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THE INDIAN POLICY-HOLDER

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Federation of Insurance Institutes.

If "Knowledge is power" as is commonly held, Insurance knowledge, that is greatly wanting even among the majority of those engaged in the business today in India, if imparted efficiently and wisely to one and all, the business of Insurance in the country would develop more rapidly and on right lines. It is therefore hardly possible to find a better suitable Memorial to that great veteran Insurance executive, administrator and chairman, the late Shri Jivanlal Setalvad, than the establishment of a well conducted Insurance Institute in India similar to that of the Chartered Insurance Institute of Great Britain, with a team of experienced Office bearers and well qualified staff and enough funds to fulfil the ambitious objects set forth in the Constitution and Bye-Laws. Connected with the business of Insurance for nearly four decades, the late Mr. Setalvad brought into existence with commendable zeal and enthusiasm the two Institutions in the field of Insurance, the Industrial and Prudential Assurance Company, Limited, to transact mainly Life Assurance Business and the Vulcan Insurance Company, Limited, to transact General Insurance Business. Due to his untiring efforts and able management, these two Companies command today countrywide organisation and enjoy public confidence in an abundant measure. As one keenly interested in the promotion of Insurance consciousness in the Country and as the President of the Indian Insurance Companies Association, Bombay, for a number of years, Mr. Setalvad laboured hard and contributed his share for the enactment of the Indian Insurance Act, 1938 and all the subsequent amendments thereto. To perpetuate the memory of such a stalwart in Indian Insurance, the Federation of Insurance Institutes, is a fine monument and those gentlemen that are responsible for bringing into being this Federation and Mr. C. R. C. Gardiner, O.B.E., its first President, deserve ample tributes at the hands of one and all connected with the business of Insurance in India.

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CONTENTS

	Page
Editorial:	3
Federation of Insurance Institutes	
Title to Life Policies	5
By Dr. J. P. CONTRACTOR, Ph.D. (Econ.), M.A., LL.M., (Advocate), *New India Assurance Co., Ltd.,*	
Staff Insurance Schemes—Withdrawal	23
Progress of Insurance Business in India	25
Views of Mr. A. D. SHROFF, Chairman, *New India Assurance Co., Ltd.,*	
The Nagpur Insurance Institute	35
News	39
Reviews:—	
New India Assurance Co., Ltd., Bombay.	49
New Guardian of India Life Insurance Co., Ltd., ...	50
United India Life Assurance Co., Ltd., ...	51
Central India Insurance Co., Ltd., ...	52

A few of the laudable objects of the Federation are:—

(1) To provide and maintain a central organisation for the promotion of efficiency, progress and general development among persons engaged or employed in Insurance and those wishing to make Insurance a career, with a view not only to their own advantage but to rendering the conduct of such business more effective, safe and scientific and securing and justifying the confidence of the public and employers, by reliable tests and assurances of the competence and trustworthiness of persons engaged or employed in Insurance or those wishing to make Insurance a career. (2) To encourage and assist the study of any subjects bearing on any branch of Insurance (3) To publish a Journal and any other matter deemed desirable (4) To form a Library (5) to devise and impose means for testing the qualifications of candidates for the certificates of the Federation (6) to promote personal and friendly intercourse, to hold conferences and meetings for the discussion of professional affairs, interests and duties, etc., (7) To exercise professional supervision and control over the Fellows, Associates and Individual Members, etc.,

These and the other objects provided in the constitution of the Federation, if successfully achieved, we will find in India an entirely new atmosphere for Insurance business to progress. Bad elements will automatically get out of the business and so mismanagements will vanish. The public will receive "Service" in the true sense from the Insurance Companies and "Confidence" will beget "Confidence". "Insurance" will be bought instead of its being sold as it is now. And then there will be no more necessity for our welfare State to consider "Nationalisation" under any pretext. Even as it is, it is not wise for the Government of India to interfere with a business that is successfully conducted in the interests of all, especially when men competent to give opinion, feel doubtful about the Government's capacity to manage more efficiently. Let us hope that the Federation of Insurance Institute will live long and extend its activities all over the Country to serve and achieve its cherished objects.

Title to Life Policies

BY DR. J. P. CONTRACTOR, Ph.D. (Econ.), M.A., LL.M., (Advocate),
New India Assurance Co., Ltd.,

IT is under diverse circumstances that the Life Office is required to examine title to a life policy. However, most of the circumstances would arise while it has to deal with cases of payments on requests for loans, request for surrender values, claims by maturity and claims by death. Whatever the scheme of insurance and the form of the policy, claims under such circumstances can only arise primarily from the Contract issued by the Life Office, which is not under an obligation to entertain any claim except on the basis that it is covered by the contract. It is necessary to state this proposition because insurance litigation has shown that the fact has often escaped notice that any claim to payment or other privileges under a life policy can only be made on the basis of the insurer's obligation in toto. The logical conclusion is that the Life Office cannot be called upon to perform any obligation that it has not assumed by virtue of the contract issued.

Confining the concept of title to any contingency when the Life Office is required to make any payment, the fact emerges that the obligation to pay money involves payment to some particular "person", using this word in its widest legal meaning and including in that category the Proposer or the Life Assured himself. This is obvious as the Life Office could not fulfil its obligation to pay without some direction or stipulation as to the payee.

Having made these preliminary observations, it is first necessary to examine in what circumstances title to life policies is affected when the contract fails on account of several circumstances. These are circumstances which form the pre-requisites of good life insurance contract. Five essentials to the formation of any contract would be necessary in case of insurance contract, and these are: (1) offer and acceptance (2) form or consideration (3) capacity to contract (4) legality of object (5) 'same mind' of the parties. Whether there is a valid contract or whether the contract is void or voidable depends upon the extent to which these five essentials are complied with and, since title to life policies is affected by these, it may be interesting to examine a few in some detail.

Although commonly it is presumed that the completed proposal form is the offer made by the proposer, of which the acceptance letter is the acceptance by the Life Office, it is contended that the correct legal position is that the insurance contract is not completed by the acceptance letter, that there is no obligation on the part of the proposer to pay the premium and that is only when premium is paid that there is true acceptance by the proposer. In this regard, it would be interesting to note the decision of the Calcutta High Court in an appeal from the Original Decree No. 66 of 1951 (Hindustan Co-operative Insurance Society Ltd. v. Syam

Sunder Das and others), where it was held that in certain cases there can be acceptance though it has not been brought to the knowledge of the offerer. In this case, however the offerer (the assured) asked for an act on the condition of the offer becoming a promise and that act was done by the Company, viz the encashment of the cheque without issuing an ordinary "acceptance letter". On the same basis in the case of Abdul Azeez & Co., v. New India Assce. Co. Ltd., 1953 Mad. W. N. 836= (1953) 23 Comp. cas. 28 = (1953) 2 M.L. J. 714 (D.B.) it was decided that a Contract of insurance like other contracts is concluded by offer and acceptance. If there is a stipulation that the liability will attach itself under the contract only if the premium is paid that will be a condition precedent to the policy taking effect. But that is a condition inserted for the benefit of the insurer and that can be waived 1907 A.C. 96; A.I.R. 1928 Bom. 260; A.I.R. 1935 Bom. 236 relied on.

As in other cases of contract besides offer and acceptance, "consideration" is necessary to complete the contract of insurance. As stated above, it is now considered that the true acceptance is by the proposer on payment of premium, which constitutes "consideration", the adequacy of which the law does not presume to assess. Besides, the law is not even concerned whether the bargain involved is advantageous or not.

The legal capacity to contract has always formed an essential to the completion of insurance contract. An infant has no capacity to contract and the general proposition that if a minor has entered into a contract under which he has acquired a benefit, he may repudiate such contract on attaining majority but cannot recover his consideration, covers a life insurance contract. One fact, however, may be emphasised that although life policies are often issued to minors of the age of 16 or more, the Life Office should not accept a surrender from the infant until he has attained majority.

The concept of insurable interest underlies the principle of legality of object. Any insurance without insurable interest is illegal and void, and although the existence of insurable interest is not apparent in cases of life insurance, which does not come under the category of indemnities and is independent of the value of the life insured, the parties to the contract cannot overlook the illegality involved by the absence of interest in any particular case. It would be pertinent to note that the Courts may look into the question of insurable interest and refuse to enforce the contract even if lack of insurable interest is not pleaded in resisting a claim.

Most of the life insurance cases pertain to those made by persons on their own lives where it is not possible to valuate insurable interest. However, in other cases, insurable interest must be a pecuniary interest having its foundation on an obligation recognised at law, and not merely on a moral obligation or an expectation. Whereas a person has an unlimited interest in his own life and in his wife's life, in other cases, such as interest of a creditor on the life of his debtor, or surety on the life of his principal, the Court is not inclined even to limit the amount which may be recovered to the concept of an indemnity. It is important to remember that as insurable interest has a definite pecuniary basis, family relation-

ship per se does not confer insurable interest, except in the case of husband and wife.

Another important concept is that of Uberrima Fides, which follows from the general proposition that parties to a contract must be 'ad idem' i.e. of the same mind. In case of life insurance each contracting party is expected to act with utmost good faith' It has become a settled proposition that it is the assured's duty to voluntarily disclose all material facts within his knowledge and this duty is quite independent of the answers to questions in the proposal or medical examination. Besides, certain questions affecting all mankind in general, there is always a possibility of special circumstances affecting peculiar individuals which are not likely to to be known to the Life Office and which if known to it would have been subject matter of specific enquiry. As the proposer has within his knowledge all the facts material to the risk, he is morally and legally bound to disclose not only all matters believed by him to be material but all which in fact are so.

The burden of good faith lies equally on the Life Office and if either party does not observe the principle the contract is vitiated. The policy is legally void if the proper deliberately conceals or misrepresents material facts, as this action amounts to fraud. If, however, the misstatement or misrepresentation is innocent, the policy becomes voidable at the option of the Life Office. We shall deal with this topic in greater detail subsequently.

Having examined the prerequisites of a valid insurance contract, it would be necessary to note what precautions are necessary to be taken by the Life Office for issuing the policy, as a legally enforceable document. This involves examination of questions like drawing of policy in terms of the proposal, construction of policies and loss of polices.

The policy assumes importance as an instrument evidencing the contract of insurance. Therefore, the need for the policy being drawn in clear terms appearing in the proposal and in such a form that it can be easily understood, cannot but be appreciated, especially when there is a tendency for the Courts to construe the document against the Life Office which is responsible for drawing it up. Since prima facie an acceptance does not relate back to the date of the proposal, it is essential to express clearly any intention to make a contract of insurance retrospective in effect. Similarly, a change of risk after acceptance and before the policy is issued may avoid the contract and, therefore, the Life Office would be justified in refusing to issue a policy if the acceptance is merely an intimation that is willing to issue a policy. The same result would ensue even where acceptance creates a binding contract if it is subject to condition that the risk shall be the same when the applicant tenders the first premium and risk commences. This was the principle expressed by Lord Esher in Canning v Farquhar (1886) 16 Q. B.D. 727. In view of this, determination of the time when the policy becomes effective as a binding insurance, as distinguished from a contract to issue, assumes great importance. It is equally important to remember that it is upon the policy that any action in respect of the contract can be sustained in the Courts, because that alone is the instrument evidencing the contract of insurance, despite the fact that the risk may commence before the issue of the policy.

The Courts of Law would read a policy of insurance according to its sense and meaning as collected in the first instance from the terms used in it as understood in their plain and ordinary sense. In matters of interpretation, the policyholder is given the benefit of doubt,jnst as the language of the proposal may be construed against the assured. As a rule, in cases of dispute, the courts will not look outside the policy in interpreting the contract, which is found embodied in the policy itself, alothough they will read into the contract the conditions printed in the Life Office's prospectus. The presumption that the policy accepted by the assured does in fact contain the actual contract is strong and the contrary has to be very clearly proved (Batty v Pearl Assce. Co., I.A.C. Rep. 1937 p. 12). One recent tendency is for the courts to take into consideration statements made by the Company's agent with the assured's authority.

With the object of preventing the Life Office from disputing liability under the policy attempts have been made to draft 'indisputable policies'', but these have failed because any contract obtained by fraud is invalid and the courts would not allow a fraudulent contract to be upheld against the Life Office. Besides, the policy may be void on ground of illegality. Any policy, therefore, must be liable to be challenged on grounds of fraud or illegality. An attempt in this direction is made by Sec. 45 of the Insurance Act 1938, to which a reference is made later on.

The title of the claimant to policy moneys is likely to be affected when the policy is lost, because it creates doubts as to possibility of prior mortgage or assignment and Life Offices often find it difficult to decide upon a course of action. The contract, of course, is not rendered invalid by reason of the loss of documents. The Life Office is entitled to have proof of the loss and call upon the claimant to make searches for the lost policy in order to rebut constructive notice of a prior encumbrance. If, despite searches and enquiries, the policy is not found, many Offices make payment under an indemnity.

Having considered several prerequisites of a good life insurance contract, the absence of which would affect title to the policy, we now consider the real aspects which affect title when the policy becomes a claim. This consideration would lead us to discuss the topics of assignment, nomination and other dealings with a life policy and the manner in which the Life Offices dispose of claims by death in the absence of proper assignment or nomination. Relevant to this discussion would be questions about liqudiation of bad or doubtful claims and settlement of conflicting claims.

There is no better advertisement for the Life Office than the manner in which it settles policy claims whether arising by maturity or by death. It is as much the hope and prayer of the policyholder or those claiming under him for a speedy settlement of a claim as it is the earnest aim and constant anxiety of the Life Office. It would appear that the commonest source of delay and inconvenience is the claimant's ignorance of the legal formalities to which, out of consideration

for its safety, the Life Office must adhere. In the case of an endowment policy resulting into a claim by maturity, it should ordinarily not be difficult for the claimant to satisfactorily prove his title. The ordinary requirements are the original policy and proof of age, if age has not already been admitted. Many Life Offices now-a-days have decided to waive evidence of survival of the life assured.

In settling a claim the Life Office must be ready and willing to pay the amount due unconditionally to the person who can give a valid discharge. It has been held by the courts of law that the life Office may ask for a receipt but that the refusal to give a duly stamped receipt would not justify the Company in withholding payment from the claimant until a receipt is tendered (Finch v Miller — 1948 — 5 C.B. 428). The Life Office is in the same position as any other debtor in this regard.

Although the commonest covenant is to pay to the assured, his executors, administrators or assigns, the contract may stipulate payment to a third party. Such person is a stranger to the contract and therefore has no title to sue. In such a case, as in Education Annuity or Marriage Endowment Policies, the title remains in the assured and he alone can sue the Office. However, if the terms of the policy contract provide for payment only to a named person, the Office is entitled to pay the money to that person.

It need not be emphasised that the Life Office is always within its rights in insisting upon strict legal proof of the claimant's title and to ask proper documentary evidence in support thereof. This includes production of the policy, as stated above, but non-production thereof alone is not considered a good reason to withhold payment. The office cannot insist on production of the policy if it is in the hands of a third person who has a right to retain it; but if such person has no such right, the claimant may be asked to take suitable steps to obtain and produce it before payment.

As this stage, it would be useful to make a reference to the manner in which title is affected when payment is to be made to a person other than the claimant himself. It is obvious that where payment is to be made to an agent for the claimant, the Life Office must satisfy itself that the payee has sufficient authority to receive the proceeds by insisting upon the production of a written authority authorising the agent to receive the same on the claimant's behalf.

There are other cases in which conflict of interest is likely to arise at the time of settlement of the claim. The person who pays the premium, i.e the purchaser of the policy, is prima facie entitled to the beneficial interest in the policy money. He, however, may have no insurable interest in the life assured and on that account the policy itself may be illegal and void as between him and the Life Office. It has generally been held that if the Office waives the illegality as to title on any question as to title and pays the money to the purchaser, it is not open to any one to question his title to the money. In such a case, the nominal assured cannot recover the money so paid to the person purchasing the policy.

But ab initio the beneficial interest in the policy may vest in someone other than the purchaser, as when the policy is effected under the provisions of the Married Women's Property Act for the benefit of persons entitled under it or when the policy contains an express or implied declaration of trust by the assured in favour of the named beneficiary or when it is intended as a gift. The same result would arise if the nominal assured is the wife or child of the purchaser of the policy, in which case the former is entitled to the policy moneys as the equitable owner besides having legal title thereto. Where, however, the purchaser is a stranger to the nominal assured, the moneys are held by the latter in trust for the purchaser to whom he is accountable, although he holds the legal title and can give the Life Office a good discharge.

An interesting question arises as to the rights of person who has received payment if he is other than the assured. If he is a beneficiary under a trust which is created by terms of the policy, he has no title to enable him to legally sue the Life Office. If he is a donee, even then he has no legal claim to the policy money, as he is neither a party to the policy contract nor a beneficiary under a trust, but, having received it, he can retain it. The Life Office can get a discharge from him alone if it is expressly stipulated by the contract that payment should be made to him and to no other. However, it is not open to the payee to either claim payment or having received it, to retain the money, if he is neither a beneficiary nor a donee, the presumption being that the Life Office is only mandatory and any payment by the office by virtue of the mandate to pay to the person named in the policy will discharge it from any further obligation to the assured or his legal representatives.

Except in cases of statutory trusts such as those created under the Married Women's Property Act discussed later, the courts have held that a declaration of trust in the policy is not to be inferred from ambiguous language and that a simple contract between the assured and the Life Office for the benefit of a third party is not to be confused with the creation of a trust. In the case of in re Schbesman — 1944 Ch. 83 was held that it was not legitimate to import into the contract the idea of a trust when parties have given no indication that such was their intention. In all such cases the question was whether, on true construction of the relevant document, there was a trust established for the benefit of third parties. Whether the payee is a donee as different from a beneficiary under a trust and whether the contract imposes a liability on one of the parties to confer a benefit on third person, who is not a party to the contract, has always been a question of construction. If, however, on true construction of the policy the obligation of the Life Office is to pay to the payee only as the agent of or trustee of the assured, the payee is not the donee, and, as stated above, if the payee receives the money he holds it as such at the disposal of the assured or his representative.

Some interesting question about title to Life policies arise when a duly drafted policy payable to the assured himself has been neither assigned nor there is a nomination naming the person to whom the Life Office should pay. Before examining the position when proper evidence of title is required, we shall deal with title

created by assignments and nominations.

The rights under a policy of life insurance are a kind of property that can be disposed of by anyone who is enjoying them. These may be subject matter of gift or trust or may be bequeathed or sold or mortgaged and the Life Office is obliged to recognise the effect of the assured's powers of disposal, which may attract other branches of law, such as the law of transfer of property or trusts. Where, however, no such right is exercised, the money payable under life policy must form part of the assured's own estate and must be dealt with on such basis, that is to say, the benefits under the policy may be inherited or sold for the benefit of his creditors, if he dies a bankrupt. Assignment is the most usual manner of transferring the benefits under a life policy and now in India assignments of life policies are governed by the provisions of the Insurance Act 1938. Since 1st July 1939, therefore, it is the statute law which governs transfers and assignments of life policies and of the benefits thereunder, and sec. 38 of the Insurance Act supersedes the provisions of Sec. 130 of the Transfer of Property Act. By the general law a transfer of property passes forthwith to the transferee all the interest which the transferor is then capable of passing in the property and in the legal incidents thereof, unless a different intention is expressed or is necessarily implied from the manner of effecting a transfer and assignment is only one of the methods by which property is made over to another. In Doraisami v. Doraisami D.I.R. (1925) Madras 753 it was decided that to effect an assignment there must be words of transfer in the instrument.

Section 38 of the Insurance Act, 1938, provides that a valid assignment is made only by a separate instrument or by an endorsement upon the policy itself, the operative words to be signed by the assignor or a duly authorised agent. It must be attested by at least one witness. It is important to note that sub section (7) of the Act expressly recognises the validity of an assignment with a condition attached to it that it shall be inoperative or that the interest shall pass to some person other than the assignee on the happening of a specified event during the lifetime of the assured and it also makes valid an assignment in favour of the survivor or survivors of a number of persons, thus indirectly recognising benami transactions under the guise of assignments. Income Tax authorities and authorities under the Insolvency Acts are quick to realise this position and reserve their right in case the assignment becomes inoperative.

The transfer by way of assignment, although complete and effectual upon the execution, is not binding on the Life Office and would not entitle the assignee to sue it unless a written notice of the assignment of transfer is delivered to it. In a recent case, the Calcutta High Court held that the assignee who failed to give notice could not succeed against another assignee who gave such notice though of a subsequent transaction.

The legal effect of an assignment made in accordance with the Section is that the Life Office is bound as soon as it receives the notice, to recognise the assignee as the only person entitled to the benefits under the policy. The assignee is subject to all the liabilities and equities to which the assignor was subject, though he can adopt proceedings in relation to the policy without the consent of the assignor and without making him a party.

