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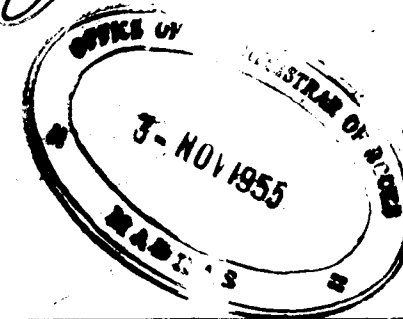
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MADRAS

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VOL. XXI
No. 6

1954

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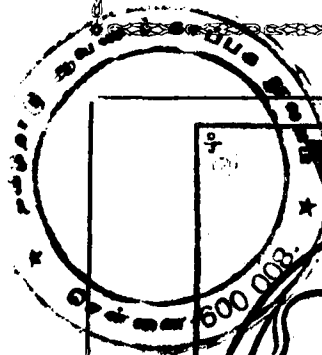
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CONTENTS

	Page
Editorial:	3
Employee's State Insurance Scheme.	
How to Improve Office Efficiency	5
By SHRI. N. S. PARKAL, The Canara Mutual Assurance Co., Ltd.,	
All India Insurance Salaried Field Workers Association	17
Address of By SRI S. L. ROY, President, at the 1st Annual Conference. on 14-10-55	
Reviews:—	
Oriental Government Security Life Assurance Co., Ltd.,	25
News	27

tions, this sickness cash benefit will be extended to a further period of 18 weeks at half the normal sickness benefit rate of As 12 per day whichever is higher, if they are found to be suffering from tuberculosis. In the case of women employees, an insured woman employee is entitled to a cash benefit during as well as after pregnancy at the sickness benefit rate or at As. 12 per day whichever is higher for a period of 12 weeks, of which not more than 6 weeks should precede the expected date of confinement. Even after getting the 12 weeks' benefit, if the patient is unable to resume her work due to illness, she can avail herself of the sickness benefit. Both the sickness and maternity benefits are given provided certain conditions are satisfied.

Disablement Benefit: Any personal injury sustained by an employee in an accident arising out of and during the course of his employment, and all occupational diseases notified under the workmen's compensation act, 1923, are provided for. In addition to free medical treatment, temporary disablement lasting for more than seven days will be compensated by a little over half of average daily wages per day till the disablement lasts. If the injury results in permanent total disablement, the employee will be paid throughout the rest of his life a cash benefit at the rate of half of the daily average wages per day. If the disablement is partial, he will be paid at a rate corresponding to the loss of his earning capacity. In case of death of the employee as a result of the injury, his dependants will receive dependant's benefit in the form of pensions, payable at specified intervals. The dependants include his widow, minor legitimate or adopted sons and minor legitimate unmarried daughters or in the absence of any of them, his parents or grand-parents or any other dependants. The widow will get throughout her life or till re-marriage, a cash payment at a daily rate of about threenths of the average daily wages of the deceased employee. If there are more than one widow, the amount will be equally divided among them. Each son or unmarried daughter will receive upto the age of 15, cash benefit at the rate of one-fifth of the average daily wages of the deceased. Sons and daughters who continue education, the benefit is extended upto the age of 18. The total amount of benefit payable to the dependants will however not exceed half of the deceased employee's average daily wages.

It is also gratifying to note that the Corporation has set up a number of local offices wherever the employees reside in large numbers with a view to deal with their claims easily and arrange cash payments promptly. Let us hope that a beginning so well made in the direction of bettering the conditions of industrial labour in our country will be worked out successfully so that such ameliorative measures may be thought of for those engaged in various other establishments and agriculture.

How to Improve Office Efficiency

BY SHRI. N. S. PARKAL,

The Canara Mutual Assurance Co., Ltd.,

THE question of how to improve office efficiency appears to be most impersonal though in actual practice it hinges round each and every person working in the management and staff of an office. After all, an office is nothing but a multi-person unit housed in circumstances quite congenial for the pursuit of its ideals with unstinted devotion and equipped with all the essential requirements for efficiently discharging all its functions. So the place of working or the arrangements made available in the shape of a suitable building as well as the equipment in an office will also have some bearing on its efficiency.

In this multiperson unit that is to be taken as an office, there runs a dividing line quite prominent at its start and almost invisible at its end. On one side of this line are those in management and those others who work on their behalf and on the other side are the rest of the employees of the office who carry out the work as per the behests of the first mentioned group. For purposes of this paper the single group of management has also got to be divided into two groups—top management and middle management. By middle management is meant that group of officials and supervisors who form the back-bone of an office and who work in between the top management and the regular non-officer group in an office. It is this group who form the real instru-

ment employed by the top management to conduct and control the office in accordance with their policy, aim and outlook.

As the main element that exists in an office is the human element, it is also prone to all the human traits—its weaknesses as well as its strong points. In other words, if the persons in an office are very efficient, that makes up for more than half of the efficiency of the office. The way of improving office efficiency therefore mainly depends upon how to make the men and women working there more efficient. In this connection the Gita says, "Yoga is skill in the performance of actions" and Patanjali says in his Yoga Sutras that "Yoga is controlling mind's activities". Putting together these two tips from the sacred lore of this ancient country, we find that **"efficiency is skill in action which can be attained by controlling the mind's activities."** Going a bit further we find the very word "Yoga" means the process of integration and it stands for integration in all planes, and integration finally leads to one-pointedness of one's body and mind, nay one's whole personality. One-pointedness in relation to an office means that everyone in it should wholeheartedly devote himself to the chosen ideal of the office and work for it most sincerely and most incessantly. One-pointedness in relation to an individual means that a person must aim at his own ideal through

his whole body, mind and soul. He must discharge his duties in the most perfect way possible and he should not have any further object in view than his Lord and his daily duties. The major factors that will be most conducive to the realisation of this one-pointedness in an office are (1) the recognition of the existence of (a) the desire of everybody to be loved by others and (b) the need to love others as oneself, (2) realising the existence of the universal trait of selfishness in one and all and (2) realising the need for ego-recognition.

