got to undergo considerable changes.

While the various plans and projects of the Governments, States and Central, are going a great way in solving the problem of un-employment and thereby helping circulation of money over a larger number of the population in the urban

and rural areas, consciousness of insurance in the country, particularly in the rural areas, has not developed to the extent it should. The insurers should undertake a collective responsibility for an appropriate and extensive publicity of the message of insurance in the form of leaflets in English and other regional languages. This should receive the active support of the Government of India. A Government sponsored scheme is likely to get greater response from the people. Mass consciousness of insurance will increase and procuration of business will be on healthier lines.

The small and middle sized companies are facing the greatest odds in the present day competition. They should consider seriously whether it will be desirable for them to struggle individually and then, possibly for some, succumb ultimately. Or, it will be worthwhile for them to combine into a number of well-knit, stable and sound companies, coming at par with one or other of the big companies. Where it is competition between the strong and the weak, the latter is likely to be annihilated. But where it is competition between two equals, it is likely to be healthy. Let all insurers remember that there is no sense in letting loose the *evil forces of competition* in the market. Improved service to policy holders and workers should be the basis of competition. The more an insurer renders prompt and useful service to the policy-holders and workers the more it will expand.

To achieve this object, decentralisation of work should proceed apace. From the Head offices to the Branch offices, from the Branch offices to the Sub-offices, the plan of decentralisation should be carried as extensively as possible. Unless policyholders and workers receive prompt, sympathetic and useful service, an insurance company as a public utility concern will have no meaning. The question here arises as to how far decentralisation can be carried under the present circumstances. There can be no doubt that decentralisation makes for intensive growth in this industry. But decentralisation will be a peril if there is an absence of trained and skilled staff. This leads one to discuss an important question that has, of late, cropped up in this industry, namely, the relation between the employers and the employees.

It can be freely admitted by all that in the past, the management of life offices, like all other capitalist organisations, had exploited the employees. The then foreign government in the country had no particular labour policy under which the employees could seek protection. Today our national government has formulated a well defined labour policy with the portfolio of labour assigned to a Minister in the Union cabinet. Our government know and realise the importance of labour as a productive factor. As such the workers are entitled to an improved standard of living.

Unfortunately, there is developing in our industry an atmosphere of distrust between the employers and the employees. Unions have been formed in almost all life offices with provincial organisations and an all-India body at the top. Even then compared to the previous times, service in a life office has deteriorated. While the one side blames the other side, the latter throws it back to the former.

Such charges and counter-charges will only create an atmosphere which will not be conducive to the smooth sailing of an office. The leaders and the individual members of the Unions and Associations should study their problems dispassionately in the background of all the factors, assets and limitations of their companies. While they should remain conscious of their rights and privileges, they should equally know and realise their duties and responsibilities. Above all, they should cultivate a spirit of devotion to their work and attach the greatest moral value to it. Devotion to one's work and its discharge with efficiency should be the weapons in the hands of each employee. Unless they perform their duties successfully they will be striking at the root of their stand. In the solution of the labour problems of today, collective unity of the employees shall play an important role. The employees therefore should remember that if their collective unity is backed by a spirit of devotion for work and efficient fulfilment of it, there is no power on earth, which can crush or deny their legitimate aims and aspirations.

Insurance is a central subject. It is one of our national industries. It is a happy thing that the Government of India has been taking keener initiative in this industry. The problems are many and some very acute. There should be group deliberations over these problems throughout the country and the Government of India should always take the initiative in chalking out healthy line of development of this industry, with which the economic well-being of millions of our countrymen is involved. Indian insurance must prosper and add prosperity to all concerned.

Mr. B. K. SETALVAD'S SPEECH

THE record of Insurance progress in India is a proud one. The new Life Insurance business of Indian Insurance Companies for the years 1953 and 1954 records a rise from 30 to 90% compared to previous years, and the total new Life Insurance business of Indian Insurance Companies for the year 1954 may exceed even 260 crores, sum assured, as against Rs. 138 crores in 1953.

In the wake of a justifiable feeling of frustration on the part of those in charge of the affairs of Indian Life Assurance Companies, due to the statements made by all and sundry from Government quarters, the small and the medium sized Insurance Companies are faced with insurmountable difficulties—this time from our own brethren in the trade—in the shape of wholesale underwriting of Group Insurance, possibly, with a view to monopolise the whole business of Life Assurance forgetting that it will hasten the closure of a large majority of small and medium sized companies, at the time when they are beginning to find their feet. The group Insurance as underwritten by a few companies referred to above is not "Insurance" in any sense of the word and is a complete misnomer. It is merely an attempt to reduce Life Insurance premiums to uneconomic levels, thereby making it impossible for others to enter the field, and while they may at the moment glee over the huge totals advertised by them, I feel that a time will come when it will require the wits of our best actuaries to get them out of the mess.

There is also another issue involved in this, and no less important than the one I talked about just now. The huge figures of life business in force that Indian Insurance Companies advertise about, were not achieved by merely subscribing millions of Rupees towards capital; nor on the strength of the huge edifices erected out of the funds of Policy holders. The one single factor that should be given full credit for the present satisfactory position of Life Insurance in this country, is due to that neglected individual-The Life Insurance Agent—through whose tireless efforts over years in rain and sunshine, all this has been built—it is the small earning of the Life Insurance agent when he closes a new sale and a smaller renewal that is paid when a subsequent premium is received—it is these bits of Income that sustain the body and soul of the Life Insurance Agent and as a result, hold together, the whole fabric of Indian Life Insurance Industry. The Group Insurance strikes a direct blow at the income of this agent by denying him any renewal earning, whatsoever and only a very negligible first year commission. The Group insurance is meant to hit the Life Insurance Agent, very much below the belt. The so called leaders of Indian Insurance have the opportunity to play their part, as befit leaders everywhere, and I appeal to them in the name of discipline and ethics of Insurance to reconsider their steps in the matter of Group Insurance and remedy the harm already done, by not allowing it to spread any further.

The post war years again brought to the fore the important issue of Rebating and it was again found necessary to amend the Insurance Act. The main provisions of amendments include restrictions on the investments of the funds of Insurance Companies, prohibition of interlocking of funds of Insurance and Banking Companies, limitation of their expenses and the Act prevents cornering of control over Insurance Companies. The cumulative effect of all these proposals, is, to safeguard the interest of policy-holders and the insurance men like myself began to feel that this was the end of Government interference in our day to day activities. I also felt inclined to the view that in agreeing to all these amendments, we had come to a sort of a "Compromise to Complete Nationalisation," of Insurance Industry by the Government. But it appears that our Government is not yet satisfied and has been making statements in Parliament to the effect that Insurance should and will be completely nationalised.

It is indeed difficult for me to understand the significance of complete nationalisation of Insurance Industry. As it is, with the introduction of further rules and regulations, limitation of acquisition cost, limitation of expense ratio, submission of various statements relating to appointments, outstanding premiums, bad debts, investments etc., we are already governed ninety per cent by the Controller of Insurance, Government of India. Besides, in the balance of ten percent whipsnade freedom allowed to us we are left with practically no authority in matters of general interest to the Insurance industry, as a whole.

The first step to Government's direct action in the field of Insurance is the advent of social insurance scheme, e.g., the Indian Employees State Insurance Scheme. It is my considered view that any scheme of Social Insurance presupposes certain fundamentals to be fulfilled, before one can think of its success. The focal point of social Insurance is "full employment" and the maintenance of a stable level of decent income. Even in the case of Western countries, the tentative and halting measures of social insurance adopted from time to time, have not been an unqualified success. The National Health Insurance Act, in Great Britain, was the most ambitious piece of public legislation ever carried through in any country. No previous measures had directly affected so large a number of persons, involved so great a cost and made such demands upon administration. It was a conspicuous failure according to the Report of the Fabian Society. They reported that "By Insurance premium, the state is abstracting from each, out of their cupboards, one loaf of bread a week, thereby starving them still further into illness, in order to pay for their doctoring and sickness benefit during their illness which the state has thus helped to create." In Germany also the system of sickness insurance was a failure even in the direction in which it had been anticipated.

If we learn any lesson from the experience of other countries it is this, that economic planning and full employment should precede any scheme of social security to make it a success,. In the words

of **G.D.H. Cole,** "There is no way of giving the whole people, a satisfactory minimum standard of living, *not even if* the income of the rich were to be divided amongst the poor, until there are comprehensive measures for ensuring a high and steady output of goods and services.'

A word regarding labour and staff Union problems will not be amiss here. The present line governing employer-employees relation gives an unduly greater emphasis on privileges of workers and there is very little mention on their performance of duty or obligation to do proper work. Payment must necessarily be linked to performance. A person who gives better performance must receive better payment but allowing and treating all alike, regardless of the quantum and quality of work must remove incentive to improved work and lead to the deterioration of the whole production system.

In an endeavour to improve the morale of business in the Insurance Industry, in an effort to see that the stipulations of law are adhered to by Insurers overnight, the Government is forcing us to reduce Tariff Rates. This is calculated to stop unauthorised rebating, and the argument advanced for effecting this reduction is the recent favourable claims experience of Indian Business in the General Department. A happy experience over a period of ten years or so, is not enough justification for any downward revision of rates One or two unhappy years would more than offset the good of a decade and catastrophic eras are not unusual in Insurance. Besides the possible continuance of this happy experience will enable Indian Insurers to build up much needed reserve—reserves which will enable Indian Units to increase their retentions and make it possible to widen their activities even beyond the shores of India. The Bombay explosion of 1944 which should be still afresh in the memory of the Government and which I hope will serve as a warning to those who are forcing us to reduce the rates.