Sub-clauses (6) and (7) of Sec. 38 of the Act appear to be inconsistent but they are not so. Sub clause (6) is a general provision saving all rights and remedies subsisting under an assignment prior to the commencement of the Act, whereas sub-section (7) is far more restricted and deals only with one class of assignment, viz. assignments with the condition about reverter in case of prior death of the assignee. The result is that the rights of the assignee under assignments prior to the Act are protected, but by sub-section 7 where the assignment is subject to the condition referred to therein, the same is declared valid despite any law or custom to the contrary. This particular condition in assignments made by Mohamadans prior to 1938 was in a recent decision regarded as operative In the case of Mohiuddin v the New India Assurance Co., Ltd., (Suit No. 23 of 1952) it was held by the court of the Civil Judge, Bareilly, that the Insurance Act of 1938 has to be given effect to in such case when the assignment (made by a Mohomadan) was subject to clause of reverter irrespective of the date of assignment, in view of 1939 A.W.R. 764 and that the assignment could not be called an absolute gift.

In this decision the learned Judge followed the earlier decision in Sadiq Ali v Zahida Begum A.L.R. (1939) All. 744 where the claim for dower of a Mohamadan lady had to be considered and sub-section (7) of Section 38 of the Act had to be construed. It was held that the words "any law or custom" in the sub-section were wide enough to cover Mohamadan law and that the gift of insurance policies by a Mohamadan to his wife was not invalid on account of the proviso that in the event of his wife predeceasing him the assignment would become null and void. It was also held that the gift was complete and effectual and validly made if there is a declaration of gift by the donor, an acceptance thereof on behalf of the donee and delivery of possession of the subject of the gift by the donor to the donee and that the mere fact that the money was to be realised in the future did not make the gift in future. It was, further held that if the provisions of Section 38 (1), (2) and (5) of the Act have been duly complied with, the assignment becomes complete and effectual as soon as the required writing duly attested was made.

It would be appropriate to mention at this stage a few other legal decisions affecting title of the assignee. In Official Assignee, Madras v Hukumchand K. Sura (1940), 10 Comp. Cases (Ins.) 83, it was held on the basis of the Privy Council Case reported in 40 I.A. 24 that a document in writing evidencing the deposit of certain Insurance policies by way of pledge does not amount to assignment of the policies. In re Thukurbai Maganlal Desai (1943) 13 Comp cases (Ins) 41 the Calctta High Court held that the assignment by an insolvent of a life insurance policy can be declared void as against the Official Assignee under Sec. 53 of the Presidency Towns Insolvency Act and that Official Assignee was entitled to recover whatever the Life Office was liable to pay upon the policy. In Scottish Union and National Insurance Co., Ltd., v N. Roshan Johan Begum A.I.R. (1945) Oudh, 152, it was held that the legal incidents of each assignment must depend upon the nature of the transaction and upon the intention of the parties thereto.

When payment of the policy moneys is

claimed by an assignee, an interesting question arises as to whether the Life Office is entitled to demand delivery of the assignee's documents of title showing his title from the original assured. In re Palmer (1907) 1 Ch. 486 it has been held that after production of these documents to prove his claim against the office, the assignee is entitled to their return in order to protect himself against any claims which may be made against him. Of course, the usual practice is to hand over the documents with the policy to the Office, if this relates only to the policy. Where, however, the documents relate to other property as well, the claimant usually gives the Office an undertaking to produce them when required. Legally the Office is not entitled even to demand such an undertaking and it was held in Dockray v Refuge Assurance (1912) J.I.A. that if the assignee is in a position to give a legal discharge, the Office could not ask for more. Where such an undertaking is given it is binding also on persons having possession or control of the documents from time to time.

We now examine the position created by a "nomination". By Section 39 of the Act the holder of a policy of life insurance on his own life may nominate a person to whom the money secured by the policy shall be paid in the event of his death. Sec. 39 only stipulates that the nomination when endorsed on the policy must be communicated to the Life Office, obviously by sending the policy with the nomination endorsed on it and the only notice which Section 39 (2) contemplates is notice of cancellation or change of nomination. It appears that the sending of the policy is a sufficient communication of the nomination to the Office. Even if such a nomination is cancelled unless a notice of cancellation is given to the Office, it is not liable for payment bona fide made under the policy to the nominee mentioned in the text of the policy or registered in the records of the Office. Although the liberal construction of Sec. 39 would result in the view that it is not necessary that the nomination should be communicated to and registered by the Office during the lifetime of the assured, it would appear that the provisions of the Section are mandatory, and, to be effectual, the nomination must be communicated before death of the assured, and if this is not done it would be ineffectual. Of course, there is nothing to prevent the Company to act on such nomination if circumstances permit.

As per the English law a payee who is the nominee of the policy money is nothing more, in general, than as agent to receive the money, which remains the property of the assured and is at his disposal during his life time and as such, forms a part of his estate on his death the nominee taking no beneficial interest. Even before the passing of the Insurance Act, as seen from the decision in Krishna Lal Sahu v Pramila Bala Dasi, 1928, 32 C.W.N. 634, this view had been held to be the law in India. Also, in view of the fact that the effect of nomination is now regulated by statutory enactment the controversies in India upon this matter now appear to be of no more than historical interest.

It is difficult to answer the question whether a nominee appointed under Section 39 of the Act is in fact merely an agent to receive the moneys on behalf of the beneficiaries without reference to the facts of the case. In fact a nomination may be made for a consideration or by way of gift in which event the nominee may have a beneficial interest in the policy moneys. In any event, a "bare nominee" will receive and hold the money for and on behalf of the estate of the deceased. Although, therefore, there is difference in practice among Life Offices, in the event of the nominee's death before a claim is settled, the better practice would be to call for evidence of title to the estate of the life assured and not for that of the deceased nominee. In the recent case of Swami Amar Das v Sri Dadu Dayalu Mahasabha and other (1953) 8 D.L.R. Allahabad 139, it was held that the power under Sec. 39 (2) of the Act to cancel a nomination can be exercised by the policyholder at any time before the policy matures for payment; that the nominee does not become the owner of the money payable under the policy merely by reason of the nomination, and that the policyholder continues to be the owner till the end of his life and has full power of disposal over it and consequently the money should be treated as part of his estate.

Specific statutory trusts have been created in India by the Married Women's Property Act of 1874, the beneficiaries under Seetion 6 whereof are altogether out of the category of "mere nominees" since by Sub-Section (7) of the Section 39 of the Act, the rights of beneficiaries under Section 6 of the Married Women's Property Act are left intact, and the entire Section 39 is made inapplicable to policies issued under Section 6 of the Married Women's Property Act.

The effect of the provisions of Section 6 of the Married Whomen's Property Act is to create a trust in favour of the wife and/or children of the assured. The general outline under the Married Women's Property Act is that if the policy effected by the husband states on the face of it that it is for the benefit of the wife/ children, it is deemed to be a trust for the benefit of wife/children and, so long as the object of the trust remains, the insurance is not subject to the control of the husband and does not form a part of his estate. Most of the controversy turned upon the question whether the words used in the particular instance indicate an expression on the face of the policy that the money is for the benefit of the wife/children of the assured. The decision of the Madras High Court in Krishna Chettiar v Velayee Ammal 1938, Comp. Cases (Ins.) 101 (FB) expresses the generally accepted view that the word "policy" in Section 6 of Married Women's Property Act is to be construed to mean the document or documents evidencing the contract. As to the form of words sufficiant to create a trust it has been held in several cases that, in the absence of the clear expression of intention in the proposal itself, the policy would have to be referred to find out who was intended to benefit by the policy and the language of the policy would be looked in to see whether it constituted an expression that it was for the benefit of the wife/ children although the express words "for the benefit of the wife/children" did not appear in the terms of the policy (Abhiramavalli Ammal v Official Trustee of Madras (1932) Comp. Cases 201; Kannaiyalal v Subbaraya Chetty (1938) Comp Cases (Ins.) 62 and Krishna Chettiar v Velayee Ammal). These decisions show that in such a case there can be no disposal of the policy money by the husband after the creation of the trust.

Clause 2 of Section 6 (1) of the Married Women's Property Act provides that the sum secured shall be paid to the Official Trustee who shall receive and hold it upon trust expressed in the policy, unless special trustees are duly appointed In Lakshmi Ammal v Sun Life of Canada (1934) 4 Comp Cas. 101 it was held that the proper person to enforce the contract was the Official Trustee of the relative Presidency (State)

Some relevant observations in the matter of policies under Married Women's Property Act may be made with advantage. These policies are issued to facilitate the creation of trusts of a life policy without the trouble and expense of the trust deed and to give special protection against the creditors of the life assured. From its inception, such a policy creates a trust in favour of the beneficiaries and does not form a part of the estate of the life assured. By a policy or by a memorandum subsequently made by the assured trustees of the money payable are appointed. Since the trustee derives his title under the assured by virtue of the trust deed, he can sue upon the contract. Even though the policy be expressed for the benefit of a third party, that by itself does not give him any right of property or interest in it, as it is the statute itself that vests in him some right or interest, which may be limited in various ways by the use of appropriate words (in Re Fleetwoods Policy 1926 Ch. 48).

It is not essential for the life assured to appoint special trustees and the fact that the trusteas are not appointed does not affect the validity of the policy. The sole function of the trustee is to receive the policy moneye from the Office and pay the amount to the beneficiary in accordance with the trust declared in the policy.

Ordinarily claims under such policies are discharged by payment to the trustees. If no trustees are appointed, payment has to be made to the Official Trustee. If the Office prefers to make payment to the beneficiary directly, it will incur some risk, for obvious reasons.

We now come to the important question of title when the policy bears neither nomination nor assignment. The manner in which a Life Office settles the claims is a very good advertisement for itself. The earnest aim and constant anxiety of Life Offices for speedy settlement of claims does not quite often materialise on account of the delay due to the client's ignorance of the legal formalities to which the Life Offices must adhere. If the policy has been validly assigned or if a nominee has been appointed no further proof of title, except perhaps establishment of identity of the claimant is required,

The importance of nominating a beneficiary or assigning the policy to the intended beneficiary is not often realised by the assured during his lifetime. Where there is neither nomination or assignment, the claimant must produce evidence of legal title to the estate of the deceased. In 54 All. 1026 = 1932 A.L.J. 1015 = 1933 All. I. it was held that the Company can call for a Succession Certificate or Letters of Administration before payment of the amount. If lives assured fail to take advantage of the facilities afforded to them to enable the Life Offices to eliminate problems regarding title they are compelled to ask for from the claimant legal evidence of title not only to comply with the requirements of the law but also to ensure that the policy moneys reach the hands of persons entitled thereto by the law.

Such evidence of claimant's title would be in the following form so far as India and Pakistan are concerned. (a) In the "Presidency" towns Probate of will, if a will is left by the deceased assured; otherwise, Letters of Administration or a Succession Certificate issued as per the law of Succession obtaining in these countries would be required. Where, however, the total amount of estate left by the deceased does not exceed Rs. 2000 in value, a certificate of title from the Administrator General would be acceptable.

(b) In the Districts, the Courts generally grant Succession Certificates whether or not a will has been left. A certificate from the Administrator General can also be obtained subject to the limit mentioned above.

The object of the Administrator General's Act is not only to relieve the regular courts of civil jurisdiction of their work in granting title in respect of small estates but also to expedite such grants. Where there is a dispute in the family or where the necessary consent from heirs having prior rights is not forthcoming, the Administrator-General would not grant a certificate and the matter would have to be dealt with by regular courts of civil jurisdiction under the Succession Act, where the procedure would not be summary; notices would be issued and objections, if any, filed

and subsequent to the grant, accounts and inventories of the deceased's assets may be required to be given. The grantee of the certificate has the same powers and duties and is subject to the same liabilities as if Letters of administration had been obtained by him.

In their anxiety to settle claims promptly where the claimant experiences genuine difficulty, many a Life Office often dispenses with evidence of title upon which they are entitled to insist and make payment, purely as a matter of concession, on the strength of an Indemnity Bond. Ordinarily, the Office does not take upon itself the duty of ascertaining who are the heirs of the deceased and that is why most of the contracts, wherein no third party has been mentioned as the payee, the amount is stated to be payable only to the deceased's administrators or executors in the absence of assignment or nomination. The Office, in such a case of difficulty of the claimant is content to receive an indemnity from him executed by him with two sureties of good financial means to safeguard itself against any claim subsequently made. This concession, however, is extended only where no minors are involved in the capacity of claimants and the amount payable is not large. Where evidence of title has to be obtained for any other estate left by the deceased, there is no basis for extending this concession.

However, in cases of Hindu policy-holders, there is no risk in dispensing with production of legal evidence of title and making payment on similar Indemnity on the basis that the policy was joint family property, provided proof is forth-coming that the deceased assured formed a Hindu joint family, that premiums were paid out of funds of such joint family and that the family continued to be joint till the death. In such cases, the claim proceeds are paid to the head of the family with the concurrence of the other members. If there is a widow her consent to such payment for self and on behalf of her minor sons, if any, is taken. Generally, a declaration on a stamped paper giving details as to the status of the joint family is taken from the Karta of the family. However, as per the decision in 15 N.L.J.51 = 1931 Nag. 162 and other decided cases there is no presumption that a policy of life assurance effected by a member of a joint Hindu family is for the benefit of the family.

It is important to remember that although settlement of claims on strength of a Joint Family Declaration has legal basis, it is only as a matter of facility that the Life Office makes payment without production of legal representation, because ordinarily it does not like to take the responsibility of ascertaining whether the assured was a member of a joint family, what is the constitution of the family and whether the premiums were paid out of joint family funds. In other cases too, the Life Office has no time and inclination to find out who are the heirs of the deceased. It is for these reasons that the policy provides that the amount is payable only to his administrator or executor or other legal representative of the deceased on production of evidence of their title. It is also necessary to state that the social conditions are changing and individual consciousness grows in marked contract to the more corporate outlook of earlier days, and that is why there is the growing tendency for the Courts to arrive at a general presumption that when one of the members of a Hindu joint family insures his life the amount of the policy belongs to the assured as his separate property and does not become a joint family asset unless there is a clear indication that the member did not intend to treat it as his separate estate. In 66 Mad. L W 815 = A.I.R. 1954 Mad. 222 (Venkata Subbarao v. Lakshminarasamma) it was held by the Madras High Court that the premia out of joint family funds must be treated as amounts drawn by the individual members and they must be debited with these amounts and hence the presumption that policy is his own separate property.

Connected closely with the problem of title is the question of proof of death and age. The policy contract usually provides for payment upon proof satisfactory to the office as to death of the assured and of the title of the party or parties claiming payment. In the case of London Guarantee v. Fearnley (1880) 5 App. Cas. 911, 916 it was held that proof satisfactory to Directors means proof which ought to be satisfactory to them. The Life Office is entitled to such evidence of death as may be reasonably required but would not be justified in refusing to make payment if the demand is capricious. (Brunsten v. Accidental Death 1861 I.B. & S. 782). A similar decision was given in a suit filed by a claimant against the Warden Insurance Co., Ltd., for recovering the policy amount without furnishing all the claim forms duly completed but only sending an extract from Death Register and Succession Certificate. It has been held that the question of reasonableness is a question of fact and a judge having found the death proved on evidence before him may also find as a fact that the Life Office was unreasonable in not accepting that evidence (Ballantine v. Employers, Insurance 1893 L.I.R. 305).

In India the view has been held that the obligation of the claimant to answer questions put to him and enquiries made by the Office depends upon the provisions of the policy itself. It is stated that if the only obligation was to give proof of death the claimant might well object to answer other enquiries. At the same time a mere extract from Death Register would not by itself be satisfactory proof, although it is prima facie evidence. Although there may be suspicion of personation and fraud, if the obligation is only to prove death, the enquiries of the Office cannot extend to matters beyond the fact of death.

The question of satisfactory proof of death and title incidentally leads to question of presumption of death as it affects title of the claimant. If no direct evidence of death can be obtained in case of disappearance of a person, death may be proved, in the absence of circumstantial evidence, by a presumption of law arising from the fact of disappearance and absence of seven years thereafter without being heard of. In India also this presumption is often raised by production of evidence, from those who would be likely to hear of the missing person if alive, that they have not heard from him and that reasonable enquiries have been made to find the person. However, there is no presumption of law as to the time of death. The practice of the Life Offices in such cases is to pay the claim, without prejudice to a subsequent denial of liability, in exchange for an undertaking from the payee to refund it, should the assured be afterwards proved to be alive. This presumption of death is not effectual in depriving the assured, if alive, of his rights against the Office, which he may exercise by reinstatement of the policy.

One important facility which the law has given to the Life Office and of which little advantage is being taken is the facility of payment in Court. Section 47 of the Insurance Act provides that where the Office is of opinion that by reason of conflicting claims to or insufficiency of proof of title to the amount secured thereby or for any other adequate reason it is impossible otherwise for the insurer to obtain a satisfactory discharge for payment of such amount, the insurer may apply to pay the amount into the Court within the jurisdiction of which is situated the place at which such amount is payable under the terms of the policy or otherwise. It will be observed that insufficiency of proof of title is one of the grounds on which such an application can be made and, if as per sub sec. (2) of the Section, a receipt granted by the Court for such payment is a satisfactory discharge to the Office, it is not understood why it should not make petitions in the form mentioned by sub-section (3) to end its liability. It is then for the court to pay the amount to such party as it may deem entitled after taking action as per sub-sections (7) & (8) of the Section. The Act thus provides a simple way out of the difficulty in settling claims.

A discussion on the question of title to policy cannot be complete without the question of repudiation of the Life Office's liability on grounds of suppression (non-disclosure) of material facts, fraud or misrepresentation. It would appear that although the Life Office would be entitled to declare all the contracts void on the ground of misrepresentation of material facts, it would not be willing to do so in all cases of non-disclosure, but where the assured has not made a complete disclosure of material facts affecting the acceptance of the risk and premiums to be charged, it would not be possible to enforce the contract and the Office would be entitled to repudiate liability.

The rule of good faith referred to above is closely connected with principles governing the doctrine of disclosure, and these two make it obligatory on the proposer to answer all questions honestly and truthfully. When statements made to the Office are at variance with facts, it would be entitled to avoid the contract (Maung Myat Maung v. New India Assce. Co., Ltd., 1937—7 Comp. Cases 265). In India in a number of cases including 1939 Sind 254 it has been held that contracts of insurance are Uberrimae fidei and wilful non-disclosure of material facts makes them voidable. This duty to disclose continues upto the completion of the contract (Canning v. Farquhar—1886 16 Q.B.D. 727 and Looker v. Law Union & Rock Insce Etc. 1928 I.K.B. 554). This rule of good faith in relation to disclosure applies with equal force to revived policies, which are in contemplation of law, new contracts (India Equitable Insce. Co., v. Onkarappa 1934, 4 Comp. Cas. 424).

A misstatement, whether material or immaterial, innocent or otherwise, in the answers given by the Proposer would be breach of warranty which would entitle the Life Office to avoid the contract, especially in view of the declarations which he signs whereby he agrees that the answers in the proposal and the declaration thereto form the basis of the contract leading to the policy. The effect of this practice was that the materiality of the statement could not be disputed by the assured, as it was considered that what was warranted was not the materiality but the correctness of the statements. This was the trend of the decisions in many Indian Cases. (Oriental G. S. Life Assce. Co. v. Naransingha Chari 1902, 25 Mad. 183; Great Eastern Life, etc. v. Bai Hira—1931—50 Bom. 124; Laksmi Shankar Kanji Rawal v. Gresham Life etc. 1933, 3 Comp. Cas. 52; Light of Asia Insce. Co. v. Karatoya Debi 1936, 40C. W.N. 1016; Manufacturers Life Insce. Co. v. Haridasi Debi 1938—42 C.W.N. 823). In cases, however, the answers of the proposer have not been made the basis of the contract, there must be clear proof that some material fact was not disclosed, which if known would have affected the jndgment of the Life Office, or, in such cases, the statements in themselves must be fraudulent (Joel v. Law Union & Crown—1908—L.K.B. 863). Where the answers of the proposer are not induced by any misrepresentation but are on the face of them untrue, the Company can legally repudiate liability under the policy as per the decision in 1914 Mad. 559 = (1944) 2 M.L.J. 37 = I L R. (1945) Mad. 150. In Keshava Seethamma v. Bombay Life Assce. Co. Ltd., 1954, 9 D.L R. Mysore 12, it was decided that if the insured makes a false declaration about his previous insurance in the proposal with the new Company knowing it to be false there is such a fraud as would vitiate the contract of insurance.

In this connection, one has to bear in mind Section 45 of the Insurance Act which states that no policy of life insurance shall after expiry of 2 years from the date on which it is effected be called into question on the ground that a statement made in the proposal for insurance or in any other document leading to the issue of the policy was inaccurate or false unless the insurer shows that (1) such statement was on a material matter or suppressed facts which it was material to disclose, (2) that it was fraudulently made, and (3) that the policyholder knew at the time of making it that it was false or that it suppressed facts which it was

material to disclose. Even after two years, a contract can be repudiated on strong grounds as seen by the facts in the case of Manufacturers Life Insce. Co. Ltd., v. Haridasi Devi 1938, 42 C.W.N. 823.