I have said enough on the various subjects of Insurance Topics of the day and I once again reiterate, that Nationalisation of Insurance will not solve our problems but may lead us to disaster. Some of our nationalised activities are far from being models of efficiency, and I am sorry to say that Nationalisation through failures will delay the accomplishment of our objectives, rather than advance them. The only alternative that I can emphasise with all the strength at my command is "Co-Existence," and I earnestly appeal to the Government to look at our problems and our future from this angle alone. If in spite of our appeals, if the Government remain adamant in their resolution let the Government by all means Nationalise every form of Commercial and Industrial activity including Insurance. Let the Government, however, reflect coolly for a moment or two on the results achieved on the various spheres where partial or total nationalisation is in force. If on a mature consideration of things, it is felt that the country's interests are best served through Nationalisation; it becomes mandatory to act with the greatest possible haste. If however, there is the slightest reason for such analysis to feel that the time is not yet ripe, for Government to take over the reins of Insurance let the private enterprises be given time and in the meanwhile make it easy to carry on by introducing the minimum possible statutory obligations and only ask the private enterpriser to step aside, when the occasion demands his withdrawal in the broader interest of this country. With due humility I submit the time to Nationalise Insurance is not now—the time to Nationalise Insurance will not be for quite some time to come. The Heavens will not fall if we wait till such time has come.

Inaugural Address of Shri ARUN CHANDRA GUHA,

Union Minister for Revenue and Defence.

INSURANCE, though perhaps in some form not quite unknown to Indians in ancient days, has really been a gift of the British rule. Some time in the last century, we have some non-competitive insurance funds. I think one of them was the Hindu Family Annuity Fund still existing, founded by Pandit Iswar Chandra Vidyasagar - a man who left his imprints on our national life in many fields. It is only in the seventies of the last century that real Indian Insurance Companies were formed in India, and you all know what success it has achieved during those years. In the first decade of this century, we had that great Swadeshi Movement. That movement helped, among other Indian industries, Indian insurance also. In the beginning, Indian insurance companies had the natural handicaps of being ill-organised, ill-financed and not equipped with proper personnel. The Government also was not helpful. In such circumstances, it was only the spirit of Swadeshi that could give some protection to the Indian Insurance Companies. I think even today we shall have to be alert of this aspect alone. Indian Insurance Companies, I feel, should get popular protection and preference. It is regrettable to note that even now bigger insurers often go to foreign companies rather than to Indian companies. The average policy of a foreign company is about Rs. 7 500/- as against some Rs. 2,500/- of Indian insurers. I think this aspect deserves attention of Indian nationals all over the country.

I do not like to enter into such statistics and arithmetic to show that Indian Insurance companies have been progressing satisfactorily. You, friends, are all aware of that. But still I think I should mention that the assets of the Indian life insurance companies in 1953 were Rs. 297 crores as against Rs. 168 crores in 1947. This increase in seven years is significant. The total annual premium income of Indian life companies is Rs. 37 crores, foreign life companies operating in India have an annual premium income of Rs. 6.1 crores.

Foreign insurance companies are doing business here and it is not our policy to put any discriminating conditions to foreign investments. But as foreign companies have been working here, may we not expect that Indian life companies also should start their business in other countries. This is a source of the invisible income of the nation and from the point of view of earning of foreign exchange, it is an important issue. I am glad that Indian life Insurance Companies are not quite idle in this sphere also. From Rs. 1.4 crores in 1947 its annual premium income in foreign countries has increased to Rs. 4.3 crores in 1950. Compared to the business that is being done by foreign life companies in India, this achievement is far from satisfactory.

Let us look at another aspect of insurance business. India is a very big country. The total amount of the assets with Indian life companies will not appear to be so satisfactory if we compare that figure with out population figure. At the end of 1953, the per capita insurance in India was only Rs. 26/- as against Rs. 1,900/- in Australia, Rs. 2,900/- in New Zealand, Rs. 5,000/- in Canada, Rs. 7,000/- in USA and also almost the same amount in U. K. These figures show how far behind we are in making our people insurance minded. So long the life companies and their field workers have concentrated their energy mostly in cities, rural areas have hardly been touched by them. I wish to draw the attention of the insurance companies and their field workers to this aspect.

I should then come to another issue. Besides life insurance there is also the general insurance. There also, Indian insurance companies have been making significant progress. Commerce and industry were more or less the monopoly of Europeans in India. So general insurance also could easily be a monopoly of the Europeans. With the growth of Indian industries and commerce and with the development of some successful life insurance companies, it was possible to do something appreciable, also in the field of general insurance. The annual premium income of Indian general insurance companies was only Rs. 60 lakhs in 1931, Rs. 151 lakhs in 1941 and Rs. 676 lakhs in 1953. They have also extended their activities outside India Their out-of-India income was 99 lakhs in 1931, Rs. 103 lakhs in 1942 and Rs. 829 lakhs in 1953.

Insurance has a social value as well as individual value. It provides for the individuals' family as well as it helps in making greater savings for our national income. Only about 4 or 5 per cent of our national income were being saved for reinvestment up to about 1949. I think during these six or seven years the percentage of saving has gone up by another 2 or 3 per cent or so and unless we can save more it will be difficult for the nation to find adequate capital to be reinvested for development works. Insurance is one of the best methods for effecting that saving. The savings thus effected help the nation for the development work as it helps the individual by providing a security for his old age and in his absence, for his family. This social aspect of insurance should not be ignored, practically by the field workers. They are all from middle class. We know the pridicament of a middle class family when suddenly its bread earner is either disabled or is deceased. From the experience of the families of their own class they should realise the importance of this aspect.

I feel there is yet enough scope here for the expansion of the Indian insurance. Gentleman, I have said, you and your companies have been doing quite well but not exactly well enough. As I have stated our per capita insurance is only Rs. 26 % There are other fields for your expansion. India is an agricultural country and about 70 % of its people depend on agriculture. About 50 % of India's national wealth is derived from agriculture. So I may suggest that you may try to do something in the agricultural field. Previously I suggested that instead of crowding in urban areas, you may divert your activities to rural areas also, but this suggestion is not only for life insurance but also for other forms of insurance. In some of the advanced countries there is a system of crop insurance, cattle insurance and such other

things. I know there is an intrinsic difference in the structure of agriculture in our country and in USA or some other western countries. Inspite of these differences and other difficulties, I think it is yet possible to extend your activities in agricultural sphere in the form of crop insurance, cattle insurance etc. Perhaps you all know that very soon there will be ware-houses and marketting boards. I think that may make it easier for you to extend your activities in the agricultural sphere also. Insurance must move along with the nation and adapt to the changed and changing conditions. We are all working under a plan. Insurance business will surely help the plan to develop the country.

I think I should say something about some of the bad practices prevalent in the business. Under the present Insurance Act, there is a provision for restricting your expense ratio. It has been reported to the Government that even respectable companies do not always scrupulously observe these restrictions. Even after such undesirable practices to show a lower expense, the overall expense ratio in India is well over 25 % as against something like 15 % in other countries. Four annas in a rupee to be paid as cost is undoubtedly a big amount. I know you will try to explain away this by the poor volume of business done. But anyhow this is an undesirable feature and you should make a determined effort to reduce your expense ratio.

Then there is a sort of unhealthy competition. As in road traffic, taking over the preceding car by the following one is not a healthy road practice, I think in business traffic also, the eagerness to take over some other companies is not always quite a healthy practice. Competition is surely a sure desirable thing but competition at the cost of gentleman's etiquette and healthy conventions is surely not commendable. What is known as "twisting of business" in the insurance parlance, has been doing harm both to the company and to the policy holder. In general insurance also, free rebate system is the result of undesirable competition. I wish Indian insurance companies would get over these practices and have their record quite clean.

I should mention here another weak point in our insurance industry i.e. about the ratio of lapses of the life insurance policies. That primarily shows that insurers or their fieldworkers have not been careful in selecting the insured. I do not like to refer here to many other unhealthy practices and conventions which you all know and which I hope you have been trying to remove.

I do not think Patna has got any big insurance company of its own. There is enough scope yet to develop one. For the present most of the important companies of India have got their business or local offices in Patna and this Club I presume represent mostly, if not primarily, the field workers of those companies. The last Insurance Companies Act has given certain amenities and privileges and security to the field workers. Their first attention should be service to the policy holders. I can recollect about four decades ago an insurance agent was just a most unwelcome intruder in the house. But I think things have changed. It would depend very much on the field worker himself to make him a welcome friend and not an unwanted busy-body. So long, the field worker's job was just a side show of any middle class man. He himself would not give any respectability to his job and naturally the public also would not treat him as such. But I think under the changed circumstances of free India and of the fairly developed insurance companies and under the changed position of the Insurance Act, field work of insurance companies has become a respectable profession for anyone intellectually and morally well-equipped.

Insurance has a social value as I have said. Philelogically, the words mean giving a sort of security or surety to the person. I am addressing the Insurance Club. The word 'club' also has a very solid significance. If you go to the root meaning of the word, it would mean lumping together. So both the words in the name of this organisation would tend to give a sort of solidarity and strength. I wish this Club to remember the meaning of those two words which they have selected for their organisation and act accordingly.

Appointment of Agents

BY SRI V. V. CHALAM,

Branch Secretary, Andhra Insurance Co., Ltd., Madras.

(Excerpts from the speech delivered on the 2nd April at the Indian Life offices Association at Madras.)

IT may be presumptuous, on my part, to make bold, to come up to the dias, and to venture to place my humble views on this subject. I thank the President for having given me the permission to participate in the discussion.

The subject of 'selection of agents' is now before the house, and it is indeed the most difficult problem to deal with. I would request all of you to search your hearts, first, and find out whether there is any selection that is made at all? If we are able to answer this question, we can proceed further, and examine the proposition of "proper selection of agents."

I had been the Branch Manager of Andhra Insurance Company since 1935 and for the last 4 years, I have been handling the General Business also. I started as an Agent in 1934. When we deal with this problem, we have to make an approach, with a realistic view. The manner in which the selection is made now is too well known to each one of us. The agent is the business procurer; hence he is the man who carries the message of life insurance to the public. He makes a number of contacts, by which, he creates for himself a few prospects, who finally agree to insure with the company he suggests, through him. For the service rendered, the insurer pays him commission.