A further point of interest was decided by the Madras High Court in case of Muthappa Chettiar v. New India Life Ass. Co. Ltd., and others. (1944) 14 comp. Cases (Ins.) 12 and this was to the effect that in order to permit a Life Office to forfeit premiums paid by an assured in the event of the policy becoming void as a result of material misrepresentation on his part, it is not necessary that there should be an agreement to that effect. Previously too the same High Court had held in the Oriental G. S. Life Assce. Co. Ltd. v. Narasimhachari (1902) I.L.R. 25 Mad. 183, that neither Section 64 nor Section 65 of the Contract Act applied to a case in which the life policy becomes void by reason of a breach of warranty on the part of the assured and, therefore, the plaintiff could not call these sections in aid as he is faced with his own agreement that the Company shall have the right of forfeiture in such circumstances.

A very illuminating judgment affecting Section 45 of the Insurance Act was recently given by the Madras High Court in Kulla Ammal vs. Oriental G. S. Life Assce. Co. Ltd., 1953 Mad. W.N. 787 = (1954) I.M.L.J. 32 D B. in connection with repudiation of liability on ground of false statements in the proposal papers, the questions wherein were not interpreted to the proposer. Since this decision is likely to give undue encouragement to dissatisfied claimants to Life Offices it is worthwhile reproducing important portions from the judgment.

"It is elementary law and justice that a person cannot be bound in law by his signatures to a document which he does not understand. Mere signature of an insured person, who does not understand English, on the proposal form with a binding declaration in English, that if any untrue averments be therein contained all moneys which shall have been paid up on account of the assurance shall be forfeited and the assurance itself should be absolutely null and void, is not enough to prove his knowledge of what he was signing and to bind him literally and irrevocably to such a contract. The liability of the Company under the contract shall be determined on the facts of the case and not on mere "yes" and "no" recorded in proposal and declaration forms signed by an assured person and written by some one else.

"A contract of life insurance has been called one of Uberrima fidei in which the insurer is entitled to be put in possession of all material information possessed by the insured. However, the doctrine, of fides uberrima is certainly not intended to be one way traffic but calls for a reciprocal obligation resting on the Insurance Company of placing before a Court all the evidence in its possession without reserve.

"Where the assured is a person who does not know English and the proposal and declaration form are in English and the Company defends the claim by repudiating its liability on the ground that answers said to have been given by the assured and found typed on the forms are false and inaccurate in respect of some of the questions but does not produce the evidence of the person who put those questions and how they were interpreted to the assured or who typed the answers, the defence exposes itself to the criticism the it has failed to furnish strict legal proof that the assured in fact gave the answers tȯ those questions.

"Section 45 of the Insurance Act prescribed a statutory period of two years within which however it is open to the Insurance Company to repudiate liability on the contract on the ground of false and inaccurate information furnished by the assured in these statements, though after this period the Insurance Company is entitled to repudiate only on the ground that the disclosure or non-disclosure of a material fact has been fraudulently made."

Quoting Joel v. Law Union & Crown Insurance Co 1908 (K.B. 863, the Court stated that that was a further illustration of the need to interpret a contract of insurance, with such answers to questions put to the assured being the basis of the contract, from a broad commonsense standpoint and in relation to the human background of the case. It was also stated that there is a clear onus on the Insurance Company to prove that an answer given in a proposal form or in personal statements made before the Company's doctors, which form the basis of a contract, was false and inaccurate.

The learned judges did not agree with the opinion expressed in East and West Life Insce. Co. v. Kolla Venkiah that is the duty of the insured person who did not know English to make himself acquainted with the contents of what he was signing and they did not regard that as the general proposition of law binding on every insured person who merely puts his signature to forms in a language quite unknown to him and filled in by the Life Office's agent without proof that the documents were properly interpreted and explained to him.

The same judges made pointed reference to the limited space provided in the insurance forms, and to the step in right direction in issuing proposal papers printed in regional languages to give a reasonable opportunity to non-English knowing persons to understand the gravity of the forms they were signing. The judges also agreed with the ruling in Haridasi vs. Manufacturers Life Assurance Co., that the questions usually asked in the forms of applications for insurance are often somewhat embarrassing and cannot always be reasonably expected to be answered with strict and liberal truth. These are points worth being noted by Life Offices in their practical work.

Title to Life policies is thus a problem which affects the reputation of the Life Office. It is typically a problem which has a legal basis. While the earnest aim and constant anxiety of the Office should be speedy settlement of the claims, it should not overlook the fact, in its anxiety to do so, that payment is made only to the rightful claimant and has not to be made twice over. If it finds a happy medium between being too legalistic in its requirements and incurring unnecessary risks, it will have done something in the cause of service to the claimants.

Paper read at the 10th Indian Insurance Conference

Staff Insurance Schemes—Withdrawal

THE Secretary of the Executive Committee, Life Insurance Council has sent the following circular to all insurers transacting life insurance business in India.

I am directed to say that staff insurance scheme as transacted at present in India came up for further consideration before the Executive Committee at its meeting held on the 28th June 1955. The Executive Committee after taking into account the study of such schemes made by the sub-committee appointed for the purpose and its report decided that it would be in the interest of insurance in this country to prohibit staff insurance scheme as at present transacted. In deciding as above the Committee was aware that whatever might be the position in theory these staff schemes as in vogue at present have given rise to serious malpractices in the business.

2. In accordance with the decision of the committee I am to bring to your notice that no insurer shall offer staff insurance schemes at premium rates lower than the tabular rates in his ordinary prospectus on or after the 1st July 1955 and that no insurer transacting staff schemes before that date.

(i) shall start any new groups under the schemes on or after that date;

(ii) shall entertain on or after that date any new proposals in respect of any completed groups;

(iii) shall issue any policies in respect of proposals (under completed groups) already on hand on the above date, later than 15 days from that date; and

(iv) in respect of any groups remaining incomplete on the above date shall complete such groups after the 15th August 1955.

Further, in respect of the above incomplete groups completed on or before the 15th August 1955 the insurer concerned should collect premium and issue policies within a period of one month from the date of completion of such groups. Incomplete groups not completed by the 15th August 1955 shall be abandoned and the premiums collected thereunder, if any should be refundede.

3. I have now to request you to comply fully with the decision of the Executive Committee in this matter and also to furnish me a statement of your staff insurance scheme if any in the following form:

(a) **Groups completed on or before 30th June 1955**
- (i) The name of the employer;
- (ii) The number of employees covered
- (iii) The last date of issue of the policies to complete the group.

(b) **Incomplete groups as at 1st July 1955**
- (i) The name of the employer;
- (ii) The number of employees already enlisted in the group;
- (iii) The number yet to be enlisted for completing the group.

The statement giving the above particulars should be certified by the Principal Officer of the insurer and sent so as to reach the Secretary before the 15th July 1955.

Progress of Insurance Business in India.

Views of MR. A. D. SHROFF, Chairman,
New India Assurance Co., Ltd.,

A development, during the year under review, which must cause concern to Indian Insurance, is the references to its possible nationalisation, made, from time to time, in official quarters and in Parliament as well as outside it. Such references, I submit, do incalculable harm to the cause of Indian Insurance, whose activities are far-flung, and embrace long-term contracts. I believe, therefore, that an objective appraisal, at this stage, of the issues and the stakes involved, in the proposal to nationalise the Indian Insurance Industry, will greatly help clarify the situation.

In such an appraisal, the main facets of the problem, which need to be considered in arriving at balanced and informed conclusions, are:

I. The Social and Economic purposes, underlining the proposal to naionalise;

II. The character of the Industry and its adaptability to nationalisation;

III. The performance of the Industry, under free enterprise;

IV. The ability of the Industry, as a free enterprise, as compared to a State-owned one, to develop, and ultimately fulfil the national objective of obtaining optimum production capacity, in the shortest possible period; and

V. Lastly, experiences of other countries, in regard to nationalisation of the Insurance Industry.

I. The Social and Economic Purposes, Underlining the Proposal to Nationalise

As far as we have been able to gather, no authentic pronouncements have been made, clarifying the objective behind the idea of nationalising the Industry. The only indication forthcoming, so far, is that Insurance, along with Banking, being 'basic' to the national economy, is a fit subject of nationalisation. It is claimed that, in the event of nationalisation, the resources with the Industry will be available for development purposes, particularly for the expansion of the Public Sector.

Admittedly, the function of Life Assurance in mobilizing national resources is basic; more so, in an under-developed economy, where the normal channels of capital formation need a high degree of activisation. The fulfilment of this function calls for a careful and unbiased scrutiny of the vital conditions that will promote a full scale growth of the Industry, in the shortest period. Briefly, these are:

(i) The creation and stimulation of the insurance habit, in the largest possible section of the population by a highly efficient and individualized sales service, at an economic cost; and

(ii) Building up of a vast field force, possessing the requisite qualities and continuously motivated by an inspiring leadership.

The pace of growth of the Insurance Industry, thoughout the world, has been conditioned, by the degree and the extent to which these essential conditions have been fulfilled, mainly through initiative, flexibility, and unorthodox go-aheadness.

II. The Character of the Industry, and its adaptability to Nationalisation

Certain basic characteristics of the Industry have to be considered to determine, whether the Insurance Industry would readily lend itself to nationalisation. The Industry divides itself into two parts, namely, General Insurance and Life Assurance.

Regarding General Insurance, the following important features of the business have to be noted:

(i) General Insurance business is highly complex, demanding immense variation in insurance coverages, which have to be adapted to different types of risks as well as to the individual needs of the millions of insureds. The development of General Insurance has called, in the past, for some extraordinary pioneering in the field of bringing uninsurable risks within the scope of insurability, coupled with very aggressive selling.

(ii) If this country is to maintain free and active foreign trading, Insurance, being an essential service, will have to be active, flexible, prompt and economical. This applies to all classes of risks, and particularly to marine insurance, which has no geographical boundaries, and which is markedly international in character.

(iii) The colossal values involved, resulting in huge and wide accumulations of risks, demand an extensive spread of these risks, through international reinsurances. The handling of these reinsurances calls for the same degree of initiative, flexibility and promptness, as in the acceptance of a risk.

(iv) General Insurance, in my opinion, would lose most of its utility and serviceability, if it were not as flexible and prompt in the acceptance of risks and their servicing, and in the fair and business-like basis of claims settlements.

(v) General Insurance is markedly international in character. This is only natural, if Insurance has to go hand in hand with foreign trade. It is usual for leading companies of each market to plant their flag in every foreign country concerned has trading relations. To illustrate the significance of this:

(a) The net premia of Indian General Insurers, relating to risks, situated outside India, aggregate to about Rs. 7½ crores, as against Rs. 7 crores on risks, situated in India. The gross receipts in 1954, of foreign exchange, on account of Indian Insurers, as shown in India's balance of payments for the year, exceeded Rs. 5 crores.

(b) The New India is operating, today, in as many as 46 foreign countries and, before long, will be effectively represented in every country, with which one can trade. Other Indian Insurers are also actively spreading their wings abroad.

The main questions, that we have, therefore, to answer are:

(i) Will it be possible for a State enterprise, to extend to the insuring public, the same active, flexible, prompt, competitive and economic service as now while effectively servicing their internal and external needs?

(ii) Will it be possible, for a State enterprise, to operate in the foreign field, with the same initiative, enterprise, and success as is the case now?

(iii) Also, will it be possible, for a State enterprise, to win over, in the same measure as at present, the patronage of the insuring public at home and abroad?

If the State enterprise were to result only in a semblance of nationalisation, and otherwise maintain, for all practical purposes, the pattern of the privately organized insurance, some flexibility and promptness may be ensured to trade and industry, as far as their internal requirements are concerned. However, the position in the foreign field will be gravely prejudiced. In the sum, against the so-called advantage of owner-ship and direction, we have to weigh the far greater disadvantages of ineffective direction and control, rigidity, and dilution of initiative, enterprise and leadership. This must inevitably lead to a setback in foreign markets, and may ultimately result in a total loss of these.

The future insurance needs of the country's fast developing economy, which are bound to be most complex, will have to be met in an active, enterprising and imaginative manner. Here, it must be pointed out that the pattern of the industrial and economic set up in this country, will have to be adapted to fit in with the genius and other requirements of the nation. This holds equally good of Insurance. This adaptation will call for a high degree of originality and risk bearing, demanding, from time to time, adjustments and balancing. Those in charge must needs have full freedom and discretion to render this essential service promptly. In my opinion, no State enterprise can afford to relax its administrative principles to the degree required for the active trading implied in the transactions of General Insurance.

Lastly, the most important problem to be considered is that of building up a mass field force to carry the service of General Insurance to every home in this country. In this gigantic task, the most important qualities to be built up in insurance salesmen are—absolute freedom to grant coverage, coupled with integrity of the highest order, knowledgability, responsibility, and serviceability. These qualities have to be built up through effective discipline, control and guidance, without in any way reducing the initiative, drive and enterprise of the field force. I am doubtful, whether in a State enterprise, such effective discipline as well as freedom could be ensured, without disrupting initiative and quick disposal.

It is pertinent, in this connection, to point out that the British Labour Party, in its election programme of 1949, had proposed nationalising Industrial Assurance. It was presumably, on account of the complications that would result and the damage such nationalisation would do to other classes of privately organized Insurance, and particularly to General Insurance, that the Party had to give up its original programme of nationalisation.

In my considered opinion, General Insurance cannot readily lend itself to nationalisation. Further, it will gravely undermine the present sound position of Indian General Insurers in the foreign field, which, they have so perseveringly built up, in less than a decade.

To turn to Life Assurance. Although Life Assurance is mainly centralized in the domestic field, it bristles with problems equally complex and basic. I refer below to some of these:

(i) The life assurance coverage sold to the public is essentially a Personal one. In every advanced country, this coverage is tailor-made to fit the requirements of the individual families concerned, and is not a rigid standardized product. The effective development of Life Assurance calls for a Sales Organization with an insight into the individual needs of the prospect, coupled with an ability to convince the prospect of his needs and effect a sale, adapting the standard coverage to suit his individual needs. The insurance salesman's duties, to the insured do not however, end with the sale of the policy—they truly begin there, calling for utmost vigilance and servicing, throughout the term of policy.

(ii) Life Assurance sells an intangible product—a future security. To pay for this intangible, the insured has to sacrifice his present needs. Coupled with this important deterrent, are negative factors like ignorance, lack of thrift and lack of insurance habit. In these conditions, the task of Life Assurance selling is an arduous one and calls for salesmanship of the highest order. In no other industry, is there such mass contract, and the need for such effective and vigilant nursing and servicing of consumers, extended over a number of years, as in Life Assurance. Under competitive conditions, this servicing is tendered in a spirit of appreciation, in return for the patronage extended by the insured to the insurance company concerned and its field force. The facts. that Life Assurance is sold and not bought, and that the insurer renders post-sale service to the insured, on the basis of personal association, have been the two most vital driving forces in the promotion of insurance mindedness and insurance habit.

It is, therefore, relevant to enquire:

(*a*) whether, a State enterprise can deliver to the public a tailor-made product, fitting the individual requirements of millions of families?

(*b*) whether, it will be practicable for a State enterprise effectively to organize hundreds of thousands of agents, and thousands of supervisory staff, capable of

(i) dealing with the individual needs of millions of families,

(ii) evincing perseverence and salesmanship of a superior calibre to sell the concept of life assurance throughout the country, and

(iii) rendering, at the same time, service of the highest order in a true spirit of appreciation and friendship, however humble the insured may be ?

There is no other commercial activity, in which a service of this high order, and in such fine spirit, is tendered. Security and service are the synonyms of Insurance. There is no sphere in which a State enterprise, in any part of the world, has been able to render service of the kind, so essential to promote insurance-mindedness and insurance habit. Efforts have been made by State enterprises to reach these high standards, but there is no example, to my knowledge, of any such unit having recorded anything like the success achieved by Private Insurance. To illustrate:

In the U. K., the cradle of all Insurance after 64 years of operations, the Postal Life Assurance had to be closed down in 1928, because of poor volume of business. The same has been the story of the State Life Assurance Department in New Zealand, which had to be closed after operating for 50 years. In India also, as I shall presently show, the record of Postal Life Assurance compares unfavourably with that of the private enterprise. These units, which, in a sense, may be called nationalised life assurance, had the advantage of operating on more economical terms than private enterprise, because of the direct support and subsidy extended to them by Governments. They, however, could not succeed, because they sold only security, *and not both security and service.*

Insurance is essentially a co-operative institution, in as much as policyholders share risks in common. What is more relevant to the present issue, is that not less then 92½ per cent of profits in the Life Assurance Industry, unlike other industries, is, by Statute, required to be passed on to policyholders. Thus, while the profit motive is fundamental to private enterprise, the shareholders' participation in profits, in the case of Life Assurance Industry, is of very secondary importance.

In my opinion, in the present conditions under which Life Assurance is operating in this country, it is already very close to what the nationalised Life Assurance can be, in terms of the return to the insured.

Thus, the Insurance Industry, as far as I can judge, is not a fit subject of nationalisation, primarily because of its international character and because of the highly technical and individualistic nature of services it calls for.

III. The Performance of the Industry so far

The performance of the Indian Insurance Industry, both on the Life and General sides, has been most commendable.

(i) During the 17-year period 1937-1953, total Life Assurance business in force, in India, increased about 3½ times, from Rs. 277 crores to Rs. 962 crores. This compares favourably with the rate of progress in the more advanced countries. For example, the total life business in the U. S. increased a little less than 3 times, during the 17-Year period; in Canada, it increased some what more than 3 times; and a little more than twice in the U. K.

(ii) The performance of the Indian Insurance Industry stands out in vivid contrast to that of the State-managed Postal Life Assurance in the country. The total life business in force in respect of Postal Life Assurance, during the decade ended 1952, increased by only 16 per cent, from Rs. 19.9 crores to Rs. 23.2 crores, after remaining stagnant for the greater part of the period. During the same period, the total life business in force of insurance in India increased by 214 per cent from Rs. 294 crores. to Rs. 922 crores.

(iii) The new Life Assurance business, in India, in 1954, showed, to judge from available data, record expansion, most of the companies registering a rise over the 1953 levels, ranging upto 118 per cent, as in the case of the New India.

(iv) The Industry has been in a position to mobilize sizable resources. In this respect, it compares favourably with other financial or similer institutions. Thus, the time and demand liabilities (net) of Indian Scheduled Banks in India, during the period 1948-49 to 1953-54, actually declined by 5 per cent from Rs. 890 crores to Rs. 848 crores. As against this, the total Life Fund of Indian Insurers expanded by over 64 per cent, from Rs. 156 crores to Rs. 257 crores, during this period.

(v) Equally impressive is the record of Insurance Companies in India, in the vital sphere of mobilization of savings. For example, the total receipts on account of all insurers in the country aggregated Rs. 52 crores in 1953. As against this, all forms of small savings, mobilized by Government, totalled Rs. 31.4 crores during the year 1953-54.

(vi) The Indian Insurance Industry has always been on the alert, in measuring up to the main trends in the economy, in its task of serving the public. This, among others, can be seen from the reduction in the premium rates of Life Assurance, last year, in regard to which this Company took the lead.

(vii) Perhaps, there is no other industry in the country, which possesses as effective a teachnical know-how, as does Indian Insurance, particularly in this part of the world. During the last decade, the Indian Insurance Industry has given a

convincing proof of what can be achieved with such technical know-how, even in under-developed countries, bristling with complex social and economic problems. In this important sphere, your Company has set an example, which is unique in the annals of Insurance. The record of other Indian Insurers is also no mean one. In our close associations with friends in the neighbouring countries, we have found what a tremendous service we can render by making available our experiences to these friends, whose problems are, more or less, akin to ours, and, in the solution of which, I am glad to observe, our approaches and techniques fit in so well. Although, such a service may not have a big cash value, we are gratified, to judge from our own experiences, that it has a tremendous value in terms of goodwill. Only privately organized Insurance can have the flexibility and freedom to render this invaluable service.

(viii) Indian Life Assurance Companies have also been extending their activities progressively in foreign countries. The annual premium income of Indian Insurers, on account of life assurance operations abroad, expanded from Rs. 1.37 crorers in 1946 to Rs. 4.26 crores in 1953, more than 3 times.

Thus, the performance of Indian Insurance Companies has been a creditable one in the past, and I am convinced, the Industry is well poised for fulfillingfar bigger objectives. I submit that, on the strength of the facts presented here, the Industry deserves to continue operating on the present lines, with effective State regulation and control.

IV. The Ability of the Industry, to Develop and Fulfil the National Objective

The Industry's achievements, substantial as they are, pale into insignificance, when compared with what hasbeen achieved in more advanced countries.

Thus, the per capita premium on Life Assurance in India in 1952 was a meagre Rs. 1-5-0, as against Rs. 106 in the United Kingdom and Rs. 327 in the United States. The per capita Life Assurance in force in India, in the same year, was only Rs. 25. In the United States, it was Rs. 8,365; in Canada, Rs. 6,647; in Australia Rs. 2,544; and in the United Kingdom, Rs. 1,840. The total Life Assurance business in force in India is less than 10 per cent of the national income, as against 95 per cent in the United States, 108 per cent in Canada; and 51 per cent in the United Kingdom and 47 per cent in Australia. As regards the population covered by Life Assurance, less than 5 per cent of the families are insured in India, as against nearly 80 per cent in the United States.

This vacuum in Indian Insurance has to be made good urgently, keeping in view the need for an accelerated and intensified production programme in line with our Five year Plans.