The licensing of the insurance agents came up, along with the passing of the Insurance Act of 1938; it is well known' to all of you that no one can solicit business without a license. The Controller had been warning the insurance trade, that, year to year, a good number of licenses are either lapsing, and again an equal number or even more fresh licenses are being applied for. In both ways, the Government is being benefited, with license fees from individuals, who have neither worked, nor succeeded in their honest attempt to solicit life insurance business. We have all honestly felt, at the time of the introduction of the Act, that this licensing of agents, would give sufficient dignity and status to the poor agent or the broker, who is compelled to face the whole burden of canvassing business for the company. His duties are manifold. He is the un-paid touring representative, who advertises the company to the greatest extent. He has to educate the public on the benefits of insurance. He has to convince the prospects that his company stands on merit. He has also the most painful duty to perform, namely, to satisfy the prospect, by selling him the Insurance Policy at the lowest rate, as in most cases the individual, is pleased to purchase the policy cheap. This is the stage where, the competition between companies and companies play the most important part. The humble, honest and sincere young man, having completed his education in school or college, not tempted to join the field force is really afraid to accept the licensed agent's post, which is remunerated on commission basis.

The days of educating people and doing propaganda on the merits of life insurance have practically gone, as everyone knows the values of insuring one's own life. So, the educated unemployed, having been afraid of the malpractices that have crept into the trade, and having been fully conscious of the fact that an honest man cannot really earn any net commission at all in this profession, have ceased to be attracted. So, in practice no company selects the agent but the agent selects the company. I am bold to say, now a days, the prospect is selecting the agent for obvious and personal reasons.

We have not reached a stage yet, in our country, when we can say that the party comes to the life office straight and selects his own insurance policy to suit his requirements. It may be true in the West, where practically, a different philosophy of life exists. The purchasing power of the middle class community is very low in this country. The licensing of the agents, we have to admit, had not driven away the "so-called brokers" from the field. In their place, perhaps, more dummy agents or agents from the other sex, who form the majority, as it does not oblige them to incur any loss whether they had done any business or not. It is so because they do not enjoy any commission as they would have agreed in the beginning to play the only important role of signing the vouchers. In fact they do not handle business at all.

I can, with confidence, say, by recapitulating from my own experience, as a business producer, for the last 20 years, the agent was earning better prior to the insurance Act. Ever since this Act has come, when it made it statutory to tell others that rebating is punishable, I have to most painfully admit, whether we give expression to the same or not, rebating has come to stay. In olden days people were ignorant of the rates of commissions that were given by the companies to the agents. Ignorance was really a blessing. But now it is otherwise. The very purpose with which the codifier has brought into effect this Act, was defeated and as early as 1938, a famous and prominent business magnate who had the expert knowledge of business organisation, and who was also connected with one of the giant insurance companies, admitted that this Act will be defied in actual practice. His utterance was very prophetic.

So much, has to be done in our country, we have attained majority and obtained independence, in educating the general population to improve their morale. Unfortunately in our country at present public morale is at its lowest ebb and we shall all put our heads together to see that this is improved. Unless this is done, there is no salvation.

As our Excellency the Governor Sri Sri Prakasa at the inaugural meeting of the All India Insurance Association Conference has very aptly put, let us not forget the human element that is mixed up with the human nature, with which the insurance trade is directly connected. I put a question to myself? whether, as an important officer, who is expected to deal with the agency organisation, in as much as the business procuration is concerned I am true to my thoughts? I must utilise my practical experience in trying to make first and foremost, in understanding the real difficulties of the agents, as they are the live force, the very current that is produced, which results in bringing premium to the companies. we must make the agency profession, more dignified attractive and tempting, to the honest, sincere, energetic and qualified youths, who are at a' loss to know what to do as "the devil and bug bear" of unemployment stares not only at their face, but also is eating away their emotion, right impulse, and determination, to do some work.

The system of appointing paid agents has not attracted the youth, not because that there is no preparedness in them, but because the insurance business organisers, are not prepared to consider honest and sincere work done by the real agents as such.

I place my experience before you. If you honestly wait, and encourage young and educated youths, and tell them frankly and truly that you would treat them as clerks working outside the office, and inspire in them, the same confidence of permanancy of job, you have succeeded inyour attempt to solve the most disgusting problem of the selection of the agent.

I therfore apeal to you, with all the force in me, to approach this problem with human element. The moment, we put in to actual practice and not by mere verbal expressions my suggestion of giving the feeling of permanency to the agent for honest work, irrespective of return, the moment we succeed in creating real confidence in educated unemployed, that this paid agency profession is as good as the office job, in all respects excepting that one has to work outside the office, and take to the duty of canvassing and also inspire in him that his job is the most magnanimous one, as it ultimately serve the needy and the wretched people, we succeed.

I thank the President for having given me this opportunity of thinking aloud, and in this, I have merely looked into my own unwritten past, which was a continued service in the field organisation, recognised or unregonised, I am obliged to place these thoughts as I am intimately connected with the work.

News

The Indian Life Assurance Offices Association, Bombay.

Life Assurance Examinations
February 1955.

Results.

PART I.

128 candidates sent their applications, 112 actually appeared, out of whom the following 40 candidates are declared successful.

Roll No.	Name.
3	D. S. Bapse.
5	M. A. Bhat.
7	V. V. Deshmukh.
8	V. R. Deshpande.
10	O. P. Ghulati.
16	N. Muthukrishnan.
23	R. Srinivasan.
25	O. P. Varma.
26	S. P. Vartak.
28	B. V. Bhide.
29	M. K. Chhatre.
33	C. G. Deo.
38	R. V. Jinralkar.
56	P. V. Balasubramaniam.
57	R. V. Chandrasekharan.
60	C. V. Gopinath Rao.
62	S. Krishnan.
63	S. Masilamani.
68	K. S. Ramamurthy.
71	N. S. Sankaran.
72	C. R. Sridharan.
73	P. V. Srinivasavaradachari.
77	G. E. S. Ramanujam.
78	T. S. Ramarao.
86	T. Satyanarayanarao.
100	Y. L. Ahuja.
101	P. D. Bhardwaj.
104	B. C. Dhawan
107	M. S. Kapur.
109	J. S. Khanna.
111	J. R. Malhotra.
112	O. P. Malhotra.
114	S. P. Puri.
115	S. M. Sanduja.
116	S. P. Sharma.
118	S. K. Tandi.
120	S. P. Bagchi.
123	G. Chatterjee.
125	A. K. Mitra.
127	B. B. Nath.

Roll No. 77, G. E. S. Ramanujam from Bangalore centre, has been awarded the prize of Rs. 100/- announced by the Association for Part I.

PART II.

35 candidates sent their applications, 32 actually appeared, out of whom the following 7 candidates are declared successful.

Roll No.	Name.
2	B. S. Borkar.
13	M. V. Kolhatkar.
19	S. Natarajasikamani.
25	P. Venkatagiri Rau.
26	G. E. S. Ramanujam.
31	D. R. Chadha.
35	N. N. Mitra.

The following 4 candidates secure exemptions from Papers mentioned against their names.

Roll No	Name.	Paper.
4	H K. Giri.	IV & VI
8	V. L. Chaphekar.	VI
11	K. J. Kalgaonkar.	VI
28	P. Parthasarathirao.	III

Roll No. 13, M. V. Kolhatkar from Satara centre, has been awarded the prize of Rs. 100/- announced by the Association for Part II.

PART III.

9 candidates sent their applications, 5 actually appeared, out of whom the following 1 candidate is declared successfull.

Roll No.	Name.
1	L. R. Bapat.

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

● ● ●

Insurance Club-Patna- 14th Annual General Conference 1955 Resolutions.

(1) This conference of the Insurance workers of Bihar declares that the Staff Insurance Schemes recently introduced in this country have no element in them of the group insurance prevalent in the Western Countries and in as much as the cheaper rate has been offered simultaneously

with drastic reduction of the agents' commission on such business, the schemes appear to be based on indirect rebate to selected Policy-holders which is prohibited by Section 41 of the Insurance Act. This Conference draws the attention of the Controller of Insurance to this fact and further points out that as some amount of new business is being written by stopping old policies which the insurers appear to be unable to avoid, it is necessary to examine and see how far it is conducive to the interests of further developement of insurance business in this country on sound and healthy lines.

(2) This Conference draws the attention of all insurers to the fact that claim forms and lop bond forms ought to be standardised and specially there should be liberalisation in the attestation of maturity and death claim forms on the lines introduced in several Companies.

(3) This Conference congratulates the Controller of Insurance in regard to his recent Circular regarding the Code of Conduct and appreciates the move taken by him to safeguard the interests of the salaried Field Workers.

(4) This Conference of Insurance Workers of Bihar congratulates Sri S. L. Roy for the move initiated by him to secure amendment of Section 44 of the Act in order to enable the agents to nominate their successors in the matter of renewal commission. This Conference also offers its grateful thanks to Sri Bimal Comar Ghosh for introducing a non-official bill in this connection in the Rajya Sabha.

● ● ●

At the 14th Annual General Meeting held under the Presidentship of Shri D. C. Chaturvedi of 'United India' Senior Vice-President of the Insurance Club, Patna on the 10th May 55, the following members were elected as the office-beares and members of the Executive Committee for the year 1955—56.

President

Shree Indraj Bahadur (Aryya)

Vice-President

Shree B. Sahay (Hindu Mutual)
Shree R. J. Shah (Ruby General)

General Secretary

Shree D.C. Chaturvedi (United India Life)

Joint Secretary

Shree A. P. Verma (New Asiatic)

Assistant Secretaries

Shree H. K. Ojha (Oriental Fire)
Shree P. N. Verma (Indian Globe)

Treasurer

Shree N. G. Samadar (National Indian)

Members Executive Committee.

Shree Mrityunjay Prasad (Oriental)
,, Banwari Singh (Aryasthan)
,, B. N. Sinha (Bharat)
,, H. C. Mehta (New India)
,, U. N. Sen (Hindusthan)
,, K. N. Ganguli (Metropolitan)
,, S. L. Roy (Oriental)
,, P. K. Saran (Bombay Mutual)
,, L. N. Pal (Hindusthan General)
,, Damodar Singh (Western India)
,, Dinesh Jha (Bombay Life)
,, Shivashankar Mishra (Bharat Fire)
,, Jagdam Sahay (Empire)
,, Govind Prasad (New Guardian)
,, V. R. Pathak (United India Fire)
,, K. Sarkar (National)

Mr. G. H. Thakore felicitated.

To felicitate Shri G. H. Thakore, Manager & Secretary of The Bombay Co-operative Insurance Society Ltd., and Honorary Managing Director of All India Co-operative Fire & General Insurance Society Ltd., for his election as the President of The Indian Life Offices Association for the current year a Dinner Party was arranged by the members of the Staff of the Bombay Co-operative Insurance Society Ltd, Bombay, the All India Co-operative Fire & General Insurance Society Ltd., Bombay and their Chief and Principal Agents M/s. Kulkarni & Co, Bombay and M/s. Deepak Agencies, Bombay at 'New Aram Restaurant' Chowpaty, Bombay at 7-30 P. M. on Tuesday the 3rd May 1955 which was attended by about 100 persons.

The services of Shri Thakore in the field of Insurance and Co-operation were eulogized in fitting terms by different speakers and his qualities of heart and head and his solicitude for the welfare of the staff were highly spoken of by some of the members of the staff.

Imposition of Income Tax to Co-operative Insurers: Deputation to Hon'ble Mr. A. C. Guha, Minister for Revenue and Defence Expenditure.

Mr. B. B. Dotto, Secretary, Police Co-operative Life Insurance Society Ltd., and Member, Executive Committee, Life Insurance Council, has interviewed Hon'ble Mr. A. C. Guha, Minister for Revenue and Defence Expenditure on 17th-May evening in connection with the imposition of Income Tax to Co-operative Insurers which will jeopardize the progress of Co-operative movement in India very greatly. Mr. Dotto has again taken a deputation of the Co-operative Insurers with their Head Offices in Calcutta to the Hon'ble Minister on Saturday, the 21st May, 1955 at-3-P. M. A lengthy printed Memorandum has been submitted by the Deputationists to the Hon'ble Minister, who has very kindly agreed to look to the matter in due course.

It may be mentioned that Mr. Dotto since the imposition of new Taxation to the Co-operative Insurers has started strong agitation against the same as all the Co-operative Societies carrying on Insurance business will be extinct by this Taxation. He has sent resolutions against this Taxation to be discussed in the meetings of the Executive Committees of Life Insurance Council and Indian Life Assurance Offices Association.

Book Reviews—

THE ASSURANÇE OF SUBSTANDARD LIVES: Principles of Selection and Rating:- by Etienne de Dardel, Manager of the Swiss Reinsurance Company's Rating Office in Paris.

We acknowledge receipt of a copy of the above publication from Dr. Khurshed J. J. Cursetji, Chief Medical Officer, Oriental Government Security Life Assurance Co., Ltd., Bombay. We are informed that Mr. Etienne Dardel, Manager of the Swiss Reinsurance Company's Rating Office in Paris wrote the original French text for use in Switzerland and Franch; and an English translation adopted for the use of Indian Companies by Mr. Otte Urbanek, Chief Statistician of the Swiss Reinsurance Company at its Head Office in zurich.

Reinsurance Companies all over Europe, and specially in Switzerland, France, Denmark and in the United States of America are of the opinion that theoretically every life has an insurance value, whatever be its present state of health or the past history of the disease or disability, and that in every case the life can be insured with suitable rating or by special plan of insurance andSpecial terms worked out, actuarially, medically and statistically, for the risk involved. It is also increasingly recognised everywhere that it is precisely those whose health is impaired who stand in the greatest need of the protection which life assurance can give. Experience has shown that in practice the acceptance of those substandard risks in very many suitable cases not only protects the interests of the assured and tends to increase the percentage of business completed but also works out for both the reinsurance and selling companies a fair margin of profit.

The Swiss Reinsurance Company, founded in 1863, is the oldest and perhaps best known reinsurance Company, with great experience in all insurance branches and doing an important volume of life business in general and sub-standard business in particular. Its services are available to the life companies of our country for general rating on a standing agreement or for occasional appraisals of individual risks. The vast actuarial, medical and statistical experience, gathered over many years (the special rating service of substandard risks was established in 1913 already) makes the Swiss Reinsurance Company eminently fitted to issue this very important study for the use of all those interested in life assurance and particularly for officials responsible for selection and rating.

The book is very interesting and instructive reading, containing valuable information and useful hints on the principles of selection and rating of substandard lives and fulfils its object admirably. Chapter V to X are the best part of the book as they contain modern and up to date methods of utilising collected statistics for judicious rating of substandard lives and may well form the authoritative basis for selection of substandard lives by Companies in India. The authors are to be congratulated for the valuable service rendered to life assurance companies by the timely publication of this important booklet.

Copies of this book may be obtained by Life Offices from the Swiss Reinsurance Company, Mythenquai 60, Zurich, Switzerland.

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CONTENTS

the service. But, in the hands of private institutions, there is no uniformity in all these important factors. Rates of premium charged differ from Company to company. Bonus paid by the companies also differ according to the efficiency and experience of the different Institutions. In the same way, "Security" and "Settlement of claims" cannot be termed to be uniform. Though a superficial survey in this manner will impress one that "Nationalisation" of the business is the only just method to mete out equity to all the policyholders, it is not easy of achievement. While the existence of a number of Institutions and competition amongst them to excel one another not only affords the necessary fillip to render the best of service to the public but also affords an apportunity to the public to compare and find out where efficiency is lacking. The Government owned enterprise for want of a competitor will lack that fillip and in the absence of a competitive organisation, it would be difficult for anyone to judge the fair cost of the service. "Insurance" is not a commodity that is in daily want and is not one that is bought by the people on their own initiative. Neither it is one that can be forced on them something like a tax-levy. Insurance and particularly Life Assurance is for the future, to take care of oneself in his old age and to provide after him for his dependents. The talent of the individual, his vast study of human psychology, his will to succeed somehow, now play a great part in the progress of the business. A Government sponsored machinery cannot be expected to respond suitably as the private enterprise is always ready to do. In brief, the initiative that is inherent in the private enterprise is responsible for the present position of Insurance in India and but for it there would have been no "Insurance" at all to "Nationalise" today! It is not possible to expect this primary requisite in a Government run enterprise and therefore the business will not develop even as much as it does in private hands. With all imperfections, it would be only wise to leave the business of Insurance to the private sector to thrive, the Government exercising a vigilant control over it. By so doing, the Government will be able not only to command the people' savings, but also to improve the service to the public by keeping a watch over the activities of the Companies as the guardian of the public in a welfare State.

Title to Life Policies

By Shri. R. S. DATAR, B.A., LL.B.,
Western India Life Insurance Company, Limited.

THE word "title," in its strict legal sense, connotes full ownership, but I suppose that while discussing the subject of title to life policies, the word must be used in a still wider sense so as to include even that right to policy benefits which does not amount to full ownership, but which a person can enforce against the insurer. For instance, unlike an assignment, nomination effected under Section 39 of the Insurance Act does not confer a legal title as such on the nominee. But considering that the insurer is able to obtain an effective discharge from such nominee, as between the insurer and nominee the latter may be described as the title holder, whatever the results of such nomination as between the nominee and the rest of the world. Similarly a succession certificate granted by a Civil Court under the Succession Act in respect of any policy moneys does not by itself vest the holder thereof with the full legal title, it being always open to other rival claimants to contest their claim by a separate suit. But inasmuch as payment against such a certificate gives a complete legal discharge to the insurer, the holder thereof may be looked upon as the title holder at least so far as the settlement of the insurance claim by the insurer goes.

A life insurance policy is, to put it in legal parlance, a chose in action. In other words, it is a claim for a liquidated sum of money, arising under a contract, and enforceable by legal action. Title to this kind of property is hardly a problem when the policyholder himself or his duly constituted nominee or assignee is to receive the benefit. In such cases, normally, it is only the identity of the claimant and not his right to receive the amount that is material from the insurer's point of view; and production of the policy and the voucher properly completed before a responsible officer or person provide adequate safeguards on that score. When a policyholder dies leaving a will that covers his policies, then the only course open to the insurer who cannot accept any responsibility about the validity of the Will, is to call upon the claimant to produce a probate or letters of administration with the will annexed or a succession certificate. (Succession certificate can be granted when a Hindu dies leaving a will). But in this land, percentage of those who die leaving wills may not be even one percent, while the percentage of those who die leaving behind their duly constituted nominees or assignees may be in the neighbourhood of 25 per cent only. Sometimes lack of prudence, some times over confidence in the durability of one's own life, some times the tendency to put off things out of sheer idleness, and very often complete ignorance coupled with the want of sufficient instruction from the insurance agent or the insurer, has been preventing people from effecting nominations or assignments in respect of their policies. Many insurers have since very recently started the practice of getting the name of the nominee incorporated in the text of the policy at its very inception. But it will take some years before this new practice starts showing good results in the way of an appreciable increase in the speed of settlement of death claims. As things stand at the present moment, in majority of the death claims the policy holders concerned are found to have died intestate and without having effected an assignment or nomination. And it is the settlement of these claims that causes most of the headache for the insurer.

In case of such policyholders who have died intestate and without leaving behind their duly constituted assignees or nominees, the royal road of demanding the production of a succession certificate, letters of administration or the Administrator General's Certificate is always open to an insurer. It is now an established law that the proceeds of a life policy are a debt owing to the estate of the deceased policyholder and hence legal representation for the recovery of that debt can be taken out. Section 381 of the Indian Succession Act affords full protection to persons who make payments in good faith to the holder of a succession certificate granted under that Act. Similarly Section 220 of that Act vests an Administrator with all rights belonging to the intestate at the moment of death. And the Administrator General's Act by its Section 34 declares that the holder of a certificate granted under that Act shall have the same powers as he would have, had Letters of Administration been granted to him. So there is no doubt that payment by the insurer to the holder of a succession certificate or the Administrator General's Certificate or the Letters of Administration, fortifies his position completely.