Indian Life Assurance may reasonably aim at a target of Rs. 8,000 crores (80 billions) of total life business, to be achieved in ten years' time. The target, I venture to say, taking all relevant factors into consideration, is a modest one. Particularly so, when (a) 95 per cent of the 8 crores (80 million) of families in the country are uninsured; (b) the present national income of about Rs. 10,000 crores (100 billions) is expected to increase to about Rs. 16,000 crores (160 billions) by 1965; (c) the national economy is witnesing a welcome upswing in the rate of capital formation; and (d) the target will equate, a decade hence, to 50 per cent of the national income, meaning thereby an average Life Assurance of Rs. 1,000 per family, or, in other words, a premium payment of Rs. 50 annually, per family, out of an average family income of Rs. 1,300 as at present, which is likely to rise to about Rs 2,000 per annum in ten years' time.

It must be fully realised that, to tap this immense potential, a huge field organisation, property equipped and initiated into the science and art of selling Insurance, is a prime necessity. Our calculations show that, to service India's 565,655 villages with a population of approximately 30 crores (300 millions), and 4,544 towns and cities with a population of about 6 crores (60 millions), the Industry will need a field force of about 455,000 agents for the villages, and 60,000 agents for the towns and cities, making a total of 515,000 agents. More important, is the needs for equipping this huge field force with the most effective and scientific training in salesmanship. The task of inductng, training and harnessing an agency force of this magnitude, will necessitate an Inspectorate force of about 20,000 and about 2,500 Executives.

I pur it to Government whether it is worth their while, particulary when they are in the very midst of implementation of an ambitious development programme, to which all their resources in men and money must needs be directed, to undertake such a huge responsibility for which they do not appear to be well equipped and which the Private Sector is discharging efficiently.

Earlier, I made a reference to an important consideration advanced in favour of nationalisation, viz. a possible utilisation of Insurance Funds by the State, mainly for the expansion of the Public Sector. I may submit, in this connection, that by Statute, the Insurance Industry, is under obligation to invest 50 per cent of its funds in Government and Approved Securities. It was this factor, which the Finance Minister had in mind, when, at the Press Conference at Madras in November, 1954, he admitted that nationalisation of Insurance would not help Government much. This, as Finance Minister rightly pointed out, is not a strong enough consideration, justifying risks of disrupting and dislocating the working of a basic industry, like Insurance.

If, however, Government, after a thorough investigation, are convinced, that the fulfilment of the objectives referred to can be better helped by a State-owned enterprise, I submit that the best possible course would be for them to allow the existing units to continue to serve the public to the best of their ability, and start new State-owned units to supplement them. I do not mean this, in any sense of a challenge. The suggestion fits in with the declared policy of Government, not to disrupt the existing successful units through nationalisation, but institute State-owned units to fill in the vacuum, as has been pointedly indicated by the Prime Minister in regard to the Steel Industry.

V. Experience of other Countries in Regard to Nationalisation of the Insurance Industry

During last sixty years, attempts at the establishment of State Insurance, for one or the other sections of the numerous classes of Insurance business, have been made in more than thirty countries. Of all these projects, only a small number came into active operation. None of these, however, seems to have met with any significant success.

The relative experience of foreign countries, where the Industry is managed as a free enterprise, and where it is State-owned, are revealing. For instance:

(i) The total savings mobilized through Life Assurance operations accounted for 25 to 30 per cent of all national savings in the U. K., the U. S. A., and Switzerland, where, the industry is run privately. As against this, savings on account of Life Assurance form an insignificant 5 per cent of national savings in France, where the industry is partly nationalised.

(ii) Insurance Companies abroad have been in the fore-front in providing long term capital for development requirements, particularly of the Private Sector. In the U. S., about 45 per cent of the assets of Life Assurance Companies are invested in industry, as against 14 per cent in Government Securities. In the U. K., also, a progressive switch-over from investments in Government Securities to industrial securities has been in evidence, during recent years.

(iii) In the U. S. A., the Insurance Industry has played a pioneer's part in promoting large scale farming, and later in promoting transport etc. After the War, it took a lead in the task of rehabilitating the national economy, and undertaking substantial construction activity to meet the housing shortage.

The achievements of the Industry, managed as a free enterprise, are thus incomparably more impressive, than those of nationalised Insurance anywhere.

The results of State-owned and managed Insurance in Poland, France, Russia, Sweden, New Zealand etc. are anything but encouraging. For example:

(i) In Russia, where Industrial Group Assurance was nationalised, the authorities were obliged to hand it over back to Co-operatives;

(ii) In Poland, which has a Government monopoly of Insurance, premium rates have been raised after nationalisation, apparently to meet rising costs:

(iii) In Sweden, a State-operated General Fire Insurance Fund had to be abandoned, because of insufficient regard to premium policy;

(iv) In New Zealand, Government Life Assurance Department and Fire Insurance Department had to be closed down, after operating for

50 years, as Government-operated Insurance was found to be less businesslike than the private industry;

(v) In France, where companies, over a certain size, have been nationalised, their performance compares unfavourably with that of privately managed companies;

(vi) Lastly, findings of a Norwegian Committee, appointed recently by Government to examine, among others, the case for nationalisation of Life Assurance, have not been in favour of nationalisation.

The facts, which I have cited above about attempts at nationalisation of Insurance, are illuminating, and have a definite moral for us, in this country.

The Insurance Industry has been, in free countries, a vital adjunct of the national economy, playing a pioneer's role during its formative periods, and a collaborator's at all subsequent stages. The large saver having practically disappeared, thanks largely to taxation policies of modern Governments, the problem of husbanding resources of the small saver, on a country wide and a mass basis, has assumed an urgency greater than ever. The Insurance Industry, all over the world, has been rendering a basic service to the Private Sector, by stimulating capital formation, and contributing, towards sustaining and developing it, a progressively growing volume of its long-term capital needs. To illustrate. In the U. K., total ordinary share issues, in 1953, amounted to L 103 million. During the year, the Life Offices increased their holdings of ordinary shares by L50 million; further, it was estimated that investments on account of Pension Funds accounted for as much again.

In India, within the restrictions imposed by Statute, the Industry has attempted to play its due part by the Private Sector, placing at its disposal resources in an ever increasing volume. Because of the Industry being comparatively under-developed, its contribution to the Private Sector, so far, is nothing comparable to that in more advanced countries. The Industry, is, however, fast growing, and is bound to play, in future, an ever increasing role in the supply of long-term capital to the Private Sector. In the context of the policy of Mixed Economy adopted by this country, it will be highly unfair to clip the wings of the Private Sector, by depriving it of the most important single source of long-term finance. We, in the Private Sector, are always prepared to fully cooperate with Government, in the attainment of the broad national objectives. Where we differ from them, as in the present case, is in the means and methods to be employed for achieving the goal.

I have attempted to place, before the public and the authorities, my considered view on nationalisation of the Indian Insurance Industry. May I hope, that the authorities will give their earnest consideration to this vital problem, and view the issues involved, objectively?

Excerpts from the Speech delivered at the Thirty-sixth Ordinary General Meeting of the Shareholders on Wednesday the 29th June 1955.

The Nagpur Insurance Institute

A clarion call to insurancemen to realise their great responsibilities and play in full their important part in the economic reconstruction of resurgent India, was made by Mr. B. C. Rakshit, Manager of the National Fire & General Insurance Co., while addressing local insurancemen under the auspices of the Nagpur Insurance Institute at a meeting held on Monday the 11th July 1955 at the office of the United India Life Assurance Co., Mount Road, Extension.

Progress made by Indian Insurance:-

Recounting the great progress made by Indian Insurance during the last 25 years Mr. Rakshit recalled earlier days when British Insurance was firmly entrenched in a favourable position in this country and Indian Insurance was more or less an appendage to British Insurance and had to be satisfied with bits and leavings, so to say, thrown out to them by British Insurance. It was not until the political emancipation of the country that, following the political pattern, Indian Insurance could cut itself off from its past minor role and come into its own. Life Insurance especially made rapid strides and its progress had telling effect on British Insurance in India. Adverting to the progress made in General Insurance Mr. Rakshit pointed out how insurance is not what it was before and how practically every contingency can have a cover these days.

Need for trained personnel:-

He emphasised that the chief problem before Indian Insurance is to train and have sufficient trained personnel. The Indian Insurance Society was attempting to do it in a humble way by organising lectures, inspection of risks and giving them opportunities to have practical experience of hazards. He commended such activities to the Nagpur Insurance Institute and urged that they should also make a similar move in the matter. He also incidentally referred to the formation of the Federation of Insurance Institutes with a view to emphasise insurance training programme and exhorted the Nagpur Institute to make their contribution in arranging for the effective training of local insurance agents.

Code of Conduct:-

Referring to the failure of the Code of Conduct to achieve the ostensible purposes for which it was framed, Mr. Rakshit stated that though he would go all forward to see that faults in the business are rectified and abuses given up, he was unable to be one with the Code of Conduct. An analysis of the statistics published in the year Books would make it clear that the Codes of Conduct and directive after directive have failed to make any impression in regard to expenses in General Business, which continues to be in the region of 40%, even after the enforcement of the Code of Conduct, as it was before. He recalled however in other countries the standard ratio of expense has been near 40%. Mr. Rakshit was personally of the opinion that the only control to be exercised over the General insurance companies should be in the form of a strict solvency test and that only companies who pass through the sieve and stand such a test should remain and be allowed to function. Other weaker ones should either merge amongst themselves to form economic units or get merged with stronger units. He pointed out that the present situation with a few powerful units, a few weak units and a number of middlings did not present a favourable climate for fair competition and proper growth.

Rebating and reduction of premiums:-

Explaining his "unorthodox views" about rebating, Mr. Rakshit referred to the mental make up of the people of the Orient whom, he said, nothing pleased more than getting back a portion of what he paid for anything. He had his doubts therefore whether rebating can ever be stopped, by mere regulations and codes without a mental revolution on the part of people. Contesting the reasoning that by reduction of premium rates, rebating can be mopped up, he pointed out that while no improvement would be recorded, the reduction of premium rates would only make it more difficult for companies to carry on General Business. In this connection he mentioned how before the revolution, they had two tariff rates simultaneously in force in China, one for the Chinese and another for the non-Chinese and how that system worked admirably there. He also pointed out the inconsistency involved in not putting up the premium rates for motor business-where the present rates have admittedly been non paying and companies have been losing thereon-while on the plea that the present rates are more than favourable and companies have been making a profit, a reduction has been effected in fire rates. Such unbalanced action has the effect of, so to say, removing the bottom off General business.

Threat of Nationalisation:

Referring to the talk about nationalisation of insurance, he stated that the Government with their majority had the power to nationalise but the trade would not be one with them for valid reasons. In the first place General Insurance business was highly international and it is highly problematical whether nationalised insurance can retain its international character and play its part equally well. For instance in the Company with which he is connected the risk is spread over 30 companies covering nearly three fourth of the globe. It is doubtful whether this international connection and ramification would be continued if insurance were to be nationalised. Again the business is highly technical and complicated, demanding quick decisions and an organisation and outlook both flexible and prompt. It is a matter for conjecture whether nationalised insurance would be able to shake off redtapism and be able to satisfy these requirements. What harm, he asked, has insurance done to merit nationalisation? Citing a recent instance, Mr. Rakshit referred to the occasion when the labour Government was in power in the United Kingdom and the question of nationalisation of insurance came up for consideration-British insurance came in for strict scrutiny and the searchlight of the socialists was thrown on it and happily it survived the test. After all, Insurance was the biggest money earner. He agreed that there were shortcomings and some cases of mismanagement in the business. But then they were comparatively insignificant when compared to the wastage of labour and money incurred in Government under-takings; caused by faults and failures. He had therefore do doubt that there can be no plausible excuse for nationalisation of insurance.

Earlier Mr. A. S. Narayanan introduced Mr. Rakshit as one of the top Insurance Executives in General Insurance. With a vote of thanks proposed by Mr. S. S. Shapurjee and after light refreshments were served, the meeting terminated.

News

Bombay Mutual Life Assurance Society, Ltd.,

Governor Sri Prakasa opens the New Building at Madras.

The six-storeyed Bombay Mutual Building, the first of its kind in the City, was formally declared open on 17-7-55 by H. E. Shri Sri Prakasa, Governor of Madras.

Situated in an important business centre of the City, the latest of the Bombay Mutual Buildings in Madras embodies all the modern structural developments. A clock tower as well as neon signs with the words "Bombay Mutual" have been provided. The approximate cost of the complete scheme is Rs. 39 lakhs. The building is completely air-conditioned.

The opening ceremony was held in the specially erected decorated pandal in the premises of the Madras High Court opposite the building.

Messages wishing the Bombay Mutual Life Assce. Society Ltd. all success, were received on the occasion from Dr. S. Radhakrishnan, Vice-President of India, Messrs. C. Rajagopalachari, Morarji Desai, B. G. Kher, M. Visvesvaraya, B. Rama Rao, C. M. Trivedi, Dr. Pattabhi Sitaramayya, Dr. C. P. Ramaswami Aiyar, Dr. R. M. Alagappa Chettiar, Sri K. Kamaraja Nadar, Chief Minister of Madras among others. C. R's message runs as follows:

"A six-storeyed building in the premier street of Madras City is by itself a great new feature. I hope this achievement will not be copied and the Bombay Mutual will remain the only six storeyed structure in this City which has so far resisted becoming Americanised.

Insurance is quite a different matter. It is the greatest invention of man to cope with the work of Yama. As insurance advances, the ravages of death become increasingly insignificant. Death will be nationalised and rendered harmless."

Welcoming the Governor and others, Mr. U. S. Desai, Chairman of the Society, said they had completed the building worthy of the city though work could not progress according to schedule for various reasons. The Bombay Mutual, apart from being the oldest life insurance institution in the country, was also organised on the Mutual principle so that all policy holders of the Society were its members. There were no shareholders and, apart from the funds of the Society constituted mainly from contributions of the policyholders, there was no share capital as such. The present building only fulfilled a long-standing wish of the Directors. It would be followed by buildings of appropriate stature in the capital of the country and at places such as Ahmedabad, Bangalore, etc.

Mr. Desai said the early founders wanted no policyholders to come into the

Society except as members of a well-knit family where the spirit of equality and fraternity was something more than a mere catch-phrase. "Had the Society cared only for expanion at any cost, perhaps its size today would have been more imposing."

Pointing out that mutualisation was the application of democratic co-operation to the field of life insurance business, Mr. Desai said the principle under which the Society was formed was getting steadily vindicated judged from the fact that other insurers were now taking advantage of the mutualisation provisions in the Insurance Act.

Mr. Desai assured that the Bombay Mutual would continue to serve the citizens of India wherever they might be if they chose to become its policyholders and, therefore, its members With their own building at present in the South they hoped to render greater service to the policyholders in the South. The Society had always adopted as its principle in settlement of claims the need for minimising observance of formalities or compliance with conditions and, as far as possible, they attempted to settle claims with the "utmost expedition." With regard to investment of funds the Directors tried to follow a special policy of helping in advance of loans to Municipalities, etc., for water works and other similar civic amenities directed towards improvement of public health and for various other public utility purposes.

The progress of Indian insurance during the period of existence of the Society had been remarkable, Mr. Desai said, and added the share of Indian companies in the total of new insurance business transacted every year in the country had steadily increased and in 1953 it was Rs. 137.46 crores representing 89 per cent of the total. The position in 1954 was even better due to the special factors that prevailed in the life insurance market in the year. Life Insurance had hardly touched the fringe of the urban population and the vast rural population. The basic principle of life insurance was really co-operation among unknown persons.

He also thanked the architects, Messrs. Prynne Abbott and Davis, the Contractors, Messrs. Coromandel Engineering Co., Ltd., and their Chief Agents, Messrs S. A. Ramaswami & Bros., for the great care with which they executed the project and for the vital part they have played during the construction of the building and also in holding the name of the Society before the public in Southern India.

Governor's Speech.

Declaring open the building Mr. Sri Prakasa, congratulated the Society on its work. If he were not 65 years old at which age no normal society would take him as a policyholder, he should be very much tempted to be one himself. Another thing in the Society that attracted him was that it was based entirely on voluntary efforts, and policyholders were members of the Society. He expressed the hope that the Socialistic pattern of society would work in insurance also and those who could afford to invest should invest more even though they might not be getting anything more than others who invested less. When such a day came, he himself would be an applicant (laughter).

The Governor said Madras was certainly the most beautiful city in the country and he was glad the Bombay Mutual had given them such a fine example of our architectural skill. He would very much like to see a Madras Mutual building being opened in Bombay by the Governor of Bombay (Laughter).

Referring to the special policy of helping in the advance of loans to Municipalities etc., for various schemes Mr. Prakasa thanked the Society for their help in executing welfare schemes.

Mr. Prakasa pointed out that in the case of banks and insurance companies which dealt with people's money they would find that the original investment might approximately be only Rs. 2 or 3 lakhs but they might deal with crores of money. Therefore, a fear in the mind of the public was very natural that all this money might be lost in fruitless ways and consequently a large number of people would have to suffer. That was why many seemed to favour nationalisation of those two industries. Personally he was of the view that in a country like ours, particularly in view of their individualistic tradition, there should be ample scope for private initiative but Government were bound to see to it that private initiative should not lead to any loss to any men. So far as Bombay Mutual was concerned, there could be no fear because the policyholders themselves were proprietors of the company.

Mr. Prakasa said world economy had changed and the humble persons who worked in the fields and factories were becoming increasingly important in the scheme of things. It was therefore, very necessary for societies like Bombay Mutual to instill a spirit of co-operation among the humbler folk who did not understand things as much as the educated people of the middle class.

It was good, the Governor said, the Bombay Mutual was thinking of embarking on such good work. The day when they all become insurance-minded, when the humbler persons with a very small capital and very small income would also get insured, then they would be seeing a new world coming up before them. It was but right and proper that persons of goowill did their best to bring back into human hearts a feeling of sympathy, compassion and goodwill. He hoped the Bombay Mutual Life Assurance Society would help in the building up of a new world. They could do the work better than any others because for the past 70 years they had worked on their principle of practical value.

Mr. M. V. Sohonie, Manager and Actuary, proposed a vote of thanks.

Federation of Insurance Institutes
(J. C. SETALVAD MEMORIAL)

The Federation of Insurance Institutes (J. C. Setalvad Memorial) was inaugurated by Sir Gowasjee Jehangir, Bart., M. A. (Cantab.), G. B. E., K.C.I.E., C.I.E., O.B.E., one of the oldest Insurance Directors in this country and one closely connected with the late Shri Jivanlal C. Setalvad. An extract from the short speech delivered by Sir Cowasjee is reproduced below:-

"The late Shri Jivanlal Setalvad was known to me for many years and I had occasions to meet and discuss with him various problems. He had spent much of his time for the insurance industry and had taken an active interest for the improvement of the industry. He was partly responsible for the shaping of the Indian Insurance Act in 1938 and also when it was amended in 1950. He was very prominent amongst insurance men and his untimely death left a void in Indian Insurance which it will be very difficult to fill for years to come. This Federation is a fitting memorial to the late Shri Jivanlal Setalvad since its object is to impart insurance knowledge to one and all.

"I am sure that those who are connected with insurance would be grateful to Mr. C.R.C. Gardiner, O.B.E., the first President of the Federation, for having brought this Institution into existence."

Immediately after the inauguration, Mr. C.R.C. Gardiner, O.B.E., the first President of the Federation, gave a resume of the successful efforts made by some insurance men to bring this Federation into being.

A number of messages wishing the function success were received from well-known personalities.

Shri H.M. Patel, I.C.S., Chairman of the Executive Committee of the General Insurance Council of the Insurance Association of India, Shri A. Rajagopalan, F.I.A; Controller of Insurance, Government of India, Shri S.K. Vaiyapuri, F.I.A., Deputy Controller of Insurance, Shri B.K. Kaul, I.C.S., Ministry of Finance (Deptt. of Economic Affairs), Government of India, Shri K. G. Ambegaokar, I.C.S., Deputy Governor of the Reserve Bank of India, and other Government officials, (Cont); prominent industrialists, Chairmen of some Insurance Companies and Excutives and staff of various Insurers were present on the occasion. Representatives of some of the Insurance Bodies offered Annual Prizes for the best papers on subjects connected with Insurance and the announcements were received with acclamation. These offers were subsequently accepted by the Council of the Federation with greatest pleasure.

All India Insurance Field Workers Association

The All India Insurance Field Workers Association, Calcutta in course of a Memorandum submitted to the Controller of Insurance, Govt. of India on the provision made in the Bill introduced by Sri B. C. Ghose in the Rajya Sabha proposing amendment to Section 44 (2) of the Insurance Act said that they were in general agreement with the provision in view of the fact that

(a) whereas under Section 44 (2), commission earnings of the agents have been treated on certain conditions as property and payment thereof to a deceased agent's heir involves taking out of a Succession Certificate on each and every occasion of subsequent payments. This is so as renewal incomes are future incomes and cannot be ascertained specifically on the date of death of the Agents;

(b) the heirs of the deceased agents would derive full benefits of the rights and privileges granted to them by the legislature;

(c) the Insurers will be saved from maintaining an elaborate and complicated set of commission accounts of deceased agents.