However, in this context I must refer to the important points, the first of these being in relation to the use of the words "good faith" in section 381 of the Indian Succession Act referred to above. This Section says that the succession certificate granted under that Act shall afford full indemnity to all the debtors of the deceased as regards all payments made "in good faith" to the holder of such certificate. Obviously, the section throws on the shoulders of the debtor a burden to observe the rule of good faith while making the payment. And the unfortunate thing is that the law does not clearly state the exact implications of this "good faith". The General Clauses Act defines the expression in these words—"A thing shall be deemed to be done in good faith where it is in fact done honestly, whether it is done negligently or not." But I think this definition only makes the confusion worse confounding, because it creates a further ambiguity as to what exactly is the nature and quantum of the honesty required. I will illustrate the confusion by taking some concrete examples. Let us assume that a brother of a deceased policyholder lodges with the insurer a succession certificate issued in his name and claims the proceeds. Let us further assume that there is in the insurer's record, information that the deceased has left behind nearer heirs like wife and children. This would naturally raise a doubt as to whether the brother suppressed this information from the

Court's notice and thus obtained the certificate by practising a fraud on the Court. Now the question that would pose itself under the circumstances is this, viz., do the canons of honesty or good faith contemplated by law demand it of the insurer that he should, before making any payment to the brother, go behind the certificate and find out for himself whether or not the information regarding existence of a wife and children has been disclosed to the Court granting the certificate, and in case the insurer does not care to do this, would it be on his part a mere negligence or both negligence and want of good faith? Similarly, when a Hindu dies leaving a will and a succession certificate is produced, is the insurer bound to see that the succession certificate has been granted on the strength of that will? I will take another apt instance. In the case of minor heirs, application for the certificate can be made by his next friend, and a certificate can be granted to such next friend. But the Bombay High Court has held in one case (In re: Narayan, 35 Bom. L. R. 950) that though a next friend can represent a minor in such an application, he cannot necessarily have an authority to receive payments on the minor's behalf unless he is also the legal guardian, and hence no certificate should be granted to the guardian unless he is appointed a guardian under the Guardians and Wards Act. Now must an insurer, in order to keep his good faith unstinted, go behind the certificate and ascertain that the next friend producing the succession certificate in his favour also holds a Guardianship Certificate granted under the Guardians and Wards Act? The point is not at all free from doubt and I should like to suggest here that the expression 'good faith' should either be completely omitted from the wording of Section 381 or its meaning be more clarified by addition of a proviso to that Section.

The second point that I desire to touch upon in this regard relates to the survivors in a joint Hindu family who can claim proceeds under a policy issued in the name of a deceased member of the joint family without producing a succession certificate or Letters of Administration. It is a generally accepted proposition that inasmuch as such survivors claim by reason of the doctrine of survivorship peculiar to Hindu Law, and not by succession, no succession certificate or Letters are necessary in their case. Section 214 of the Indian Succession Act, which says that no Court shall pass a decree against a debtor of a deceased person for payment of the debt unless the person claiming the debt produces a succession certificate, Letters or the Administrator General's Certificate, does also not apply to such cases because that section has been made sepecifically applicable to claims arising on succession. It is therefore not unlikely that someone belonging to this species of insurance claimants may refuse to produce a succession certificate or Letters of Administration and may proceed to file a suit against the insurer for recovery of the policy moneys in their right as survivors. However, though the possibility of such an eventuality can be envisaged, the probabilities of its accurrence are at present extremely meagre. Because in the first place, a person will not be advised to plunge into this sort of litigation against an insurer unless there is at hand a sufficient and sound evidence to prove as a fact the existence of a joint family as well as to establish further that the premiums were paid from the joint family property;and we know how difficult it would be for anyone in these days when the joint family system is rapidly breaking down under the stress of circumstances and fast turning itself into a fiction, to collect such evidence. Unless the legal advisers of such alleged survivors feel themselves to be standing on a sure ground in this respect, the tendency often disclosed by the Indian Courts to presume a life policy to be a separate property of the deceased, will most certainly dissuade them from advising their clients to take that course. As long back as in 1912, the Madras High Court observed in "Balamba Vs. Krishnayya" — "prima facie, what is paid as a premium is a man's own property". In 1933 the Nagpur Judicial Commissioner's Court, in its judgment in Sugandhabai Vs. Kesarbai, remarked: "it is true no doubt that an insurer's policy could be taken out for the benefit of the joint family, but the presumption would be against that as a rule." The Madras High Court has in a recent judgment (Mattupalli Venkata Subba Rao and others Vs. Mattupalli Lakshminarasamma and others) gone a step further and held that when a coparcener of a joint Hindu family insures his life, he intends the benefits of the policy for his heirs and not for the other coparceners, and the utmost that the other coparceners in equity can claim is that the assured should be debited with the premiums which have been paid from joint family funds. And if in spite of all this, a suit does come to be filed on the ground of survivorship, the heirs on intestacy will be necessary parties to the suit, the real dispute being between them and the persons claiming as survivors, and the insurer can then remain in the comfortable position of a silent observer who has merely to abide by the Court's decision. What usually happens in such cases is this that the alleged survivors, being conscious of their difficulties, merely play the dog in the manger. So that, when the heirs on intestacy like the widow, the sons or daughters, apply to a Court for a succession certificate those alleged survivors who are mostly the brothers or the father of the deceased, oppose it. It being a summary proceeding, the Court then grants the certificate to the heirs and refers the contending parties to a separate suit.

So it would seem that if in all cases where the policy-holder has died intestate and without leaving behind a duly constituted assignee or norminee, an insurer decides to sit tight on a demand for a succession certificate or Letters of Administration, his job will be quite simplified. He can just sit with folded hands closed eyes until either of these falls into his lap. But as our usual experience shows, adoption of this procedure by an insurer creates for him problems in another direction, the first of these being a voluminous increase in the number of outstanding claims. The reason is that though the insurer finds it quite easy to call for a certificate or the Letters, to obtain it is quite a job for the claimant and he or she does not find it as easy. To illustrate, let us assume that a gentleman X who belongs to the average class of policy holders in this country, dies leaving behind a widow A, some children and two or three brothers. A and her children have then to seek shelter either with one of her brothers-

in-law or with her own father. These relatives, though they readily give to the unhappy family a temporary shelter under their own roof, are not quite willing to run about or spend for obtaining the succession certificate or the Letters. They have their own preoccupations and are themselves living from hand to mouth. Sometimes, out of selifish motives, they just try to put off the thing. A, the widow, being not literate enough and being without the necessary financial means, is not in a position to look after this job. Thus years pass before anything is done about it. Moreover, the story does not end there. The delay caused has further repercussions by way of an unfavourable impression about the utility of insurance on the mind of the average man in the street. "What's the good of it?" He begins to ask. He may not be right in his judgment, but the fact is that he does start thinking in these terms, and it hardly needs to be added that this in its turn tends to affect adversely the business interests of the insurer. It were these problems that have prompted some insurers to devise other methods like taking consent letters from other possible sharers or heirs and indemnity bonds.

No doubt, consent letters and indemnity bonds ensure a good measure of safety for the insurer and the claimants also find these conditions easier to fulfill. But very often this method also does not work. In the case of Hindu policy-holders, the possibility of the family being a joint one cannot be discounted and hence it is considered necessary to obtain consent letters from the father or brothers of the deceased in favour of the widow or sons. Under Mohamedan Law relatives like the father, mother, daughters, brothers and sisters are also entitled to a share in the estate of a deceased person along with the widow and the sons and hence their consents have to be obtained in the case of policies belonging to Mohamedans if the widow and children are to be benefitted. But these other relatives of the deceased are often not prepared to sign the consents for one reason or another. Sometimes they themselves have an eye on the money and sometimes they are afraid that the widow may remarry and the amount may thus pass into the hands of her second husband. Then again the widow or the sons are also unable to find out proper persons who would be willing to stand sureties for them and sign the indemnity bond along with them. I should therefore like to observe and emphasise that if life insurance is to be popularised in this country, a bolder approach on the part of the insurers to this problem and in finding a solution thereof is absolutely necessary. In this land a majority of the policyholders of any insurer is bound to be comprised of Hindus and as observed above, the Nagpur and the Madras High Courts have already given our insurers the necessary lead in the matter of deciding the question about succession to policies of persons belonging to this class. In particular the recent decision of the Madras High Court in Mattupalli Venkata Subba Rao Vs. Lakshminarasamma to which I have referred above and which unequivocally declares that even when a coparcener in a joint Hindu family insures his life the policy should be treated as a separate property, is revolutionary in character, and ought really help our insurers a good deal in shedding down their fears about the doctrine of survivorship in Hindu Law. It is true that this view is yet to be confirmed by other High

The policyholder, while effecting the assignment in favour of his minor son or daughter, is completely ignorant of the fact that by this act of his the title to the policy is going to vest immediately and completely in the minor. Our courts have consistently held that even when an assignment is under its terms liable to be defeated on the happening of a specified contingency like the death of the assignee, still until such contingency actually takes place, the title remains with the assignee. So then, when this policyholder afterwards approaches the insurer for a loan and the insurer tells him that he has not got the right to mortgage the policy and so the loan cannot be granted, he simply gets infuriated over it and as usual starts blaming the insurer. However the minor assignee is usually the policyholder's own child and therefore in his capacity of a natural guardian the policyholder has always got the right to mortgage the policy if the loan is required to satisfy the minor assignee's lawful need. But in such cases the Hindu Law throws a burden on the mortgagee to enquire and satisfy himself about the existence of such a necessity. And hence I have always felt that in such cases, it would be proper for the insurer to accommodate these policyholders if they are willing to give an indemnity and make a declaration that the loan is required to satisfy a legal necessity in respect of the minor assignee. I think the declaration will be sufficient to establish the bonafides of the insurer and in addition to this the indemnity will be available to him at any time to fall back upon.

When interest in a policy devolves on the minor as a result of the policyholder's death the situation is not much of a problem because in that case the minor's property is to be received and not mortgaged on his behalf. In such cases the mother of the minor children of the deceased policyholder is usually there to act as their guardian. Under Hindu Law, a mother as the natural guardian of her children has every right to receive the policy amount on their behalf and give a valid discharge in respect thereof. And when she is thus receiving the amount I do not think that it is really necessary to require her to give any additional sureties. I say this because in law she is entitled as of right to the custody of the child's property and in case she commits a breach of faith the remedy of the minor will be against her and not against the insurer. The only care that the insurer need take is this that he should see to it that the mother gives the discharge as a guardian. Under Mahommedan Law however the mother is considered only a de facto guardian in so far as the minor's property is concerned. But she being the mother, I think that the policy moneys should be paid to her even as a de facto guardian especially when small amounts are involved. But in the case of other relatives like a step mother, eldest brother, or a paternal or maternal uncle who may be assuming the guardianship, I think it would be always proper to call for a Guardianship certificate granted by competent Court under the Guardians and Wards Act. I say this not so much out of an anxiety about the safety of the insurer's interest but because I fear that the minor's interest is more likely to be harmed than served at the hands of these relations. The standards of personal integrity in this country are unfortunately far below the level at which we can rely on people blind fold.

In reference to this topic of a minor's interest, I have also to make another small suggestion. In Section 39 of the Insurance Act which relates to nominations, a proviso had been introduced under which a policy holder can appoint a guardian of a minor nominee. Now I should like the Government to introduce a similar provision in Section 38 which relates to assignments of policies. I really cannot see why this was not done at the very time when the amendment was introduced in Section 39. This proposed amendment of Section 38 should be so worded that an appointment of a guardian made under it will take effect only in case a claim arises by reason of the death of the policy holder. Such an amendment in Section 38 will, I think, be in the interest of all concerned.

Now lastly, a word about the Children's education or Marriage Policies and Pension Policies. The beneficiaries under most of these policies are the wife and/or children and hence by virtue of Section 6 of the Married Women's Property Act a statutory trust is constituted and the policyholder is divested of the title to the policy at least until so long as the beneficiary is in existence and the policy is not subject to his control during the subsistence of this trust. But some confusion is being caused in cases where the interest of the beneficiary is contingent and is to arise only on the death of the policyholder, because there is no unanimity amongst our High Courts as to whether Section 6 of the Married Women's Property Act applies even to such cases. While some High Courts have held the view that Section 6 does apply to such cases and a contingent trust is created, the Bombay High Court has expressed a view that no trust is created until the contingency takes place. It will be better if this controversy is set at rest by so amending Section 6 of the Married Women's Property Act that it will cover even such policies under which the beneficiaries take contingent interest. In regard to policies of this variety that do not come under the Married Women's Property Act an interesting point arises as to who is really entitled to recover the amount from the insurance company, viz., the beneficiary or the executors or other legal representatives of the policyholders? The beneficiary is not a party to such contracts and the general principle is that a person who was not a party to the contract cannot sue on it. Acting on this principle it has been held in some cases that it is the executors or other legal representatives of a policyholder and not the beneficiary mentioned by him in the policy who can sue for the policy amount. Now if from this it is to be deduced that the right to sue on a contract is synonimous with the right to receive the benefit under it then that would make the insurer's position very difficult because the very purpose for which the policy was issued by him and taken by the policy holder will thereby be thrown to the winds, and he will be forced to inform the beneficiary that the amount cannot be paid to him unless the legal representatives give their consent to it. However to me the correct legal position appears to be this that when there is a contract between A, the insurer and B, a policyholder, that C is the person entitled to receive the amount under the contract and the amount is not paid to C, then the cause of action for a suit will arise in favour of the executors or other legal representatives of B: but otherwise the right to receive the amount from A will always remain in C as per terms of the contract.

During the day to day administration of an Insurance Company a number of questions relating to title to policies arise and while a good many of these are similar in nature, some of these so arise out of the facts of that particular case that each has a different appearance altogether and requires to be treated according to its own needs. However, for this humble contribution of mine, I have selected a few of the former variety and I have tried above to deal with them as best as I could. To put my view in a nut-shell, I will say that a little more co-operation on the part of Government and some more initiative on the part of the insurers will together help to solve the different problems that arise in this matter. And in conclusion I cannot help remarking that if our field-workers will undertake the all important task of bringing more enlightenment to our policyholders scattered far and wide, about the different problems that can arise in regard to the title to a life policy and how all these can be nipped in the bud if he shows a bit of prudence and effects a nomination or an assignment in good time, most of our difficulties in regard to this subject will see their end.

Paper read at the 10th Indian Insurance Conference

Indian Insurance Institute

SILVER JUBILEE CELEBRATION

Presidential Address of SRI S. C. ROY, on 14th May, 1955.

THE Institute was established in one of the most formative periods in the political and economic history of the country. As I look back over the eventful years that followed, the first thought that comes to mind is of our Past Presidents who are no more with us to share in this happy celebration—of our Founder President, Surendranath Tagore, who launched the Institute on its career, of Sir Nilratan Sircar, Mr. Nalini Ranjan Sarker, Mr. A. C. Sen, Mr. J. C. Ghosh Dastidar and Mr. S. P. Bose. I would request you to stand up and observe silence for a minute as a mark of respect to their memory.

This Institute you may recall was founded at a time when Indian insurers were struggling hard to find a place for themselves in the insurance market of their own country. The market itself was limited in scope and a large part of the life business and most of general insurance were controlled by powerful foreign companies. The state of Insurance legislation left much to be desired. The administration was indifferent to the legitimate claims of the indigenous industry. The insurers, moreover, had to contend with their own inexperience, and the ignorance of the public regarding insurance and its significance to the national economy. It was in such circumstances that the Institute was formed, to provide a forum where all those interested in insurance could gather, discuss its problems, and divise and implement measures to foster its development on sound lines. The Indian Insurance Institute was the pioneer of the Institute movement in our country and its activities covered a very wide field. We are happy that, subsequently, organizations of insurance men have been set up in various centres of the country to serve as focal points for the growth of the Institute movement, for this development provides a reliable indication of the progress of the insurance industry.

The total volume of new life insurance sold by all insurers in 1930, the year in which the Institute was established, was Rs. 27.5 crores. Of this, Indian insurers wrote just Rs. 15.75 crores, the remainder going to non-Indian companies. The total amount of life insurance in force was Rs. 154.5 crores of which Rs. 84.75 crores comprising 513,955 policies were insured with Indian companies. Indian companies in those days could hardly look for any support from the Government. The Year Book published in those days presented the statistical information in such a manner as to show Indian insurance in the worst possible light. Incidentally, I may mention that this objectionable feature enabled the Institute to make its presence felt in the very year in which it was established. The Institute was able to ensure that subsequent editions of the year book were free from such obnoxious features.

Many changes have taken place since that time in the fortunes of the country and of the insurance industry. These effects are also reflected to some extent in current insurance statistics. In 1953, the latest year for which authoritative figures are available, the total amount of life assurance in force amounted to Rs. 961.89 crores of which assurance for Rs. 8,29.29 crores were with Indian insurers. Non-Indian insurers accounted for less than 14 per cent. of the total business. During the same year new life business written by Indian companies amounted to Rs. 137.46 crores and by non-Indian insurers to Rs. 17.03 crores. During the last quarter of a century the life business transacted by Indian insurers has increased more than ten fold.

In the field of general insurance, Indian insurers in 1930 had just made a tentative beginning. In 1953, Indian insurers had a global net premium income from non-life business of Rs. 15.06 crores of which premiums inside India amounted to Rs. 6.77 crores, about 50 per cent of total general premiums written in India. Many factors have contributed to the change in the fortunes of Indian insurance. Among these must be counted the services rendered by the Institute, through publicity and propaganda and its educational activities, in creating conditions for the growth of the indigenous industry.

The principal object of the Institute is the healthy development of insurance in this country, especially the indigenous section. To that end it has taken an active part in shaping Insurance legislation. Propaganda for Indian Insurance through available media of publicity was another activity which was effectively pursued. Insurance education, through public lectures and special courses for students appearing for examinations of the I.L.A.O.A., is an activity of growing importance. The Institute has always recognised the importance, for the development of insurance, of a body of field-workers aware of their rights and obligations. It took the initiative in the formation of fieldworkers' organization through conferences held under its auspices. And it has always upheld their cause when their interests were threatened by adverse legislation.

Our activities naturally are bound up with insurance, but our horizon is not limited to the interests of insurance-men or of the insurance industry. We regard insurance as a powerful device of promoting the social good without interfering with the liberty of the individual. Insurance offers the means which, if wisely utilised, will help to banish the terrible poverty and misery afflicting our land, of which we see evidence on every hand, in the army of beggars crowding the pavements and public places of Indian cities, the widespread unemployment, malnutrition epidemics and low expectation of life.

Now-a-days we hear of the socialistic pattern of society on every side. It has gained widespread acceptance as symbolising the goal of national effort in the economic sphere. For us insurancemen, the content of the socialistic pattern of society does not represent any strange principle. The socialistic pattern implies

recognition of the fact that we are all members of one body and what affects one cannot be a matter of indifference to others. In actual practice it should lead to the elimination of inequalties and the equitable distribution of work and reward.

Insurance, we can claim with reason, is based on the same principle. Insurance seeks to give practical, institutional expression to the principle of "All for Each and Each for All", among the groups of persons who come together as policyholders of an insurance company.

When the operations of insurance extend over the entire range of the population, we can confidently assert that we shall be within easy reach of a socialistic pattern of society. Insurance, in my view, offers the safest and surest means of establishing a socialistic pattern, perhaps not without a lot of sweat, but certainly without "blood and tears". If this idea is understood by those who mould public opinion, the progress to socialism in our country need not be punctuated by expropriation, class war and the regimentation of bodies and souls. There will be no need either for the State to embark on economic enterprises of dubious value.