They, however, felt that there were some other points which should also be incorporated in the Bill. In this connection they suggested that

(i) if an agent dies while working for his company even within first five years, the general qualifications laid down in sub-section 2 of section 44 should be applied;

(ii) Renewal commission of agents dying within 10 years should also be paid to their nominees subject to qualification laid down in Sub-section 2 of Section 44. This will protect the legitimate interest of those agents, who do not leave a company after 5 years of service but die before completion of 10 years' service;

(iii) provision should be made for enabling the nominating agent to change the nominee by sending a formal notice to the company and there should also be a provision enabling the said agent to appoint guardian in case a nominee is a minor.

(iv) Provision should be made in the Bill clarifying the point that nominee or heir of an agent shall not be required to take out a license for receiving hereditary renewal commission.

(v) the words "and after his ceasing to act as such agent he does not directly or indirectly solicit or procure insurance business for any other person" in Section 44 (1)(c) should be *deleted*.

Insurance Firms In India
Expense Ratio Must Be Reduced

Insurance was a form of social service and he for one believed that the service should be controlled by the State. But the question would be considered by the Government, taking into account all aspects of it and whatever was felt to be in the best interests of the country would be done said Mr. M.C. Shah, Union Minister for Revenue and Civil Expenditure on July 16, addressing the members of the South India Insurance Association at the United India Life Building, Madras.

In the course of his address, Mr. Shah said many cases of small insurance companies which were practically insolvent had come to his notice. They had to take strict measures against those companies. The managements of those complained to him that the controlling official was very harsh. But he found the charge against the controller absloutely unfounded. The Government had to see that the interests of policy holders were safeguarded and they had to take strict measures against some companies. The Minister said that he would very much welcome if insurers themselves took up the task of reducing the expenditure ratio.

The executive Council of Life Insurance had already drawn up certain codes of conduct. These represented voluntary effort to improve the position of insurance, Mr. Shah said. How far the voluntary effort would succeed remained to be seen. The Government of India were doing everything possible to see that the ratio

of expenditure was reduced. Vested interests, he said, always came in the way. They could not allow insolvent conditions to grow in small companies though the Government were ready to help small companies. Unless the insurers themselves took steps to improve the position, there would be difficulties and the Government would have to take action.

Referring to the agency profession the Minister said that there were about 2.5 lakhs of agents in the insurance business now. Under the code of conduct, there should be only one intermediary. It would be difficult for Government to control them, if there were a large number of intermediaries. No doubt there were so many ways of getting out of the rules. There too, he felt, the Government would have to take strong action. The Minister had come across many abuses and malpractices by managements of insurance companies. Lacs and Lacs of rupees, he said, had been swallowed by the managements of some companies to the prejudicial interests of policy holders, not to speak of sharehlders. In one or two cases, he added, about Rs. 77 lakhs were swallowed by certain people in the management of one or two companies. He suggested that insurers themselves should set their house in order.

The Minister also condemned the practice of giving big rebates in order to get more business. The loss to the Income-tax Department by such malpractices, he said, might be about one crore of rupees. The Government were considering steps to put an end to them. He felt that the members of their Association might help the Government by not resorting to such abuses and malpractices.

Re-Insurance Facilities

Referring to re-insurance facilities, he said that the matter was under the consideration of the Central Government. Statistics had been collected in this connection, and the Insurance Executive Committee had submitted a report, and it was being examined by the Executive Council on insurance. As regards the question of nationalisation of the industry, Mr. Shah said that he could not give a categorical reply. It was a high-level policy question to be taken by the Government of India as a whole. The President of the South India Insurance Association he said, had sent him the editorial of THE HINDU. Leading men in insurance line had also expressed their views recently. He assured them that when the Government considered the question they would look into their representations. One fact he wanted to tell them, and that was that he did not agree with the view of the Association that nationalisation would not be in the best interests of the country. The Government, he said, always considered very carefully and studied the reaction of the public in the country whenever they took a decision on such vital matters.

Mr. A. S. Mani, Vice-President of the Association, earlier welcomed the Minister. He said that the question now agitating the minds of insurers was the threat of nationalisation of insurance, and that the vague statement of the Government had created uncertainty in the Insurance field and further progress of insurance had been halted as they would not like to venture on expansion schemes under the present circumstances. He wanted the Government to state their policy on the question of nationalisation. They felt that public interest would be served better if insurance was under private enterprise than under Government management, as India was still underdeveloped in the matter of insurance. If insurance was nationalised, he felt they would have to give up their overseas business resulting in loss of valuable foreign exchange. A rationalisation of insurance, he felt, would be better in the interests of the country. He pleaded for strict enforcement of rules relating to expense control, and suggested that certain minimum qualifications might be prescribed for an agent and that only those who had some knowledge of insurance and who would be in a position to advise and help the policyholders at all times might be allowed to act as agents. In order to develop insurance in rural areas, he said that post offices might be used as a medium for collecting and remitting money to insurers at a nominal rate of commission. He requested the Government to constitute a reinsurance corporation owned partly by Government and party by the insurers.

Mr. N. Varadarajulu Naidu proposed a vote of thanks.

Shri R. K. Khoala, B. A., LL.B.,

Shri R. K. Khosla, B. A., LL.B., son of Mr. P. D. Khosla, who worked as Secretary in the Policyholders Assurance Limited, Delhi, for eleven years has been appointed as a Finance Officer in the Ministry of Finance, Government of India, after being selected by the Public Service Commission.

Mr. B. B. Dotto

We are glad to learn that Mr. B.B. Dotto, Secretary, Police Co-operative Life Insurance Society, Ltd., and Member, Executive Committe, Life Insurance Council is doing his best for the upliftment of the Agency profession in India and also for the advancement of Insurance business.

At the instance of Mr. Dotto, the Insurance Department, Government of India, has agreed, we learn, to look to the reduction of the cost of the Insurance Year Book, the price of which has been put up year after year. Its present high cost is beyond the purchasing power of ordinary agents. The Insurance Department, it is reported, has also decided to include the total business figures of the Postal Insurance Funds, Travancore and Cochin Insurance Funds, Mysore Government Insurance Funds and Uttarpradesh Insurance Funds in the year book with effect from the next issue, as suggested by Mr. Dotto.

Sahyadri Insurance Co., Ltd.,

A meeting of the Board of Directors of the Sahayadri Insurance Co., Ltd., Nasik was held on 18th July, 1955, and it was decided to recommend for adoption by the shareholders at the General Meeting to be held on 20th August, 1955, the company's accounts for the year 1954, the Directors' report and the report of Shri K. A. Pandit, B. Sc., F.I.A., on the valuation made by him as at 31st December, 1954. The valuation has disclosed a surplus of nearly Rs. 2 lakhs and a reversionary bonus at the rate of Rs. 10 and Rs. 8 per year per thousand is recommended. A dividend to shareholders is also recommended for the triennium 1952-54.

Police Co-Operative Life Insurance Society Ltd. Calcutta.

We are pleased to learn that the Police Co-operative Life Insurance Society Ltd. has been admitted as a Member of the Indian Life Assurance Offices Association of Bombay. This is the first instance of a Departmental Life Office becoming a member of this highly representative Association of Indian Insurers. Incidentally it may be mentioned that unlike other Departmental Life Offices Police Co-operative is publishing its facts and figures in all the Insurance Journals and they are also incorporated in the text of all books of reference on Insurance. Thus the Police Co-operative, though a Departmental Life Office, is not keeping its rates, policy conditions and other facts and figures concealed from sister companies and workers.

WEDDINGS.

Mr. K. R. K. Bhat, Branch Secretary, Oriental Government Security Life Assurance Company Limited, Madurai and Mrs. K. R. K. Asha Bhat celebrated the marriage of their daughter Sow. Nalini with Chi. B. Gopinath, M. Com., Officer apprentice Messrs. T. V. S. & Sons, Ltd., Madurai on 9th June 1955 at Tirupathi. A reception in this connection was held at Madurai at the residence of Mr. K.R.K. Bhat, "Gita", Ramamurthy Road, Chokkikulam in a well decorated and specially erected pandal on the 14th June 1955 which was well attended by all the District Officials, prominent businessmen and other elite of the City. There was also a music performance by Miss P. K. Rajamma of Tenkasi. In the night there was a dinner to all the Agents & Members of the Staff of Oriental Life Office, Madurai and others.

Mr. M.S. Krishnaswamy, Branch Manager, New Asiatic Insurance Co, Ltd., Madras, celebrated the marriage of his eldest daughter Sow. Ambuja, B.A., with Chi. K. Narasimhan, B. Sc., on Sunday the 10th July at "Sri Rama Vilas" Beach Road, Vizagapattinam. The muhurtham was well attended and the couple were the recipients of a large number of congratulatory messages and presents.

Mr. N. Swaminathan, Asst. Agency Manager, Oriental Govt. Security Life Assurance Co, Ltd., Bombay, celebrated the marriage of his son Chi. S. Natarajan, B. Sc., B. E., (Asst. Engineer, Tata Iron & Steel Co, Ltd., Jamshedpur) with Sow Hema, M. A., daughter of Mr. S. Jayasankar, Jt. Secretary, Finance Ministry, Govt. of India on Thursday, the 30th June, 1955 at "Krishna Vilas" Tiruchirapalli. The muhurtham in the morning and the reception in the evening were largely attended and the bridal pair received a large number of congratulatory messages and presents.

Mr. P. Ramaswami, Divisional Manager for North India, Indian Mutual Life Association, Ltd., Madras, celebrated the marriage of his son, Mr. P. R. Srinivasan, B. E., of Caltex (India), Ltd., Bombay, with Sow. Devaki, daughter of Mr. R. Ramadesika Iyengar, retired Superintendent of Central Excise, on July 11 at "Satyagriha". 155, Loyds Road, Royapettah, Madras. The *muhurtham* in the morning and the reception in the evening were largely attended.

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OBITUARY

Shri Jwalaprasad Kanoria

It is with deep regret that we record the passing away of Shri Jwalaprasad Kanoria, the Founder General Manager, Ruby General Insurance Company, Limited, at Calcutta on Sunday, the 24th July, 1955 due to a serious paralytic stroke. He was aged 71 years at the time of his death. The staff of the Southern Circle Office at Madras and the staff at each of other Branches met on the 25th July 1955 in their respective Offices and offered their heartfelt condolences to Shri Ganshyamdas Kanoria, son of the late Shri Jwalaprasad Kanoria. Their Offices stood closed on that day in memory of the departed soul.

Reviews

The New India Assurance Co., Ltd., Bombay.

THE year 1954 is the most eventful period for the New India Assurance Co, Ltd., Bombay, because this year not only marked the Silver Jubilee Celebrations of the Life Department but also the new business attained new peaks. Ever since the establishment of the Company in 1919, the progress made every year had been a record one and it is highly gratifying that it continues to maintain its leadership as the largest composite insurer in the country. The magnitude of the company's operations during 1954 may be guaged from the fact that the Life Business advanced by 118%, the total premiums rose to Rs. 10 crores and the Funds reached the huge figure of Rs. 30.58 crores, the increase during the year being Rs. 3.94 crores. The company's field organisation has continued to expand on a greater scale in and outside the country and new Branches have been established at Manila, Djkarta and Basra, while arrangements to start one at Sydney in Australia are complete. Further, recently the Directors have acquired a controlling interest in the Bombay Fire & General Insurance Co. Ltd., which means increased opportunity for building up new contacts. The total Life Assurance Business in force at the end of the year mounted up to over Rs. 125 crores with a Life Assurance Fund of Rs. 23.92 crores.

Life Business

During the year the number of new Policies issued in the Life Department was 88,652 assuring sums of Rs. 43,42,43,041 as against Rs. 19.91 crores in 1953, the average sum assured per policy being Rs. 4898. It is significant that the total premiums increased to Rs. 5.62 crores as compared with Rs. 4.74 crores in 1953. A sum of Rs. 1,13,73,298 represented payments to policyholders and beneficiaries by way of claims. The management expenses accounted for 31.9% of the premiums and 12.2% of the renewal premiums, the renewal expense ratio showing a decline by 2%. The addition to the Life Fund amounted to Rs. 346 lacs. It is noteworthy that Surrenders and Mortality experience have proved more favourable than in the previous year.

General Business

Among the notable features of the General Business during the year had been expansion of premium income in all the Departments, more favourable claims experience and good underwriting profit. The increase in the premium income in the three General Insurance Departments amounted to Rs. 46.90 lacs and the following table shows the progress during 1954:-

Dept.	Net Premiums Rs. in Lacs	Claims ratio	Funds Rs. in Lacs	Profit. Rs. in Lacs
Fire	250.31	36.1%	168	37.36
Misc.	85.52	49.8%	62	10.86
Marine	100.70	74.1%	141.8	- 14.12

The premium income in the Fire, Miscellaneous and Marine sections has recorded an increase of 17%, 13.18% and 16.73% respectively over 1953. A sum of Rs. 14.12 lacs has been transferred from the profit and Loss Account to maintain, as usual, 100% of the year's premium income as Reserve for Unexpired Risks in the Marine Department. After all adjustments, there was a balance of Rs. 44.51 lacs which has been appropriated as follows:-

Taxation Reserve	Rs.	13 lacs
General Reserve	,,	10 lacs
Dividend Equalisation Reserve	Rs.	3 lacs
Dividend at Rs. 2/8/-	,,	17.81 lacs
Carry forward	,,	0.71 lacs.

The Board have granted a special allowance of two and half months' salary to each member of the staff at the Head Office and Branches besides half a month's salary to commemorate the Silver Jubilee of the Life Department. As the foregoing details have established, the Company is forging ahead very rapidly and we wish them further successes.

New Guardian of India Life Insurance Co., Ltd.,

THE Directors' report and the Accounts of the New Guardian of India Life Insurance Co, Ltd., Madras for the year 1954 show that the institution had continued to develop in all directions with its premium income and funds growing rapidly. The business in force at the end of the year stood at over Rs. 3·80 crores while the assets totalled Rs. 94.57 lakhs.

An appreciable increase in the new business for the year has been recorded, the sums assured being Rs. 90,54,100 under 2977 policies, as against new business of Rs. 52,49,000 in the preceding year. Out of the new business, a sum of Rs. 8,20,832 has been re-insured. The total permium income for the year amounted to Rs. 18,41,007 of which the first year premiums accounted for Rs. 3,48,727, and income from interest, dividends and rents advanced to Rs. 3,06,286. During the year, the amount paid to the policyholders and beneficiaries in settlement of claims was Rs. 3,40,181 while such payments under this head exceeded Rs. 20 lakhs since the inception of the Company. The Life Assurance Fund registered an increase of over Rs. 11 lakhs and amounted to Rs. 87,22,116 at the end of the year. The Renewal Expense Ratio, as per rules, was 18%. The Funds of the Company are invested in safe and sound Securities consistent with fair return.

To sum up, the progress of the Company from year to year has been very satisfactory and it is a compliment to the management who are always careful and cautious in the development of the institution. As a result of the Actuarial Valuation at the end of 1953, on a conservative basis, a Bonus of Rs. 12/ and Rs. 10/ has been declared to the participating policyholders in respect of Whole Life and Endowment Policies, per thousand per annum. The next Valuation holds out bright prospects of higher bonuses to the policyholders and we have every hope the institution will march ahead steadily serving the needs of the insuring public as satisfactorily as now.

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

Increased Bonus to Policyholders at the Twelfth Valuation as on 31—12—1954

SUBSTANTIAL increase in the rates of Bonus to the Policyholders has been announced by the United India Life Assurance Co., Ltd., following the report of the Company's Actuary, Mr. J. R. Rana, M.A., F.I.A., on the twelfth Actuarial Valuation. The new rates of Bonus at Rs. 17/- on Whole Life and Rs. 15/- on Endowment participating policies, per thousand sum assured per annum, compares significantly with Rs. 12/- and Rs. 10/- on similar policies in the previous valuation. It is needless to stress that the valuation has demonstrated once again the growing financial strength of the Company and that the business is carried on in the best tradition of Life insurance management.

It is gratifying that in the two year period that the valuation covers for 1953-54, the yield on the invested funds as also the mortality experience of the company have registered marked improvement. While the interest earned on the funds averaged at 3.70% as against 3.25% in the preceding valuation, the actual deaths to the expected averaged at 50.3% as compared with 57.5%. Following the established principles of prudence, caution and safety in regard to valuations, the Actuary, Mr. Rana has employed rigid bases, as in the previous valutions. The bases adopted in the valuation are 3% interest, applying for mortality the O(25-35) Ultimate table, the percentage of premiums reserved for future expenses and profits being 23.44% under participating policies and 14.87% under non-participating policies. The higher provision for future bonuses to with-profit policyholders at 23.44% as against 20.63% in the preceding valuation may be noted with advantage. The average renewal expense ratio for the valuation period was 15 13% As on the valuation date, the Company's net business amounted to Rs. 28,50,83,052 covering 1,29,778 Policies with a Life Assurance Fund of Rs. 8,77,14,895.

A handsome surplus of Rs. 42,20,357 emerged as a result of the valuation and this together with the interim bonus paid and tax deducted at source amounted to a total surplus of Rs. 51,38,221. After providing for income tax, share-holders, etc., a sum of Rs. 42,09,645 has been distributed to the Policy-holders as below:-

Reversionary Bonus per thousand sum assured per annum for 1953 & 1954.

" United India " Policies
Whole Life Rs. 17; Endowment Rs. 15; Rs. 5 for closed series formerly known as the "Capitalised Profits" Scheme.

" Allianz " Policies:- Rs. 12/-

" Winterthur " Policies: Rs 5/- for three years, 1952-54.

The Actuary has recommended payment of interim bonuses at the same rates as reversionary bonuses until the next valuation.

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Concluding his report on the Valuation, the Actuary says," The results of the valuation must be considered gratifying, not only on account of the handsome surplus disclosed and the increase in the rates of bonus that are recommended for distribution to the policyholders and dividends to the shareholders, but also because this has been achieved fully maintaining the same high standard of reserves and in fact, making a higer provision for future bonuses to our with-profit policyholders. I am also confident that on the basis of the present experience as regards mortality, interest and expenses these rates of bonus could be largely maintained by the premiums at present charged by us". With the comparatively low premium rates and the present handsome bonus rate, we hope, the Company's popularity and new business will reach greater heights in the future years.

Central India Insurance Co., Ltd., Indore.

WE note with pleasure that the Central India Insurance Co, Ltd., has made encouraging progress during 1954. The Company's paid-up Capital is Rs. 9,84,200 and there are Branch Offices and other organisational offices in important centres in the country. At the end of 1954, the total assets stood at Rs. 20,82,103. Though started as a composite office, the Life Insurance business has been discontinued for sometime now and the Directors state that the approval of the Controller of Insurance is awaited to transfer business to some other insurer. It is interesting that the Actuarial Valuation for the year ending 1953 has resulted into a surplus and Bonus to the Life Policyholders has been recommended at Rs. 30/-per thousand per annum.

The Net premiums in the Fire and Miscellaneous Departments amounted to Rs. 2,64,563 and Rs. 1,72,652 respectively, the increase being nearly double in the Fire section. Thus there is definite improvement in the premium income of the company when compared to the preceding year. Similarly, in the matter of claims also, there was a favourable trend; the claims ratio in the Fire and Miscellaneous sections accounted for 16.6 and 32.5 % respectively. The net underwriting profit of the two departments amounted to Rs. 41,406. After all adjustments, the Profit and Loss Appropriation account showed a balance of Rs. 81,589 together with the Balance of Rs. 41,152, brought forward from the previous account. Out of this, the Directors have transferred a sum of Rs. 25,000 to provision for doubtful debts and Rs. 20,000 to General Reserve, carrying forward the balance of Rs. 36,589.

The Madras Branch is in charge of Mr. Shantilal M. Patni, the Divisional Manager, who is an experienced insurance man and we have no doubt that the progress of the company in the South is bound to grow steadily. We wish the company all success.

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CONTENTS

	Page
Editorial: ... Social Control of Insurance	3
The Madura Insurance Association ... Address of Mr. N. V. NAYUDU, M.A., B.L., F.I.A., *Manager, "United India Life"*	5
The Indian Insurance Companies' Association ... Extracts from the Presidential Address of Mr. M. G. MODY, *General Manager, 'New Great'*	9
Problems of Co-operative Insurance ... By Shri A. L. CHANDAVARKAR, *Chairman, Bombay Co-operative Insurance Society, Ltd.,*	13
Views of Mr. Pranlal Devkaran Nanjee on Insurance (*Chairman, Devkaran Nanjee Insurance Co., Ltd.,*) ...	16
Scheme to Mutualise "Oriental" ...	19
News ...	25
Reviews:—	
Oriental Govt. Security Life Assurance Co., Ltd., ...	31
Bombay Co-operative Insurance Society, Ltd., ...	32
Metropolitan Insurance Co., Ltd., ...	33
Devkaran Nanjee Insurance Co., Ltd., ...	33
Hindusthan Ideal Insurance Co., Ltd., ...	35
New Great Insurance Company of India Ltd. ...	36

THE INDIAN POLICY-HOLDER

VOL XXI AUGUST 1955 NO. 4

Social Control of Insurance.

INAUGURATING the All-India Co-operative Insurance Societies Conference at New Delhi on the 26th August, 1955, Dr. P. S. Deshmukh, Union Minister for Agriculture, has stressed the need for social control of Insurance. In his opinion, the rapidly changing economic conditions in the country are likely to increase considerably "insurance potential" and it is undesirable to leave the field entirely in the hands of private profit-taking interests. Mr. Deshmukh has further observed that Private Insurance Business is loath to handle the needs of large classes of low income groups who are in need of the benefits of insurance most. It is no doubt absolutely necessary that "Insurance" if it is to function as an effective instrument of social security, should cover the large section of low income groups of the community, but to achieve the purpose, is it necessary to nationalise the business requires calm consideration. On the other hand, it is feared that "Nationalisation" may even affect the present pace of progress. It is easy to preach ideals, but to put them into practice and achieve success is given only to a gifted few. Unfortunately, in our Country, Insurance Business in the private hands has not been enjoying such a glorious position as to be free from criticism; and the reasons are many, important of them being, the slow response of the mass public, due to their ignorance and poverty, and the conduct of a large number of Insurance Companies' Managements. But, there has been a noticeable change in the recent years. Gradually people are realising the benefits of insurance and such of those whose economic conditions have improved are more readily responding to the call of the Insurance Agents. The managements of such of those companies that were considered harmful in the public interest, have to a great extent revised their ways with the implementation of the provisions of the Insurance Act. To be more specific, the requirements of the Insurance Act in regard to investment of Insurance Funds, Expense ratio, inter-locking of directorates, settlement of claims, representation of policyholders on the directorate, etc. Despite the improvements that have taken place, there is a great deal to achieve and the Institutions must make every effort to acquit themselves creditably. The Govern- would be also well advised to take suitable measures and exercise better control over the Companies so that the public are not deprived of the full benefits of Insurance. Want of efficiency or honesty in the case of a small number of business managements of certain Insurance Companies cannot be the basis to nationalise the whole business, especially so when it is not certain that Government are competent enough to serve better It is not a correct appreciation of facts when Mr. Deshmukh observed that private Insurance Business is loath to handle the requirements of large classes of low income groups. On this particular aspect of the business, everyone who has something or other to do with Insurance, will be able to disprove such a notion. No Government, whether Democratic, Socialistic or otherwise, and however efficient, can even dream of reaching anywhere near the cumulative energy and enterprise now put forward by the Insurance Companies to sell policies even in the remotest of the villages in this vast country irrespective of the "Income" groups to which individuals belong. The huge lapsation of policies every year is by itself a proof to know that "Insurance" is thrusted even in quarters where it is not given a warm welcome. Almost all large sized Insurance Institutions have created a net work of agencies all over the Country. Representatives of these Companies totalling nearly 3 lakhs, practically comb every day in all possible ways from the Village unit to big cities for securing fresh policies and their efforts to get at the proper persons are really marvellous. The results emerging from such a vast field force are not quite satisfactory because majority of the field workers have had absolutely no training whatsoever. The Government of India should think of not only exercising a rigid control over the managements of Insurance Companies but of actively helping them also wherever possible if Insurance is to develop in our Country. They must openly recognise "Insurance" as an Institution most fitted to promote thrift and saving for the mass public; and courses of study and training for candidates desirous of taking up Insurance Salesmanship must be available in all Schools and Colleges. The cost of insurance cover to the public will automatically go down to a satisfactory limit if better type of men are made available to do the agent's job. Thus, the objects expected to be achieved through nationalisation can be more easily secured through the private companies with the exercise of greater supervision and regulation of the business.

The Madura Insurance Association

The Sixth Annual Conference of The Association was celebrated on the 7th August at the premises of the Mother India Life Assurance Co., Ltd., Madurai, when Sri. N. V. Nayudu, M.A., B.L., F.I.A., Manager of the United India Life Assurance Co., Ltd., Madras, addressed the gathering. After paying a tribute to the late Mr. M. Ct. M. Chidambaram Chettiar and Mr. Shenbaga Nadar, who worked for the highest ideals in insurance Mr. Nayudu addressed as follows:—

INSURANCE business in India has made vast strides in the past two decades. Life Insurance which owed its policyholders a sum of about Rs. 140 Crores in 1934 and Rs. 454 Crores in 1944, now has a sum assured and bonuses in force of Rs. 962 Crores. The total funds of Insurance business representing the savings of the people, amount to no less than Rs. 375 Crores. About 55 % of this, or over Rs. 200 Crores, is invested in Government and approved securities contributing to what is now understood as the "Public Sector" of economy. A large percentage of the balance is also invested in the shares and debentures of public companies, contributing to the industrial progress of the country.

The total income through life Insurance premiums of all companies in India was about Rs. 51 Crores in 1953 and in other classes of business Rs. 21 Crores.

This vast structure rests on the foundation of life insurance agents who form the pillars of the organisation and through whom the business is canvassed and serviced. In 1953, there were about 280,000 agents, 5,600 special agents, 450 chief agents and 860 principal agents, who were engaged in this business. About a third of the insurance agents are women, and it is a sad commentary on the present state of the agents that about 40 % of the insurance agents, 32 % of the principal agents, 45 % of the chief agents and 64 % of the special agents do not renew their licences. This abnormal lapsation of agents of all description leads to a large percentage of the business canvassed by them lapsing within a few years after the business is placed on the books of life insurance companies. Many agents do not even wish their names to be shown in the policies or the premium notices. The system of remuneration of the agents and the desire on the part of life insurance companies to write large volume of new business without regard to services to the policyholders or maintaining the business so underwritten are essentially responsible for this state of affairs.

The status of the insurance agency profession must be greatly improved. In all countries, where insurance business is transacted on a large scale and the per capita insurance is high as in America, the insurance agency profession is greatly respected in society and the agents

The Indian Insurance Companies' Association

(Excerpts from the speech delivered by the Chairman, Mr. M. G. Mody, General Manager, 'New Great' at the 27th Annual General Meeting of the Association held on 1st July 1955

Working of General Insurance in 1953.

IN spite of increased all-round production, there would however appear to be no spectacular rise in the total volume of premium written by Indian companies engaged in general insurance business chiefly on account of the drop in insurable values during the past two years. In the year 1953, for which figures are available, the Fire premium income improved by only Rs. 19.49 lakhs to Rs. 7·87 crores and Miscellaneous premium income by Rs. 33.32 lakhs to Rs. 4.46 crores. The Marine premium income, on the other hand, actually declined by Rs. 10.43 lakhs to Rs. 2.73 crores. This includes the premium, although small in size, received by Indian companies from Marine Hull business which they have started developing since the last two years. I may mention here that the premium figures in the different departments include the income derived by Indian companies from their foreign portfolios.

Fire Insurance

In Fire section, by far the most important event has been the reduction of premium rates. The Tariff Committee had been directed by the Controller of Insurance to consider the feasibility of a downward revision of rates in general insurance business and my predecessor had taken the opportunity to examine the proposal at some length in his speech last year. Your Committee were of the opinion that any general reduction of premium rates would be most inopportune for the present, as such a step would be detrimental to the interests of Indian Insurance as a whole and would cause serious hardship, particularly to the smaller units, and they did everything possible to apprise the Controller of Insurance of this aspect of the question. I do not propose to go into further details regarding the subsequent developments, as we now stand committed to a general reduction in Fire tariff rates, as approved by the Tariff Committee.

I cannot, however, let go this occasion without expressing the general feeling of people in the trade that the reduction has been forced on the trade by the authorities on the assumption, based on the results of the last three or four years only, that our rates were very high. Even if this assumption be correct-and I have my serious doubts about it on account of the trend of claims in the last six months, I believe the authorities should first have collected proper statistics before insisting on a general reduction. I now only hope that the authorities would watch the effect of these reduced rates on the working of Indian companies and if any adverse results are noticed, they would feel proud to be associated with it. They derive satisfaction in their work in striving towards the ideals of the business, namely, alleviation of the misery of families, whose livelihood is cut short by the death of the bread-winner, poverty in old age and during dependency period of children, in life insurance; and, averaging the risks pertaining to property in other classes of insurance. In those countries, the number of agents is restricted by the insurers, and agencies are given only to really deserving and efficient men and women. The agents must continue to possess the prescribed qualifications of competence in sales and service. There is no room for an agent who, for example, is ashamed or unwilling to reveal his identity to his prospects, policyholders or the public. In India, however, according to the Insurance Act, the Controller of Insurance is under an obligation to issue a licence to any applicant who is not a minor, lunatic or one convicted of forgery or criminal misappropriation. The Controller does not have even the discretion to refuse a licence to an undesirable person-much less to the benami agents whom we create in the names of women. As in every profession, insurance must have only wholetimers as their agents. We cannot think of a doctor or a lawyer or an accountant practising his profession as part-timer; but, we have got a good number of insurance workers of all description who are only part-timers. These part-time agents fail to do service to the policyholders and hence the lapsation of the business is high.

The Million Dollar Round Table and the National Quality Award are recognitions in America for large producers of new business of good quality. We have to set up similar organisations in India to promote the interests of the profession. It is also for consideration whether, as the Bar Council, the Medical Association and the Chartered Accountants Board, an Insurance Agency Board could be set up to regulate the profession, inspire young men and women to take it up, guide them on proper lines of salesmanship and servicemanship and to abide by a code of ethics in the relationship to their companies and the policyholders.

Turning to the expenses of management of insurance companies, Mr. Nayudu pointed out that there is no doubt that the consumer cost in insurance is very high. In life insurance, it is well known that we spend 15 annas out of every rupee of the first year's premium in order to procure the business, and 2 to 3 annas of the renewal premium for the maintenance of the policies in our books and this happens in the best and the most leading of our insurance companies. In Fire Insurance, the premium charged is about three times the amount necessary to cover the risk.

The Executive Committees of the Insurance Councils have taken up the question of reducing the consumer cost in insurance very seriously. They have evolved a code of conduct restricting the number of intermediaries. The Act itself lays down the maximum statutory limits for expenses of management. Yet, it is well known that the code of conduct is not observed in practice, and the expenses of insurance companies continue to mount up. Even in 1952, 93 out of 178 life insurance companies and 78 out of 203 General Insurance Companies had exceeded the basic

limits for expenses of management prescribed by law.

The insurance business is keenly alive to these problems and are endeavouring their utmost to reduce their expenses. As one of the steps necessary for this desirable end, a sub-committee has been set up to consider the methods by which the number of insurance agents can be reduced, benami agents eliminated and the prestige of the agency profession enhanced. Mr. Nayudu sought the co-operation of every one present in the gathering to implement these wholesome features.

Some earlier speakers had raised the question of nationalisation of insurance. In answering them, Mr. Nayudu said that in the draft Plan, it is only stated that Government may enter into the insurance field and he saw no objection to it and was confident that fair competition between private insurers and Government insurance will always show up the qualities of private enterprise. In fact, such competition obtains to-day in the case of Post Office Insurance Fund and Mysore and Travancore State Insurance Funds; private insurers have very little to grouse about the activities of these funds.

But, the previous speakers had raised the other question of nationalising the existing insurance companies. If this issue is put on an ideological or political plane, Mr. Nayudu felt that different persons could have different ideologies or political faiths, and he could respect the ideology or faith of a person who differed from him. It is however, not correct to say that the "Socialistic pattern of society" which has been accepted by our Parliament as the country's goal, led necessarily to nationalising industries. What is necessary is an improvement in the standard of living, eradication of unemployment and an equitable distribution of wealth ensuring social justice. He failed to see how these considerations are bound up with nationalisation of insurance. The financing of the Second Five-Year Plan involved an outlay of about Rs. 5 600 Crores. The funds of insurance companies not invested in Government and approved securities were hardly Rs. 100 Crores or less than 2% of the amount required for the Plan. Surely, no Government could think of nationalising insurance and with it a considerable part of the savings of the people for the purpose of this small sum.

Nationalisation may, however, be considered from the point of view of reducing the consumer cost, eliminating extravagance, cleaning up the agency force and bringing about a healthy atmosphere in the business. "Vigorous steps are being taken by Government and all responsible insurance companies to bring the cost down, and I am sure that the bogie of nationalisation will be set at rest if we are able to remove the possible grounds for such a step," he concluded.

Activities of Indian Insurance have not been confined to a beaten track and efforts are constantly being made to provide comprehensive insurance service to meet the varied and growing requirements of the country. I may cite here the new lines which are being developed by Indian companies, such as, Hull Insurance, Machinery Erection and Breakdown Insurance, Boiler Insurance, Bankers' and Solicitors' Indemnity Bonds, Contrators' Guarantee or Performance Bonds etc., demands for which are increasing with the development of our industries and the launching of the various multi-purpose Projects under Government auspices.

Future Prospects

I visualise a bright future for Indian insurance business. India is a vast country with a vast population. Schemes for the economic development of the country, initiated and to be initiated under the Five-Year Plans, are bound to result in a gradual improvement in the general living standards of the people with the progressive implementation of these schemes. This should give ample opportunities to Insurance Companies to increase their business in various sections.

Indian insurers have also great opportunities of developing their business in the various neighbouring countries with whom, thanks to our Government's policy, friendly ties have been established, which place us in the advantageous position of building up profitable economic relations with those countries. It is gratifying to record here that some of our companies are endeavouring to assist indigenous insurance units of Ceylon, Burma, Malaya, Indonesia etc. to develop on sound lines.

Problems of Co-operative Insurance

BY SHRI A. L. CHANDAVARKAR,

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

(*Excerpts from the address at the Annual General Meeting of the Society on* 25-6-55)

EACH year, we have been receiving a substantial amount by way of refund of income-tax due to general exemption from tax of profits of co-operative societies granted by the Central Government to encourage Co-operative Institutions and to assist them in furthering their activities against the competition from Joint Stock Companies As a result, however, of the recommendations of the Taxation Enquiry Commission, the Finance Minister in his budget proposals for the current year has decided to tax co-operative insurance societies withdrawing the exemption enjoyed by them, though in respect of other categories of co-operative societies, the scope of concession in respect of income-tax has been widened. This would naturally result in quantum of refund of income-tax being considerably less than hitherto and would have the effect of reducing the interest yield on the funds. It is a matter for regret that the Taxation Enquiry Commission should have come to the conclusion as they did without giving any opportunity to co-operative insurance societies to put forward their point of view before them. On a perusal of their report, it appears that because the mutual insurers were subject to tax and they made representation for exemption from tax on the plea that Co-operative Insurers were exempt, the Commission, instead of acceding to their said request, decided to withdraw the exemption granted to Co-operative Insurers, as apparently in their opinion, there was no distinction between the two. Some two years back, the Executive Committee of the Life Insurance Council required the Co-operative Insurers to stop giving benefit of 7½ % rebate in the premia given by them to the members of the Co-operative Societies and thus broke the link of service built up between the sister Co-operative Societies and ourselves over the last many years. Now comes this further discrimination against Co-operative Insurers only. This action is particularly galing as in effect it treats us like the Joint Stock Insurance Companies. It almost implies that we have nothing in common with sister Co-operative Institutions in the field of banking, housing, credit and the like. And yet, Co-operative workers, officials of the Co-operative Department and others expect that a Co-operative Insurer must provide services and benefits which are superior to those provided by Joint Stock Insurers, simply because the Insurer happens to be a Co-operative Insurer. They expect premium rates to be lower, bonus rates to be higher and other conditions attaching to the policy contract less exacting and more liberal than those offered by other insurers. Some desire that the base of our activity be widened to include the economically weak, and thus justify our co-operative character. I would very much like our Society to do these things, and come up so to say to the "ideal" placed before us by well meaning Co-enforce an upward revision as zealously as they have pressed for reduction.

Motor Insurance

In Motor insurance, claims cost continues to be on the high side on account of heavy repair bill, particularly in respect of cars of modern design and owing to enhanced duty on import of spare parts. The non-tariff competitors are still very active in the automobile section and tariff companies continue to lose business to them due to the lower rates and more attractive terms and conditions offered by them. Representations have been made to the authorities from time to time on behalf of insurance interests requesting that the assurance given by Government on the floor of the Parliament at the time of the amendment of the Insurance Act that generally non-tariff companies would not be permitted to operate in India, be implemented at an early date in the larger interests of the trade as a whole, but apparently without any avail. I would therefore once again urge upon the authorities to take necessary steps without further delay to stop this unfair competition obtaining under an anomalous position, which permits non-tariff insurers to transact business at rates of premium not controlled by the Tariff Committee, alongside tariff insurers.

Marine Insurance.

In the field of Marine insurance, conditions remain very competitive and cargo business continues to be written at a very uneconomic level. Another disturbing feature of marine underwriting is the demand for wider covers by the inclusion of extraneous risks, which continues to exercise underwriters' minds.

Nationalisation of Insurance

I would now like to deal with the question of nationalisation of insurance, which has come to the fore again, causing some concern in insurance circles, following hints put out by some responsible Government spokesmen that the State might be prepared to enter the field of banking and insurance. This subject has been discussed on a number of occasions in the past. I need, however, offer no apology for adverting to it here once again because of the deleterious effect nationalisation would have on our economic structure. Indian Insurance, under the private sector, has played a significant part in the development of the country's economy. There is also a bright future for the industry on account of the increasing prospects for further expansion both within the country as well as abroad. But this can be achieved only if it continues to be managed by private enterprise. Once the initiative is taken away from the hands of free enterprise and Government assumes the management, I am afraid it will be difficult to foresee any bright future for this industry. I might emphasise that insurance has to be sold; it is not a commodity that can be bought across the counter. Nationalisation of Insurance, from this point of view, is particularly unsuited to a country like India where the public is not sufficiently insurance-minded. Here the message of insurance has to be carried from home to home by men whose business it is to educate the people in the advantages of insurance. Insurance, therefore, being a form of enterprise which owes its success essentially to personal service is totally unsuited for administration by Government. Besides, the high standard of

efficiency attained by the business under the stimulus of healthy competition will decline once the management passes into the hands of Government and the incentive of wholesome rivalry is removed. Furthermore, at a time when Indian Insurance is fast expanding in foreign markets, nationalisation of insurance would have the effect of dealing a crippling blow on overseas business, depriving the country of a valuable source of foreign income.

Besides, I for one do not know the object for which nationalisation of insurance is being considered. To my mind, it appears that it can be either to acquire control over the funds of insurers for safeguarding the interests of the policyholders or to render better service to the insuring public. If it is for the first object, then our present law is quite comprehensive to safeguard the policyholders' interests; if however, it is for giving better service to the insuring public, may I know why Government, whose duty it is to render service to the entire population, should go out of their way to show a special solicitude by acting as trustees or guardians of only a few nationals of the country, who might want to safeguard their family fortunes or business concerns? Why should the general public be made to pay for the maintenance of a Government Department which only looks after the interests of a comparatively small section of the population? There are so many projects and plans before Government designed to improve the lot of the common man and Government's energies should therefore be concentrated on their successful and timely implementation rather than be dissipated in taking over insurance from the hands of private enterprise, which already has a good record of service to its credit. I may also point out that this industry has so far developed without any assistance - I mean direct assistance - from Government. While I do appreciate the benefit that Indian insurers derive from Government business placed with the Indian Insurance Companies' Association Pool, I would like to emphasise that it is not from this small business that the present structure of Indian Insurance has arisen. The strong edifice that Indian Insurance is today has been built by the efforts of private enterprise and calls for no undue interference from Government.

Achievement of Private Sector in Insurance

Insurance business in India is young compared with insurance in the more advanced countries of the West. It has, nevertheless, made rapid strides during recent years and the role of private enterprise in building up the business to its present stature in spite of difficult conditions, particularly in the early years under a foreign Government, is indeed very remarkable. Indian Insurance has further made valuable contribution towards creating employment opportunities, especially amongst the educated middle class where the problem of unemployment is most acute, both directly in the extensive organisation necessary for the industry in the office and in the field and, indirectly, by helping to mobilise capital for investment in productive enterprises. The valuable foreign exchange earned by Indian insurance companies through their activities abroad is also of no little significance in the context of the balance of payments position.

operator friends from time to time. But, in the face of powerful competition from insurers with large resources, well-knit organisation and highly paid technical staff at their disposal, this cannot be done by mere wishful thinking, particularly in the face of the unhelpful attitude adopted by the State and the Central Governments towards Co-operative Insurers. The sister Co-operative Societies and all workers in the Co-operative Movement must feel, in a personal sort of way, that Co-operative Insurance is a part and parcel of the Co-operative Movement, that making it serve the insurance needs of the Co-operative community is also a part of their daily activity, that all insurance requirements of co-operators and co-operative institutions, and by co-operators—I mean members of all co-operative societies and not just a handful of workers here and there, shall be obtained from sister co-operative insurers only That atmosphere has to be generated, and feeling of oneness has to be created amongst the entire co-operative community, if co-operative insurance are to play their legitimate part in not only providing the insurance needs, but also providing the necessary capital for further development of co-operative activity in diverse fields. Our experience so far shows that these ideal conditions of keeping the Co-operative Movement as an entity cannot merely come out of volition unless the State and the Co-operative Department make it mandatory on all those in the Co-operative Movement to see that when any goods or services are obtainable from a sister co-operative institution, these are obtained from that sister-co-operative institution.