Insurance not only shows the straight road to a new social order, but also provides society with the resources of power necessary to move forward in that direction. It activates the individual, by appealing to his self-interest, to make the maximum voluntary contribution to social progress. The funds thus collected provide the capital for socially beneficial enterprises.

A realisation of this fact is, I suspect, responsible for the interest displayed in high quarters for the nationalisation of insurance. I wish I could say that this realisation of the value of insurance is accompanied by an understanding of its optimum development. The existence of a number of companies ensures progressive efficiency and expansion of the service. There is little reason to think that nationalisation of existing companies, either wholesale or piecemeal, will make either for economic efficiency or expansion of the service.

In this connection I wish to emphasise that the socialistic pattern does not consist merely in taking away extra money in the hands of the people or transferring undertakings from the private to the public sector. It involves the much harder task of ensuring equal amenities for all, along with a rising standard of life. There is quite a lot that Government can do in this respect without laying hands on the insurance industry.

The creation of a comprehensive system of social security should have priority in the programme of a Government committed to the socialistic pattern A beginning has been made with the Employees' State Insurance. But so far it offers only very limited protection and to a very small fraction of the industrial population. A comprehensive scheme of social security will provide health insurance to every one in the country, old age pension unemployment allowances, etc. These are departments of insurance where the Government alone can act effectively. It is also necessary in the interests of ordered progress, that it should act without delay. The example of Great Britain is there to show that the widest extension of social insurance can exist side by side with a flourishing insurance industry in the private sector.

The problem of drawing up a workable plan of social security for our country is certainly not easy. And once the plans are drawn, implementation bristles with organizational problems which will tax all the resources of the Government. When so much remains to be done in the public sector, it is strange to find responsible people diverting attention from the task on hand by dallying with the idea of nationalising insurance companies. The one sure consequence of such a step will be the aggravation of unemployment which is already formidable.

As I have indicated earlier, our outlook is not coloured by any sectional interest. The Institute had its origin in the desire of its sponsors to forward national interests in the sphere of insurance. Since then it has served as a forum for the exchange of views among all categories of people interested in insurance, and for objective study of the problems of insurance from the point of view of national interest. Our mission is to carry the proved benefits of insurance to every home in the country. Let me conclude with the hope that Government policies regarding insurance will be realistic and leave sufficient room for insurancemen and organisations to play their part in helping the nation forward to its cherished objective. Let us hope that insurers for their part will accept the challenge of the times and, by improving the scope and quality of their service- by introducing new lines of insurance—play a worthy part in this great enterprise on which the nation has embarked, for securing Freedom from Want for the Indian people.

Mr. N. Rama Rau's observations on Life Insurance Business.

(Excerpts from the Chairman's speech delivered at the Annual Meeting of the United India Life Assurance Co., Ltd., on 14—6—1955.)

THE year 1954 marks a definite stage in the progress of Life Insurance business in our country. On a previous occasion, I referred to the reduction of premium rates which quite a number of Companies adopted. At that time, there was still an active controversy as to the wisdom of reducing premium rates in the then existing circumstances. Reduced premium rates have, however, not only come to stay but we find that the reduction has helped to make life insurance more popular. The new business figures for various companies published in recent months show that quite a number of Companies wrote a larger volume of new business during the year 1954. In the case of a few Companies, the increase in new business was phenomenal. As against this, it has to be noted that one feature of the new business of 1954 was that a portion of it merely replaced old business that had been written previously but lapsed or made paid-up following the introduction of new reduced premium rates. Such an experience is inevitable, when there is a sudden marked reduction of rates. But we may reasonably hope that the adverse position created thereby will not take long to be corrected. Whatever temporary difficulties, Insurance Companies may find in adjusting themselves to the changed situation it must be recognised that a reduction in premium rates was overdue and that such reduction is bound to quicken the pace of development of Life Insurance business in this Country.

Yet another feature of 1954 business was the vigorous pursuit by some Companies of what has come to be known as Staff Insurance Schemes. There is a controversy still raging about the ethics and wisdom of transacting business under such Schemes. I have read latterly quite a number of criticisms offered in respect of the introduction of such Schemes. The principal objections that have been voiced in this connection are that insurance agents stand to suffer on account of transacting business under such Schemes, that the premiums paid by policyholders under ordinary policies may be used to subsidise the business done under Staff Insurance Schemes and lastly, that as only certain Companies are in a postion to write business under these schemes they should not be allowed to do so, and thus prejudice the interests of other Companies. The Executive Committee of the Life Insurance Council has had occasion to examine this question and it has expressed its views. As a result of further representations made on the subject, I understand that the Committee may shortly give further consideration to the issues involved. To my mind, there is nothing inherently wrong in Staff Insurance Schemes. These schemes are bound to enlarge the scope of life insurance among the Office and industrial workers and thus popularise insurance in a greater measure. There is no reason why the position of agents should suffer. These schemes are intended to reach large sections of the industrial workers whom the insurance agent has not been able to influence in the past. So long as a Company observes the considerations of equity between different sets of policyholders I think Staff Insurance Schemes are a welcome feature in our business and ought not to be discouraged.

The future of all insurance business in this Country is bound up with the completion of the various schemes now in progress and in contemplation for the improvement of the economic prosperity of our people. India, as you all know, is a poor country and a backward one. The First Five Year Flan, the Second Five Year plan and other plans are all intended to raise the status of the people, make them economically sound and strong, increase the wealth of the country, provide employment for every individual, and improve the general standard of living amog all classes. We owe it to our National Government that they are determined to gain these objectives and that they are mobilising all forces for their achievement in the shortest possible time. We are reaching the culmination of the First Five Year Plan which is aimed at establishing agricultural self-sufficiency and increasing hydro-electric power and fostering of some industrial activities. The Second Five Year Plan is a more comprehensive one and will bring into existence new enterprises of different kinds which are bound to add substantially to the national income. Rapid growth of communications and industry combined with improvement of conditions of public health and sanitation and medical facilities may be expected to make the country prosperous and the people richer. Necessarily, these improvements ensure a great future for life insurance business. I expect that the business will improve not only in volume but in quality. I also feel that in expanding the market, in extending the services and in creating the urge to save for the future for the benefit of oneself and his dependents, trained life insurance men can and will play a worthy part.

National extension programmes, rural development projects, hydro-electric schemes and the irrigation systems will give a new orientation to village life and rightly so, because villages constitute the the backbone of our country. The rural population is yet hardly insurance-conscious and that is due necessarily to the poverty and ignorance of the people and the precarious nature of agricultural income apart from lack of communication, banking and postal facilities. This picture will fade away gradually as the effects of the National Plan begin to be perceived. It will be an advantage if Insurance Companies should also have a plan to cope with the new needs and opportunities that will arise as the country's economic prosperity increases. This plan must include the training and employment of an insurance agent who will do his prospecting, fact finding, sales and service in the village, to whom a larger measure of work will be delegated, such as collection of premiums and issue of receipts taking heights and weights etc.

In the urban areas, we may look for a

growing demand for Group Insurance and Group Superannuation Plans. In post-war years, policies of this type have become very popular in some advanced countries of the West so much so that we are told that now a third of life insurance business in the United Kingdom and nearly one half in the United States is written under one or the other of the Group Schemes. Under certain conditions, the contribution made by the employer towards this type of policies ranks for incometax allowance, both as a deductible item of expense in so far as the employer is concerned and for abatement of incometax, in so far as it relates to the employee. I need not go into the details of the cover that may be granted by such policies but I feel that the scope for the development of such business in the coming years is vast.

In the context of better conditions for life insurance in future, it is worthy of note that the Government has given effect to the recommendation of the Taxation Enquiry Commission and raised the limits for abatement of incometax on insurance premia from 1/6th to 1/5th of the total income subject to a maximum of Rs. 16,000/- in the case of Joint Hindu Families and Rs. 8,000/- in the case of individual assessees.

Now and again, we hear about nationalisation with reference to various economic activities. Insurance has also attracted some attention in this context. We have been told that the subject is being examined at departmental level and the Prime Minister is reported to have said recently that nationalisation of Banking, Insurance and Mines will be considered when the proper time comes. One is tempted to ask what exactly is the purpose of nationalising a business like insurance. Insurance, no doubt, plays a great part in the development and maintenance of a nation's economy and it is essential that every country should be equipped well for rendering this service adequately and efficiently. The services which insurance can render whether as regards variety or as regards volume depend on the changing or expanding needs of the people from time to time. Private enterprise carried on under the stress of competition is always alert and eager to watch and study the changes constantly taking place in the habits and minds of the people and to quickly adapt itself in such a way as to meet new needs as they arise. Its success depends on the initiative and drive that can be displayed in its day-to-day working. Can a Government Department with its official inhibitions, its standardised methods, and its inseparable nexus with red tape ever be expected to fulfil these functions satisfactorily. I am quite certain in my mind that insurance service performed by a Government-al Agency can never equal the efficiency of service rendered by Companies operating in the private sector. So long as there is no evidence that private enterprise is either unwilling or is unable to satisfy the requirements in adequate measure, it would be inexpedient to nationalise insurance industry in this country. I am fully aware that the conditions of modern life make it necessary that the State should make itself responsible in many ways for the welfare of the people. In an underdeveloped country like ours, anxious to make quick progress and aiming at making itself strong and self-reliant, the need and scope for state enterprise is all the greater. Those fields of activity which private enterprise cannot enter for want of resources, or should not be allowed to enter for reasons of security or of national importance must necessarily be the special responsibility of the State. But by no stretch of language, can insurance be said to belong to this class.

News

Indian Life Assurance offices Association urges withdrawal of Staff Insurance Scheme.

The Executive Committee of the Indian Life Assurance Offices Association, after considering the modifications made by the Life Insurance Council regarding the Staff Insurance Schemes, have urged the Council in a representation to withdraw the Scheme as it makes invidious distinction among insurers.