...This takes me to the question of merger of Co-operative Insurance Societies transacting life insurance business into one strong well-knit organisation so as to enable it to render still greater services particularly to members of Co-operative Societies in States and areas where the Co-operative Movement has not yet taken firm root but where the possibilities of its expansion are great due to the important role given to it in the second Five Year Plan now under consideration and finalisation. No provincial or partisan approach should be allowed to stand in the way of this merger and would like to appeal to Co-operative workers intimately connected with Co-operative Insurance Societies in other States to view this question in a larger perspective, heeding the signs of the times. The very nature of business of life insurance and the ideology which inspires the Co-operative Movement require that Co-operative Institutions should try to reach maximum number of people, take them in their fold and give them the benefit of Co-operative services not only at low cost, but in a manner which makes them feel that they are assiting in the noble cause of helping others to help themselves.

Views of Mr. Pranlal Devkaran Nanjee on Insurance

(Chairman, Devkaran Nanjee Insurance Co., Ltd.,)

Nationalisation of Insurance

ONE of the significant developments of recent times has been the definite shape the Government's economic policy has taken and the adoption by them of a Socialistic pattern of society as the ideal pattern for our country. As a result of this change in the economic policy, during the past few months many political leaders have referred to the nationalisation of Insurance business in India. In my opinion Insurance business is hardly a type of business that could easily lend itself to nationalisation. It is the experience of many countries of the world, and even of those countries where Insurance business is much more advanced and where the consciousness, need and requirement of insurance protection is more widely understood than in India, that the best results are produced in the Insurance industry when it is run by private enterprise. That is something which is easily understandable, as selling of Insurance is selling of an idea for future provision and protection at a sacrifice to be made immediately. It is not a tangible commodity that has to be sold, but only an idea - though a most beneficient one for the buyer - and such abstruse selling can best be done by an organisation which is well-trained in and has the aptitude for pushing the sale and is able to act independently and immediately and without red-tape and the hindering fetters that are usually associated with Government activities. An insurance policy is sold, but rarely bought, and as such it would not be an easy matter for a Government department working within the frame-work of rigid rules, formalities and working hours to make a success in the art of insurance-selling.

Service and Security necessary for Expansion.

The working of Insurance business and particularly its expansion depends as much on the service as the security offered by the insurers. No doubt the Government can offer a first-class security, but so far as giving of service is concerned, the private enterprise, by its very nature and the human factor and its approach, is undoubtedly more suitable and I am sure also in the larger economic interests of the country. There are at present many stringent provisions in the Insurance Act relating to the conduct of Insurance business, investments and expenses which provide a high degree of security to the policyholders. Not only that, but under the Statute a very large portion of the funds have to be invested in Government and quasi — Government securities. Most of the remaining funds are invested by the companies in nation building public utilities, in properties and in industries managed by the private sector. Taking into account all these factors, I do not think that the nationalisation of insurance would release large funds for the development of the country or make insurance a more potent instrument for our economic advancement.

Insurance is International-Earns Foreign Exchange.

Insurance business, and in particular General Insurance business, is of a complex international character. Even at present it provides a fair export of insurance services out of India. By its very nature, general Insurance business is like

trading, and as such is not of such a basic character that the question of its nationalisation should engage the attention of the Government. In the field of General Insurance Indian Insurance has made a tremendous progress and is now able to stand firmly on its own feet and provide good service because of its efficient management. Insurers have only in recent years started expanding their activities in the foreign countries and I believe it will increase day by day the scope of its expansion and Insurance business would be able to make a rapid progress if left to the private sector.

New Fields for Insurance Development.

In our country our Insurance Companies have not yet developed all types of insurance-covers. Their activities have mainly been Life, Fire, Marine and the usual types of Accident insurances. Not many attempts have as yet been made to enter the other fields like Cattle Insurance, Crop Insurance, Health Insurance etc. I would suggest, therefore, that instead of thinking of nationalising insurance, the Government should help the Indian Insurers in building up those aforesaid types of insurance services which are not available at present to our countrymen. This would be a welcome creative effort on the part of Government not merely transfer to themselves a field which developed at a great sacrifice, and under great stress and strain, during the foreign domination, and has only recently come into its own and is now also working under Government control exercised through their Controller of Insurance.

Reduction of Fire Premium Rates.

As far as the Insurance business is concerned, one important event which took place during the current year is that of a downward revision in Fire Insurance premium rates by the Regional Councils at the instance of the Department of Insurance. It is difficult, at this stage, to anticipate the effect of the reduction and to visualize whether the reduced rates would attract more risks for insurance to offset the lower premium income. But I am hopeful that there would not be any large reduction of profits, as least as far as the well-managed insurance companies are concerned.

Scheme to Mutualise "Oriental"

(From Sir Cowasjee Jehangir's address at the Annual Meeting of the Company.)

NOW a word about the idea of the Directors to mutualise the Company. As policyholders might be aware, an Extraordinary General Meeting of the shareholders of the Company was called on the 15th June last when the Directors put before the meeting a scheme for mutualisation prepared by them which was after some discussion unanimously approved by the shareholders. It was as far back as the year 1948 when the Directors felt that, looking to the large size of the Company at that time and also the rapid progress which it was making during the preceding few years, it would be desirable to mutualise the Company, thereby leaving its management entirely in the hands of the policyholders. As I stated in my speech before the Extraordinary General Meeting above referred to, the Directors felt that although the share capital played a very important role in the initial stages of the Company, the time has now come when the shareholders should be paid off and the management of the affairs of the Company should be left to such of the policyholders as are elected by them. It is with that idea in view that the entire mutualisation scheme was considered in all its bearings by the Directors step by step with the result that we have now come to the stage when the scheme for mutualisation as put before the Extraordinary General Meeting and approved by them has been forwarded to Government. The scheme is being published in all the important newspapers of the Country and the Government of India are also publishing it in the *Government Gazette*. The scheme is thereby given the widest publicity possible and also any objections or suggestions are invited from interested parties and these should be addressed to the Controller of Insurance so as to reach him before 30th Septemper next which gives as long a period as 2 months for policyholders and shareholders to send their objections or suggestions, if any, after careful consideration. The Directors gave their utmost and very anxious consideration to the vital question of holding the scales even between policyholders and shareholders. To have their hands further strengthened they took the opinion of a highly respected legal luminary of top rank in India as regards the figure of compensation, putting before him what they had arrived at as fair compensation. He fixed the compensation at Rs. 8,800 after carefully going into all the aspects of the problem. This sum of Rs. 8,800 is not what falls to be paid straightaway, but its payment will be deferred for or spread over a period of years. Again, it is not and cannot be secured on any tangible asset of the Company but only on 15 per cent. of the emerging Surplus of the periodical Valuations of the Company. What is more important to consider is the fact that practically during all the years in the past the shareholders had forgone a substantial part of the amounts that would have gone, according to the Articles of Association of the Company, to augment their dividends but which instead were allowed to augment the policyholders' Life Assurance Fund. If the amounts the shareholders had forgone in the past had been taken to a fund to their credit and invested, the amount standing to the credit of that fund itself would have provided a significant part of the compensation now sought to be paid to them. What is even more important to consider is the fact that the figure of Rs. 8,800 does not allow for any future increases in the dividend due to the progressively satisfactory functioning of the Company judging from how it has been functioning during the past few years

Even from the date mutualisation is given effect to, the Debenture-holders' Directors will be reduced from the present number of 9 to 5. To enable the policyholders take over an increasing share in the management of the Company, there is provision for the number of Debenture-holders' Directors progressively diminishing further and the number of policyholders' Directors correspondingly increasing as and when Debentures are redeemed.

To avoid any sudden strain falling on the Surpluses of a few trienniums only redemption of the Debentures is deferred for or spread over a period of years.

These are some, if not all, of the points to which the Directors had to give their careful consideration before deciding on the principle of mutualisation and also the quantum of compensation. I thought it best to go to the length I have done in explaining how the Directors' minds have been working for a few years in the past on this important question of mutualisation.

The advantage that would be secured by policyholders once the shareholders are paid off will be very great indeed. Apart from the fact that the entire management of the Company will pass into their hands, there will also be a financial advantage in that there will not be any future liability, once the shares are paid off, for payment of dividends and the entire Surplus would be available for distribution amongst policyholders alone. Taking all these factors into consideration, I cannot but wholeheartedly recommend to the policyholders the acceptance of the scheme as forwarded to Government.

I now take up the highly vexed and topical question of Nationalisation of Insurance. In this connection, I cannot do better than quote fully what my predecessor in office said at the time of opening the Oriental Building, Ahmedabad, on 17th March 1953. Since this speech was not delivered before a meeting of policyholders and shareholders, I think it appropriate that his weighty words in this respect should receive your careful consideration:-

"It is surprising that in spite of the grim warning furnished so unequivocally by nationalisation of the coal industry in the U. K. in the shape diminished output per man and increased cost of raising, our Ministers in power talk lightly of socialising or nationalising as applied to a business least fitted for nationalisation

and whose progress depends upon research in several fields of intellectual activity which can be fostered only under conditions created by healthy competition as a private enterprise. I therefore cannot allow this occasion to pass without putting out most respectfully a warning to these advocates of socialism. 'Hands off those for whom we insurance companies are trustees, particularly as they are normally widows and orphans.' I make an appeal to Ministers in power in all humility but with the utmost sincerity to be consistent in their policy declarations bearing in mind the great harm that will be done to the country's economy by inconsistent pronouncements of policy."

Since then, Chairmen of almost all companies have gone fully into the question and I cannot do better than say that I wholeheartedly agree with every bit of what has been said in this respect.

In my statement as Chairman at the Annual General Meeting of our Subsidiary, the 'Oriental Fire,' I have already expressed my considered opinion regarding this disturbing development as it affects the future of Indian general insurance companies. I make no excuse for reiterating that I consider it a most retrogressive move and I am of the opinion that even the threat or rumour of nationalization may be sufficient to damage the prestige of Indian companies in those overseas territories in which a number of us are seeking to establish ourselves.

The New Great Insurance Company of India Ltd.

Steady Progress Maintained

Baneful Effects Of Nationalisation:

Lucid Exposition By MR. TULSIDAS KILACHAND

"Insurance Business in this Country is never demanded direct and has got to be sold. A large agency-force has to be employed for canvassing the business. If this is the case even at a time when the industry is in private hands, the position is not likely to improve any the better once it is nationalised, since experience has shown that in the case of nationalised enterprises, the incentive and competition usually associated with private enterprise are always lacking. The State is by no means equipped to run an essentially persuasive business like insurance because it is personal service and has got to be sold from door to door and not across the counter. As it is, all the persuasive powers of the agent have to be brought into full play before an otherwise unwilling prospect agrees to go in for insurance. It is not a deal which can be put through by compulsion," observed Mr. Tulsidas Kilachand, addressing the 12th Ordinary General Meeting of the shareholders of the New Great Insurance Co., of India Ltd., at Baroda on July 2, 1955.

AT the outset, Mr. Tulsidas referred to the retirement of Mr. Dharamsey Mulraj Khatau, one of the Founder-Directors and paid glowing tributes to his invaluable services to the Company from inception.

First And Second Five-Year Plans.

He then proceeded to make a brief survey of the country's remarkable progress under the First Five-Year Plan and referred to the various gigantic projects launched by the Government. He added that the projects started during the Pre-Planning period substantially contributed to the success of the First Plan, and appealed to the community not to be complacent, as it was the results achieved under the Second Plan which would give us a clearer picture of the country's progress. He therefore urged upon all concerned to put in much more strenuous and sustained efforts, so that the Second Five-Year Plan could turn out to be even a better success. In this task of accelerating the pace of development during the Second Plan period, he directed his appeal particularly to the business community who had a very important role to play in the sphere of industrialisation and expressed the hope that in spite of the very difficult conditions under which they would have to work, they would persevere in their efforts to fulfil their social responsibility.

Turning to the Taxation Enquiry Commission Report, Mr. Tulsidas welcomed the Commission's recommendations on the question of reserves, although they fell short of the Trade's expectations, and requested the Government to accept the same.

Plea Against Nationalisation

Turning to insurance problems, Mr. Tulsidas dwelt at considerable length on, perhaps, the most burning topic of the day in insurance circles, viz. Govern-

ment's proposal to nationalise insurance. He made out a very able, strong and clear case against any such move which, if implemented, would cause incalculable harm to Indian insurance. If, by nationalising the industry, the Government expected to get more funds, he explained that even as it was, very little surplus was left in General Insurance, after providing for claims, expenses, reserves etc. Further, General Insurance was essentially of an international character and in view of the trade's dependence on foreign companies for reinsurance, he warned that the facility at present enjoyed might not be available to the same extent to a Government-sponsored industry, as there was a general tendency to be cautious in the exchange of business where one of the parties concerned was a Government which was subject to changing political influences. Speaking of Life Business, he mentioned that India's per capita insurance was still very low and it required all the persuasive powers and influence of an agent to prevail upon a prospect before he agreed to take out a policy. If this was the position in spite of the very severe competition among companies for writing bigger and bigger volume of business, he wondered how Government hoped to improve the situation any the better, particularly in the absence of the element of competition. It was admitted on all hands that service could be rendered more efficiently and satisfactorily by private agencies, since experience had shown that in the case of nationalised enterprises, the incentive and competition usually associated with private enterprise were always lacking. If the Government's object was to canalise into their Loans, the funds built up by Life Insurers, through nationalising the business, Mr. Tulsidas hastened to point out that even under the provisions of the existing Act, a substantial portion of the Life funds was being compulsorily invested in Government securities. Citing the case of the United Kingdom which can boast of some of the strongest insurance companies built up by private enterprise over the years, Mr. Tulsidas drew pointed attention to the fact that even the Labour party, when in power, wisely refrained from including insurance in their programme of nationalising key industries. Whilst, therefore appealing to the Government to abandon all thoughts of nationalisation, he took the opportunity to request them to examine other possibilities as to how best to help the Indian insurance industry, so that what Government wished to achieve could be achieved in a simpler and sounder way. At the same time, he urged upon the Insurers to extend their activities to the rural areas and spare no efforts to make the agriculturists and artisans insurance-minded. While on the subject of expansion, he also gave a timely and much-needed advice to the industry. It was not sufficient for them to render efficient service. What was more important was they should let the public know the nature and quality of the service they rendered to the community at large.

Dealing with the revision in fire premium rates, Mr. Tulsidas mentioned that if Government expected to eradicate the evil of rebating by such revision, he was afraid this was a wrong remedy. He was firmly of the opinion that trading conditions had, if anything, deteriorated since the introduction of the Code of Conduct Rules, and therefore, suggested a move on the part of Companies to represent to the Government to do away with the existing machinery relating to the Code and to enact certain amendments to the Act similar to those obtaining in U. K. The industry also should do well to formulate its own voluntary code of conduct and thus avoid giving opportunity to Government to interfere in their day-to-day activities.

Dealing with the Departmental accounts, Mr. Tulsidas stated that the gross income for the year 1954 was Rs. 49,55,178 in Fire Rs. 17,54,401 in Miscellaneous Insurance and Rs. 41,11,323 in Marine, whilst the net premiums were Rs. 21,17,689, Rs. 14,42,440 and Rs. 18,78,120 respectively. After providing for losses and expenses, and reserves at 50 per cent in respect of Fire and Miscellaneous Insurance Departments, a sum of Rs. 2,76,098 from Fire and a sum of Rs. 1,05,077 from Miscellaneous Insurance were transferred to the Profit and Loss Account. In the Marine Department, in view of the increase in the premium, the reserve was increased from Rs. 15,10,957 to Rs. 18,78,120, and this necessitated a transfer of Rs. 2,88,900 from the Profit and Loss Account.

The Company received 3185 proposals for assurance amounting to Rs. 1,35,02,900 out of which 2582 proposals resulted into policies amounting to Rs. 1,15,21,650. The net premium received from the new business amounted to Rs. 5,36,930 and the renewal premium Rs. 15,41,859. Total claims amounted to Rs. 1,41,201. The Life Fund at the end of the year was Rs. 73,20,694 against Rs. 58,91,777 in 1953.

The Chairman also mentioned that the Valuation Report as at 31st December 1954 was almost complete, and was confident that there would be a substantial increase in the Bonus available for distribution to "with profit" Policyholders over those of the previous valuation.

In the Profit and Loss Account, after providing for the necessary outgo, the balance left over amounted to Rs. 2,32,483 The Directors have proposed to transfer to Taxation Reserve Rs. 1,00,000 and to pay the Sixth Dividend on Ordinary Shares at Rs. 1-4-0 per share, free of income tax.

The Chairman also took the opportunity of thanking the Company's Agents, Field-workers, and the Officers and Staff for the splendid work that they have done last year.

News

Actuarial Society of India

In the meeting of the Committee of the Actuarial Society of India held on the 16th June, 1955, the following office-bearers were elected for the year 1955:-

President: Shri K. A. Pandit, B.SC., F.I.A. Bombay.
Vice-President: Shri N. V. Nayudu, M.A., B.L., F.I.A., Madras.
Honorary Secretary & Treasurer: Shri S. C. Damle, M.SC., F.I.A., Bombay.
and the Second Honorary Secretary: Shri R. M. Mehta, B.SC., F.I.A., Bombay.

Other members of the Committee are:

1. Shri V. H. Vora, B.SC., F.I.A., Bombay,
2. ,, D. D. Markan, B.SC., F.I.A., Bombay,
3. ,, K. R. Srinivasan, B.Com., F.I.A., Bombay,
4. ,, L. S. Vaidyanathan, M.A., F.I.A., F.S.S., Bombay,
5. ,, D. Subramaniam, M.A., F.I.A., F.S.S., A.S.A., Masulipatam, (Andhra),
6. ,, P. M. Dalal, B.Com., F.I.A., Calcutta,
7. ,, H. K. Sen, M.SC., F.F.A., A.I.A., Calcutta,
8. ,, A. J. Males, F.I.A., Calcutta,
9. ,, K. L. Gupta, M.A., B.SC., F.I.A., F.F.A., A.C.I.I., Delhi,
10. ,, K. K. Bhargava, M.SC., F.I.A., New Delhi.

The Institute of Actuaries:— Exams., 1955

The following candidates from Indian centres have qualified themselves as **Fellows**:

1. S. Jagannathan (Calcutta)
2. B. C. Maitra (Calcutta)
3. K. V. Y. Sastry (Simla)
4. V. M. Joshi (Bombay)
5. A. M. Khalfe (Bombay)
6. K. Mukundan (Bombay)

and the following have qualified themselves as **Associates**:

1. P. C. Mohanty (Calcutta)
2. M. G. Diwan (Bombay)
3. V Sethuraman (Bombay)
4. N. K Shinkar (Bombay)
5. N. S. Motiwala (Bombay)

Indian Insurance Institute

The Council of the Indian Insurance Institute have carefully examined the Bill introduced by Sri B. C. Ghose in the Rajya Sabha to amend Sub-Section (2) of section 44 of the Insurance Act, 1938. They have their general approval of the provision for nomination by an Insurance Agent as envisaged in the Bill in view of the fact that the provision will remove the difficulties which the heirs of the deceased Insurance Agents experience in obtaining a succession certificate and in extending such a certificate on each and every occasion of subsequent payment.

The Council of the Institute, however, feel that:—

(a) where any nominee is a minor, it shall be lawful for the insurance agent to appoint any person as guardian of the minor nominee for the purpose of receiving renewal commission;

(b) an insurance agent may during his life time cancel or change any nomination previously made or cancel or change appointment of guardian previously made, by sending a formal notice to the insurer concerned;

(c) if there be more than one nominee to receive renewal commission, in case of death of one or more of the nominees, the surviving nominee or nominees shall have the right to give an effectual discharge to the insurer concerned.

The Council of the Institute also suggest that

(i) to remove any doubt that may exist, a provision should be made to the effect that the heirs of a deceased insurance agent or his nominee or guardian of a minor nominee shall not be required to hold any licence for the purpose of receiving hereditary renewal commission;

(ii) To minimise administrative difficulties the following clarification should be made in the Bill:—

(a) any notice regarding nomination or appointment of guardian or cancellation or change of such nomination or appointment of guardian, required to be sent to an insurer, must be *in writing* signed by the insurance agent concerned and attested by atleast one witness specifically setting forth the fact and acknowledged by the insurer concerned in writing.

(b) as the hereditary renewal commission payable will gradually diminish, the right of nominee or heir of a deceased insurance agent should continue so long, as commission does not fall below Rs. 12/- per calendar year as otherwise the administrative cost of the insurer would be out of all proportion to the benefit available to the nominee or heir of the deceased insurance agent.

(iii) An anomally has been created in Sub-Sections (1) (b) and (1) (c) of Section 44 of the Insurance Act 1938, by incorporation of the words "and after his ceasing to act as such agent he does not directly or indirectly solicit or procure insurance business for any other insurer" in the latter and exclusion of these words in the former and so suggest rectification of the anomally.

Finally, the Council of the Institute suggest extension of the benefit of hereditary renewal commission to an insurance agent who dies while working for his company and in whose case at the time of death, the general qualifications laid down in Sub-Section (2) of Section 44 of the Act would have applied.

The Council of the Institute earnestly hope that the observations made above will receive due considerations in the hands of the Government of India and the additions suggested will be incorporated in the Bill before the Bill is placed before the Rajya Sabha for adoption.

National Indian Life Insurance Co., Ltd.

Foundation stone laid for New Building at Nagpur.

The Directors of the National Indian Life Insurance Co., Ltd., Calcutta, having decided to put up a decent Building to house their Branch Office at Nagpur on

the plot of land purchased some time back at the crossing of Residency Road and Mount Road Extension, the foundation laying ceremony was performed on the 3rd August by Hon'ble Justice V. R. Sen, a policyholder and well-wisher of the Company. Messages received from the Chairman and Manager of the Company were read on the occasion. The function was held in a nicely decorated pandal and there was a large gathering present. In the evening a reception was held when tea and light refreshments were served. The Branch Office, started at Nagpur in 1937, has been doing good work all along and faces the prospect of increasing its activities considerably in the days to come.

Taxation of Co-operative Insurers

We are informed that Mr. B. B Dotto, Secretary, Police Co-operative Life Insurance Society Ltd. and Member, Executive Committee, Life Insurance Council has led a deputation of the Co-operative Insurers in Calcutta region comprising of West Bengal, Bihar, Orissa and Assam to Mr. Atulya Ghosh, M.P., President, West Bengal Pradesh Congress Committee on 3rd August at 6-30 P.M. in connection with the new taxation of Co-operative Insurers which is extremely harmful to them and threatening their very existence. Mr. Ghosh gave a patient hearing to the deputationists, who have submitted a lengthy representation explaining the disparity of the Taxation and its ill effects on Co-operative activities on Insurers. Mr. Ghosh has further promised to help them as far as possible. The Hon'ble Mr. P. C. Sen, Minister for Co-operation, West Bengal was also present at the time of discussions.

It may be recalled that Mr. Dotto has launched a great agitation against the new Taxation and he has also led a deputation to Hon'ble Mr. Arun Chandra Guha, Minister for Revenue and Defence Expenditure, Government of India on the 21st May, 1955.

Indian Life Assurance Offices Association.

Life Assurance Examinations.

The Life Assurance Examinations in Parts I, II & III conducted by the Board of Education of the Indian Life Assurance Offices Association, Bombay, will commence from Monday the 27th February 1956. The last date for receiving applications is *30th November 1955*. The permanent centres for the Examinations will be Bombay, Madras, Delhi and Calcutta. Centres at other places will be opened if deemed necessary.

Correspondence Courses.

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

Hindusthan Co-operative Opens Branch at poona

The formal inauguration ceremony of the Poona Branch of the Hindusthan Co-operative Insurance Society Ltd., was performed by his Excellency Dr. Harekrushna Mahtab, Governor of Bombay State, on Saturday, the 2nd July 1955, at the Bank of Maharashtra Building, Poona, in which building the Branch Office of the Society is situated.

The Poona Office was hitherto a Divisional Superintendent's Office under the Bombay Branch of the Society. It has now been raised to the status of a full-fledged Branch with a view to render more efficient and prompt service to the constituents.

The building was tastefully decorated for the occasion. His Excellency arrived punctually at 6 O'Clock and was received at the main entrance to the building by a Reception Committee consisting of the Society's Director, Mr. B. K. Roy-Choudhury and Mr, J. Banerjea, Senior Assistant Secretary of the Society, who came from Calcutta specially for the function as well as Mr. D.V. Deshpande and Mr. V. Rajagopalan, Branch Manager and Assistant Manager respectively from the Bombay Office of the Society and other Officers of newly created Branch, including the Branch Manager Mr. K.G. Misra and the Assistant Manager, Mr. N. C. Gupta. The Officers were introduced to His Excellency after which His Excellency was taken in a procession to the entrance of the Office premises where he did the formal opening ceremony by cutting a silken tape with a pair of silver scissors. His Excellency then went round the Office when the various field officers and the members of the Office Staff were also presented to him. Thereafter, the procession proceeded further and entered the gaily decorated hall where the ceremony was held. His Excellency was duly conducted to the dais by the Director and the Branch Manager and then garlanded by Mr. Banerjea, the Senior Assistant Secretary. The proceedings opened with the singing of the national song "Vande Mataram" in chorus by artistes of the All-India Radio. This was followed by recitation of Vedic hymns.

Mr. K.G. Misra, the Branch Manager of the newly created Branch, read the welcome address to the Chief Guest, who was then presented with a printed copy of the address in a tastefully decorated frame by the Director, together with a bouquet of flowers. After this, the Governor delivered to the audience a very interesting and well thought-out speech. He referred to his past association with the Society and its promoters in its earlier stages and also referred to the present conditions in Maharashtra and made suggestions for the industrial and economic development of Maharashtra and Karnatak areas wich would be served by the newly created Branch. He expressed the hope that insurance would be developed and carried to the remotest villages in the State so as to serve the agriculturists, artisans and other population residing in villages, who are also in need of insurance. The Governor was also very much pleased with the tremendous progress made by the HINDUSTHAN during the last 47 years and paid glowing tributes to the management. He also expressed his confident hope that the newly created Branch would offer a fillip to the development of Maharashtra and Karnatak which had long remained undeveloped industrially, although it was intellectually far advanced, having numerous educational and cultural institutions in the area.

The Governor's address was followed by a hearty vote of thanks, first by the Director, Mr. B.K. Roychoudhury and then by Capt. Chandola.

More than 600 persons from different walks of life-the elite of poona-attended the function and the meeting came to a close after the singing of the National Anthem-"Jana Gana Mana'. After this, the Governor and other prominent guests were entertained to Tea. The local Branch Manager and the other Officers of the Society were all attention to the guests.

The Indian Insurance Companies' Association, Bombay.

The following gentlemen constitute the Committee of the Indian Insurance Companies' Association, Bombay for the year 1955.

Chairman

1. Shri K. C. Desai (Vulcan)

Vice-Chairman

2. ,, R. M. Desai (Indian Mercantile)

Members of the Committee

3. ,, H. M. Chawalla (Concord)
4. ,, M. S. Dastur (British India)
5. ,, S. K. Desai (Devkaran Nanjee)
6. ,, T. K. Desai (New India)
7. ,, M. G. Mody (New Great)
8. ,, Mohanlal Velji (New Asiatic)
9. ,, E. J. Poncha (Hercules)
10. ,, S. V. Rege (Andhra)
11. ,, G. H. Thakore (All India Co-operative)

Secretary:

Shri D. N. Majmudar, B. A., LL. B.

The Kanpur Insurance Institute New Executive Committee (1955-56)

President

Shri R. B. Modi (Concord)

Vice-President.

,, S. N. Puri (National)

General Secretary.

,, T. P. Srivastava. (Indian Mercantile)

Joint Secretary.

,, K. N. Kapoor. (Laxmi)

Treasurer.

,, M. C. Desai. (Surveyor & Loss Assessor)

Members:

Shri Y.N. Awasthy (Norwich); Shri M. M Shah (Neptune); Shri K. L. Tandon (Bombay Life); Shri H.L. Soni (General); Sardar Gurditta Singh (Oriental); Shri S.C. Gupta (National); Shri R.N. Bhatnagar (Ruby); Shri H. C. Shukla (London & Lancashire); Shri R.C. Jain (New Asiatic); Shri K. B. Seth (New India);

Co-opted Members:

Shri P.N. Gupta (Free India); Shri J. L. Goswami (Bharat) and Shri S.F. Allam (Eastern Federal)

The Chartered Insurance Institute, London.

EXAMINATIONS 1955.

The following candidates from India, have completed their **Associateship Exams:**

Bombay: Mitha, Mohammedali (Alco), General Branch; Shah, Rammohan J. (New India) General Branch; Palekar, Madhav B. (New India), Fire Branch; Jayaraman, R. (Bombay Life) Ord. Life Branch; Gaitonde, Jayawant S. (New India); Marine Branch; Majumdar, Paresh R. (New India), Marine Branch.

Calcutta: Balakrishnan, Simili R. (Indian Oxygen). General Branch; Basak, Sudhansa (National), General Branch; Dasgupta, Anil K. (National), General Branch; Manjeshwar, Murlidhar (New India), Fire Branch; Bandopadhyay, Anil C. (Prudential) Ord. Life Branch.

Madras: Ramamoorthy, Guruswamy, (Ruby General), General Branch; Menon, Aerat G. (Commercial Union), Accident Branch.

Delhi: Dalal, Vistasp D. (New India), General Branch; Gupta, Bhumitra (Bharat Fire) General Branch; Mehta, Ved P. (Caledonian), General Branch; Malhotra, Ram P. (Hind. Gl.), General Branch.

Patiala: Malhotra, Gian C. (Patiala Insce. Corpn.), General Branch.

The following candidates from India, have completed their **Fellowship Exams.**

Calcutta: Norrington, Harry (Eagle Star).

Delhi: Madadevan, R. (National Employers'),

Madras: Madhavan, C. V. (United India Life).

Simla: Srinivasan, Muniswami (G O.I.)

Shri A. Krishna Moorthy of Indian Trade and General, Bombay has passed the Modified Preliminary Exam.

Reviews

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

REVIEWING the Accounts and the business progress of the Oriental Govt. Security Life Assurance Co., Ltd., Bombay for 1954, which is the eightieth year of working of the Company, Sir Cowasjee Jehangir, the Chairman, referred to the unique feat achieved in the matter of new business. The Company has established an all time record of new business, which is more than double that of last year. What is more, the premium income has crossed the Ten-Crore mark, expenses have declined by 2.73% and there is a marked improvement in the Mortality experience, which had been already favourable.

The volume of new business at over Rs. 47.75 Crores covering 1,24,476 Policies showed an increase of 46,201 Policies assuring Rs. 24⅓ crores over, that of the previous year. The average sum assured per policy increased to Rs. 3,837 from Rs. 2,989 in 1953. The income exceeded Rs. 13.52 crores out of which the premium income accounted for Rs. 1,046¼ lakhs as against Rs. 952½ lakhs in the preceding year. Claims arose for Rs. 4,30,86,852 out of which Death Claims were Rs. 1,08,40,164 which showed a decrease of nearly Rs. 12 lakhs and the ratio of Actual to Expected deaths has improved from 41.7% in 1953 to 37%.

The management expenses to the premium income worked out to 25.4% and the Renewal Expense ratio has been reduced to 11.67%. It is gratifying that the net yield on the Funds has improved to 4.12% and the net addition made to the Funds amounted to Rs. 605 lakhs. The total assets reached an impressive figure of over Rs. 82 crores, and the Market Value of the Company's investments exceeded the Book Value by Rs. 45,000.

As at the end of 1954, the total number of Policies in force was, 9,49,420 assuring with Bonus additions Rs. 2,37,22 50,827 and the Funds amounted to Rs. 78,28,32,610.

It is interesting to note that the largest sum for which the Company has granted an assurance on any one Life during the year was Rs. 1,60,000.

As the largest Life Assurance Office in the country, the Company's great traditions, built up over the last 80 years have been admirably kept up and it is a glowing tribute to the Management. The Company has helped the growth of Life Assurance business in the country all these years in a beneficient manner and we have no doubt that the Company will score more thrilling successes in the years to come.

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

THE Bombay Co-operative Insurance Society, Ltd., is one of the successful and progressive Life Offices in the country and its record of progress every year indicates growing public confidence in its service capacity. During 1954, the Society's annual income exceeded Rs. 35.92 lakhs with a business in force of over Rs. 5.64 crores. The new business for the year crossed the "One Crore" mark and exceeded Rs. 1.10 crores covering 7903 policies. As is the characteristic feature of the Society, the disbursements made to the policyholders and beneficiaries on Claims amounted to Rs. 7,63,978. Economic management is reflected in the renewal expense ratio of 12.97 % while judicious investment policy has resulted in a net yield of over 4.53 % on its funds. The Life Assurance Fund increased by Rs. 19.41 lakhs to Rs. 1,52,75,717.

Sound practice of Life Assurance business on healthy lines yields always most beneficial results and the popular Actuary, Mr. K. A. Pandit, B.SC., F.I.A., who valued the assets and liabilities of the Society for the biennium ending 1954, has all praise for its sound financial condition and consequent benefit to the Policyholders. The valuation, conducted on an interest lasis of 3 % using O (1925-35) Mortality Table, reserving for future expenses and profits at 21.36 % of With-profit premiums and 15.77 % of the Without-profit premiums, has disclosed a surplus of Rs. 9,45,593. As against the above assumed bases in the Valuation, the actual experience of the Society whose average interest earned on the Funds exceeded 4 % and expense ratio at 13 %, may be advantageously compared. There is a good margin in the bases assumed to ensure larger accrual of surplus in future for maintenance of the Bonus at the higher level.

Bonus to the participating policyholders has been declared at Rs. 17/- on Whole Life and Rs. 14/8/- on Endowment Policies per thousand per annum, the level of Bonus being on par with top-ranking offices. Complimenting the Society on the fine results of the Valuation, Mr. Pandit observes "The reserve position is quite strong. The low cost at which your Society is being managed is a matter worth emulating by other companies both big and small" Conducted quite economically and always in a progressive and efficient manner, the Society deserves greater attention at the hands of the insuring public. The success of the Society is a real tribute to the ability of the management who can look back on their work with pride and satisfaction.

We wish the Society increasing success in the years to come.

Metropolitan Insurance Company, Ltd.,

IT is gratifying to note from the Annual Report and Balance-Sheet of the Metropolitan Insurance Co, Ltd., for 1954, that the Company has completed another year of magnificent progress. Though it is only 24 years since the Company was founded, the new business secured every year had been phenomenal and intensive organisation had been developed throughout the country with about 40 Branch Offices and sub-offices. At the end of 1954, the total business in force amounted to Rs. 32.63 crores while the Life Assurance Fund rose to Rs. 5.72 crores. This shows how the Company is growing more and more popular year after year.

The completed new business for the year was Rs. 10,27,84,550 carrying new premiums of Rs. 45,15,954 while the renewal premiums totalled Rs. 1,22,19,255. Receipts from other sources accounted for Rs. 20,37,443, giving a net interest yield of 3.99 % on the Company's investments. In satisfaction of Claims both by death and survival, the amount paid was Rs. 30,61,648, which includes outstandings at the beginning of the year. The Renewal expense ratio was less than the previous year and worked out to 14.59 %. As a result of the year's working, a net addition of Rs 1,03,27.390 was made to the Life Assurance Fund, which included the following investments:-

	Rs.
Government Securities,	1,84,25,900
Other Approved Securities	97,77,208
Shares & Debentures.	6,63,438
Loans on Company's Policies	75,93,194
Mortgages	41,51,509
House properties	92,84,801

To sum up, the Company has developed remarkably well and with its go-ahead policy, it is only to be expected that the future will be more prosperons and we have no doubt that the progress will be more illuminating than the past. We wish the Company all success.

Devkaran Nanjee Insurance Co., Ltd.,

THE Directors' Report and the Accounts of the Devkaran Nanjee Insurance Co., Ltd., Bombay for the year 1954 pertains to the 13th year of working of the Company and shows that the business is carried on in a progressive manner. The Company was started as a composite office transacting Life, Fire and Miscellaneous insurance business with a Paid-up Capital of Rs. 10 lakhs. The well-known financier and businessman, Mr. Pranlal Devkaran Nanjee is the Chairman of the Board of Directors. From the beginning the growth of the institution has been steady and evidently the management has not cared for spectacular results involving extravagant expenditure. At the end of the year, the assets totalled over Rs. 92 lakhs.

Life Department:- The business for the year amounted to Rs. 34,07,250 and the net premium income was Rs. 10,40,481. Claim amounts by death, survival, surrenders etc., amounted to Rs. 1,29,096, Rs. 79,391 and Rs. 62,628 respectively. The total Life Fund, including that of the Closed Fund, increased from Rs. 56,09,150 to Rs 63,64,251.

General Business:- The Fire section in which net premiums were Rs. 5,09,168 yielded a profit of Rs. 42,033. Claims amounted to 30 % of the premium income. The Company wrote a net premium income of Rs. 2,15,707 in the Miscellaneous section with a resulting profit of Rs. 28,756. The Funds of the Fire and Miscellaneous departments stood at Rs 2,64,767 and Rs 1,12,168 respectively.

The Profit and Loss Account showed a balance of Rs. 2,31,848 which included the previous year's balance of Rs. 1,40,156. The Shareholders were paid a dividend for the year at Rs. 3 per Share amounting to 6 % free of income-tax and the balance of Rs. 1,71,848, subject to taxation, was carried forward to next year.

It is worthy of note that the Company's financial position is very sound and the management is in quite able hands. Mr. Suresh K. Desai, B.A., LL.B., the Manager deserves to be congratulated on maintaining the continued progress of the institution. We wish the institution every success.

Hindusthan Ideal Insurance Co., Ltd.,
MASULIPATAM.

WE are pleased to record the highly satisfactory progress made by the Hindusthan Ideal Insurance Co, Ltd., for the year 1954. In keeping with the vigorous policy of expansion pursued by the management for the last few years, the results achieved for the year are really splendid. The Company secured the highest volume of new business in the Life Department while the Fire and Miscellaneous sections have shown further improvement with the funds more strengthened.

The proposals received in the Life Department amounted to nearly Rs. 95 lakhs, out of which Company issued 3,357 policies assuring Rs. 72,63,250 as against Rs. 53,78,400, sums assured, in the previous year. Similarly the premium income also increased to Rs. 10,55,462 as compared with Rs. 9,12,331 in 1953. The total amount paid towards Claims by death, maturity, surrenders, etc., during the year was Rs. 1,46,530. As at the end of 1954, the Life Assurance Fund stood increased at Rs. 37,64,883, showing an increase of Rs 5.3 Lakhs.

In the Fire and Miscellaneous Departments, the net premiums amounted to Rs. 2,70,456 and Rs. 1,01,958 respectively. Reserves have been set up in both the Departments at 50 % of the premium income for the year. The underwriting profit in the Fire section was Rs. 16,882 and while in that of Miscellaneous section was Rs. 14,564. The combined Reserves of the General Department amounted to Rs. 1,86,207, the same having increased by Rs. 28,574 during the year. After all adjustments, the Profit and Loss Account showed a balance of Rs. 55,422 including the amount of Rs. 12,185, brought forward from the previous account. After providing a sum of Rs. 14,000 towards reserve for taxes, the balance of Rs. 41,222 has been carried forward to next account.

The progress as detailed above is an achievement for the institution and is a tribute to the unflagging energy and enthusiasm of the General Manager, Mr. S. Ramachar under whose guidance and direction, the Company has begun to show strides in progress. With the successful organisation units set up, the Company is sure to increase its volume of business in all departments in a more striking manner and we wish all success in their endeavours.

New Great Insurance Company of India Ltd.

THE New great Insurance Co. of India, Ltd., Bombay, formed only twelve years ago as a Composit office is forging ahead rapidly building a sound business on a solid financial basis. With an influential Board of Directors, presided over by Shri Tulsidas Kilachand as Chairman the Company's organisation has spread all over the country and outside and the progress of the company every year shows its growing popularity. During 1954 there had been an all round progress with increasing premium and funds.

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Net Fire premiums amounted to Rs. 21,17,689, claims paid and outstanding being Rs. 9,48,877. A sum of Rs. 2,76,097 has been carried forward to profit and loss. In the Accident and Miscellaneous Departments, premiums were Rs. 14,42,440 and net claims were Rs. 6,85,770 and the amount carried to profit and loss was Rs. 1,05,076. Premiums in the Marine Branch totalled Rs. 18,78,120 net, and the claims were Rs. 13,33,100. Reserves for unexpired Risks in the Fire, Miscellaneous and Marine Departments have been set up at 50%, 50% and 100% of the premiums for the year respectively.

Ordinary Life Business transacted during the year consisted of 2,582 policies insuring Rs. 1,15,21,650 and carrying new premiums of Rs 5,36,930. Out of the new business a sum of Rs. 7,61,750 has been reassured. The net premiums amounted to Rs. 20,78,788. During the year net claims paid and outstanding inclusive of bonuses were Rs. 1,41,200. The total business in force rose to Rs. 4,43,48,715 while the Life Assurance Fund increased to Rs. 73,20,694 as agasint Rs. 58,91,776 in the previous year.

After all adjustments, a sum of Rs. 2,32,482 was carried forward to the Profit & Loss Account and with the previous year's balance of Rs. 25,379, the total amount available amounted to Rs. 2,57,862. Out of this, a sum of Rs. 1,25,000 has been paid to the Shareholders as Dividend at Rs. 1-4-0 per Share, free of income-tax and sum of Rs. one lakh has been transferred for Taxation Reserve. The balance of Rs. 32,862 has been carried forward to next year's account.

As at the end of 1954, the Funds of the Company stood as below:-

	Rs.
Capital paid-up	20,00,000
Fire Fund	10,58,845
Accident & Mis. Fund	7 21,220
Marine Fund	18,78,120
Life Assurance Fund	73,20,694
General Reserve Fund	1,00,000
Investment Reserve	82,398
Reserve for Depreciation of Investments	10,39,476
Profit & Loss Appropriation Account Balance	2,57,862
Total Funds Rs.	1,44,58,615

The Company is growing popular all over the country and the management is in able hands. We foresee a very bright future for the company.

Registered No. M. 6297

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