It is felt that the so called modifications imposed by the Committee on the business that is written under the Staff Insurance Schemes in no way touch the fundamental aspect and does not remove the evils underlying the writing of business under the said Schemes. If anything, they aggravate it further, inasmuch as they make an utterly unwarranted distinction between Insurers organised on Branch basis and those on Chief Agency basis, and give an advantage to the former over the latter as a result of stoppage of payment of any commission to the Agents. The Association is convinced that Staff Insurance Schemes are objectionable in principle, adversely affect the interests of Insurance Agents, Insurers and Policy-holders alike and are detrimental to the growth of healthy development of Life Insurance business in the country. The Association strongly urges the Council to follow the principle accepted by its Executive Committee in the year 1952 that Life Insurers in the country should adopt the same rate of premium for the same type of benefits offered to all persons enjoying the same standard of life and longevity and that no distinction be made between one citizen of India and another on grounds other than those that affect his health and habits such as occupation etc. The so called benefit to the consumers pleaded in its favour does not stand close scrutiny when examined against the interests of the entire body of policy-holders, who in fact, along with the agents, subsidise to some extent, the reductions made in favour of the select few employed as salary earners.

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Amendment of Section 44

While expressing general agreement with the provisions of the non-official Bill (Bill No. 11 of 1955) introduced in Rajya Sabha by Mr. B. C. Ghose, to amend Section 44 of the Insurance Act, the I.L.A.O.A. have drawn attention to the following points.

(1) The operation of Section 44 should be extended to loyal field workers who die while working for their companies and in whose case at the time of death, the general qualifications laid down in the sub-section 2 of section 44 would have applied.

(2) Provision should be made enabling the agent to change nominee by sending formal notice to the company. Provision should also be made to enable agent to appoint a guardian in case nominee is a minor.

(3) In view of doubts raised by Section 40, it should be made clear that nominee of heir would not be obliged to take out a license for receiving hereditary commission.

(4) Provision should be made for cessation of payment, when hereditary renewal commission falls to less than Rs. 12 per calendar year.

(5) The words in the proposed proviso to Section 44 (2) in the Bill, "and the insurer shall not be liable for any payment made bonafide by him to such nominee or nominees" should be replaced by the words, "and the payment of such commission to the nominee shall be an effectual discharge to the insurer".

The Mysore Insurance Guild

Office bearers — 1955-56

President: Mr. V. K. Srinivasan (Empire of India);

Vice-President: Mr. Gudibande S. Ramarao (Sterling General);

Jt-Secretary: Mr. T. V. Raghavendrarao (Ruby General);

Secretary: Mr. T N.C. Satagopan (United India Fire & General);

Committee Members: Mr. T. K. Krishnaswamy (Bombay Mutual); D. V. Ramaswamy (National Indian); S. Visweswariah (Vanguard); S. Ram (United India); K.R. Chandrasekhar (Lakshmi);

Calcutta Insurance Limited

We are glad to learn that Sri Asoke Kumar Sarkar of Ananda Bazar Patrika, Hindusthan Standard & Desh has joined the Board of Directors of Calcutta Insurance Limited. We feel confident that with Sri Sarkar's vast experience and wide connections all over India and under the able management of the Director-in-Charge Sri K. C. Das, this progressive Composite Company wil grow from strength to strength.

Jamshedpur Insurance Employees Association.

"In a largely attended general meeting of the Insurance employees of Jamshedpur held on 27-4-55 at the Library Hall of Shri Ram Mandir a Trade Union under the name of JAMSHEDPUR INSURANCE EMPLOYEES ASSOCIATION was formed with a strong Executive Committee of eleven members — all from amongst the employees. The office of the Association has already been opened at No. 20, Taunk Building.

By forming a Union covering the employees of all the Insurance companies—Life or General — working at Jamshedpur the long felt want of an organisation to strive for the amelioration of the grievances of the Insurance employees of the 2nd largest city of Bihar has thus been removed."

Sri N. Swaminathan, B.A., J.P.,

Sri N. Swaminathan who had been hitherto the Branch Secretary at Madras of the Oriental Govt. Security Life Assce. Co., Ltd., has been promoted as Assistant Agency manager at the Head Office at Bombay.

Sri K. N. Samant

Shri K. N. Samant, hitherto manager of the East & West Insurance Co., Ltd., has been appointed as the Administrator to the Company vice Mr. M. J. Rao.

Oriental Govt. Security Life Assurance Co., Ltd.,

We understand that Mr. K. R. Srinivasan, B.COM., F.I.A., Actuary has been appointed to act in the place of Mr. L. S. Vaidyanathan, Manager, who is on leave preparatory to retirement. Mr. S. N. Vaidya, B.COM., F.I.A., the Deputy Actuary is acting as Actuary.

"Bombay Fire & General" changes hands

We learn that the New India Assurance Co., Ltd, Bombay have acquired a controlling interest in the Bombay Fire & General Insurance Co., Ltd., The Company was started as a subsidiary to the "Bombay Life" and later on it was taken over by the Royal Insurance Co., as its Subsidiary concern.

Indian Insurance Institute

Office bearers — 1955-56

President: Sri. A. B. Chatterjee (Metropolitan Ins. Co. Ltd.)

Vice-Presidents: Sri. P. K. Sen (Calcutta Insurance) Sri. H. C. Naug (Palladium) Sri. S. K. Mazumdar (Fire & General) Sri. P. M. Dalal (General Assurance) Sri. J. Banerjee (Hindusthan Co-opt.)

Treasurer: Sri. S. C. Chatterjee (Eastern Mutual)

General Secretary: Sri. B. N. Choudhury (Hindusthan Co-opt.)

Joint Secretaries: Sri. A. B. Mukherjee (Hindushtan.) Sri. A. C. Niyogi (East India.)

Auditors: Messrs. Roy & Bagchi, Chartered Accountants.

Council Members: Sri. S. C Roy (Aryasthan) Sri. A. T. Pal (National Indian) Sri. S. D. Srinivasan (National) Sri. H. K. Sen, Actuary (Aryasthan) Sri. S. K. Acharyya Choudhury (Bangalakshmi) Sri. N. G. Lahiri (United India) Sri. Sukumar Chatterjee (National Indian) Sri. U. N. Pal (Indian Economic) Sri. A. L. Ghosh (Oriental) Sri. T. Ghosh, Actuary (Cal. Ins.) Sri. S. N. Roy Choudhury (Bombay Mutual) Sri. N. C. Ghosh (Empire) Sri. B. N. Mukherjee (Hindu Mutual) Sri. B. B. Bose (National.)

Obituary

We record with deep regret the passing away of Mr. P. V. Subramony Iyer, the former Agency Manager of the "Oriental" recently. It may be recalled that Mr. Iyer, who joined service of the Company early in 1908, rose to be the Agency Manager of this biggest institution by dint of his capacity and hard work.

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National Insurance Co., Ltd.,

Dr. K. N. Katju lays the Foundation stone of the Delhi Building.

In the presence of a large and distinguished gathering, Dr. Kailash Nath Katju laid the foundation stone of the National's new five-storied building at Parliament Street, New Delhi on May 3, 1955. The building, when completed, will add to the architectural beauty of the Capital. Mr. Lakshmipat Singhania, the President of the Company, Mr. S. D. Srinivasan, the Manager and Mr. P. Nandy, the Public Relations Officer were present.

Mr. Singhania, in the course of his address, commended the value of private enterprise and more particularly in the insurance business and said that lack of proper appreciation of its merit on the part of some had led to frequent talk of "Nationalisation" of the business. Referring to the low per capita of insurance in the country, he pointed out that there was enormous scope for expansion of insurance; with the improvement that is taking place in the means of communication and credit facilities to the rural parts, insurance business was bound to develop on a very large scale. Dr. Katju, described the insurance companies as the custodians of public funds and hence they are a great national asset.

Expressing his thanks to the invitees Mr. S. D. Srinivasan gave an outline of the Company's decentralisation programme which would offer more and more service to the public. The guests were treated light refreshment and tea.

Change of address.

The Industrial & Prudential Assurance Co, Ltd., Madras branch Office, have moved into their newly purchased building at 167, Mount Road Madras recently. The function arranged on May 2, 1955 in this connection was well attended and many well-known Officials and non-officials were present.

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Review

United India Life Assurance Company, Ltd., MADRAS.

ESTABLISHED in 1906, the United India Life Assurance Co, Ltd., is completing its 50 th year of service to the public and it is gratifying to learn that the Directors have proposed to celebrate the Golden Jubilee next year in a fitting manner. The Company has been steadily progressing all these years on approved principles of Life Assurance and has gained a good name all over the country for its progressive efficiency and equitable dealings with the public. With the training classes offered to its field force at the Head Office and the Branch Offices, the field workers are being equipped with the technical and other knowledge necessary to serve the public more efficiently. The year 1954 was the most fruitful year for the Company. The new business written is an outstanding record in its annals. Further during the year, the business and assets of the "Winterthur Swiss Life Assurance Company, Ltd.," has been taken over as a result of which, the assets of the Company stood increased by a sum of Rs. 63,38,160.

During 1954, the Company issued 17,233 Policies assuring sums of Rs. 5,30,06,733 at an annual premium income of Rs. 27,75,115. The new business showed an increase of Rs. 1,50,81,038 over the previous year. The total income amounted to Rs. 1,68,17,358 out of which the renewal premiums were Rs. 1,13,48,876. Income from other sources increased to Rs. 31,89,166, giving a net yield of 3.58%. The renewal expense ratio showed a reduction at 14.75%. The claim amounts paid to policyholders and beneficiaries during the year were Rs. 63,03,016 while such payments from the inception exceeded Rs. 3.93 crores.

The total business in force amounted to Rs. 30,57,74,981 under 1,29,778 Policies and the average sum assured on the new business was Rs. 3,076 A sum of Rs. 1,28,16,302 was added to the Life Fund, raising it to a total of Rs. 8,77,14,895.

As one of the leading institutions in the country, we have no doubt that the Company will march ahead more rapidly and serve the public to their satisfaction as hitherto. We wish the Company all success.

Registered No. M. 3297.

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