Whenever affection is fully exchanged between those in the management and those in the staff and between one and all in the whole office from top to bottom that office can be safely said to be resting on the bedrock of life, the most invaluable foundation essential for the building up of an efficient office. Translating the principle of love into the details of one's daily duties and contacts is the foremost task of life and once this principle is somehow put into practice and pushed on from day to day with the utmost sincerity and zeal, most wonderful results can be achieved. It is not the emoluments alone that count in the matter of the healthy relationship that has to be maintained between an employee and his office, but it is emoluments plus the affection one receives from all around oneself which really bind him to his post and inspire him to action. If this aspect of the situation is well understood and properly maintained, then everything will be quite all-right in the long run. Therefore attaching too much importance to the remuneration one receives is not going to help in the practical world, in which a very high place is definitely occupied by bonds of affection and brotherly feelings.

Ego-recognition is the most difficult

task that confronts any management and any employee today. A very sincere desire to respect every other person will assure the other person his dignity which is one of the fundamentals guaranteed by the preamble of the Indian Constitution itself. Nothing short of a burning desire to regard the other person's self-respect as sacred and developing a habit of daily heartsearching for minor or major defaults in one's daily behaviour in this regard is of utmost importance for one and all and, especially, for those in middle management in any office. Provision of opportunities for the employees to freely discuss with their superiors their feelings and viewpoints is most essential for various other reasons also. Apart from these reasons it helps and builds up ego-recognition too. The employees should also be made to feel important and at the most appropriate moment given a pat on the back.

To discuss a few practical cases that one comes across I could have placed in this paper some incidents and developments that have taken place in our own office; but that would embarrass many of my friends. Therefore I am quoting from books cases which are equally true and fit into the picture very aptly:

"Case 1. A few weeks ago, John, one of our Division Heads, heard that Margaret, his prize stenographer, was going to leave. There seemed to be no apparent reason for her leaving; in fact, she didn't even have another position. So, John and Margaret had a heart-to-heart talk. She told him how the person who dictated to her had a habit of going to her desk, paging through the papers and standing behind her while she typed. It retarded her speed and made her so nervous that she could not produce her usual high standard of work. John readily

saw Margaret's problem and discussed it with Pete. He agreed she was right, and immediately corrected his ways. Looking with the other fellow's eye saved us a valuable employee and, in addition, some precious dollars. Do you know how much it costs to start and train a new employee? A survey made by Jim Kohlerman, Educational Director of the L.O.M.A. indicates that it costs between \$150.00 and \$300.00 to start and train each new employee.

Do you encourage your employees to talk about themselves? All of us have what we call an "open door" policy. We say that any employee can come in to see the president, vice-president or anyone else in the organisation. That sounds fine; but, as a practical matter, how often is it done? How often do we really encourage the other fellow to talk about himself? It is quite comparable to the invitations all of us have received to 'Come over and see us some time' or, 'let's have dinner together soon'. That 'sometime' never comes unless it is put on a definite basis.

We have put our invitation on a definite basis. Each employee, during the anniversary of the month of his employment, has a date (for an interview) with his immediate supervisor. He is encouraged to talk about himself, his problems, his objectives. Most of the interviews reveal that the employee is satisfied; but many interesting things are also brought out.

Case 2. Mary was at the top of her classification (department) with no opportunity for advancement unless she accepted a different type of work. This was explained to her in the interview.

She is one of our older employees, has been with the Company many years, and handles the type of work she is doing very well. She told her supervisor very frankly she liked her work. She didn't want to tackle anything more difficult. She said that was more important to her than additional remuneration.

Case 3. Frank, in his first interview, told Stanley, his supervisor, about a change in departmental work which he thought would be beneficial. He said he never felt like offering the suggestion voluntarily. When he was deliberately asked if he knew of anything to improve his work, he willingly discussed his ideas.

Case 4. Jessie asked her supervisor whether he had observed any tension in the department. He told her that he had; but had not discovered what caused it. She freely expressed her opinion and those of the others stating that a certain new program of office procedure in the department had not been thoroughly explained. As a result, they wondered what it was and how it affected them.

By patiently listening to others encouraging them to talk, it is surprising how much we learn. The supervisor in an office should give the top senior executives, a written report of the interviews they have with their assistants in their respective departments. If there are any items that are not cleared up satisfactorily, the employee should be immediately requested to discuss the matter further with the senior executives.

This not only does not eliminate the idea of talking with an employee at any time regarding a problem or other sub-

ject, but it also definitely assures that at least once a year the employees are invited to have their say. And the employees love it. You should see the broad smiles of satisfaction beaming from their faces and the healthy spirit of co-operation that is generated by this phase of human relations. In fact, one has to sincerely say that any salary increase is secondary to the opportunity provided for self-expression and above all for engendering feelings of love and affection in a very agreeable atmosphere that should always be made to prevail in an office in the various ways detailed herein.

Case 5. A couple of months ago, I was having breakfast in the coffee shop of the Commodore Hotel in New York. I had some difficulty in getting the sugar to pour from the container. As I gave the jar a pat, it made me think of how similar it is to dealing with people. You have to give them a pat on the back to bring the sweetness out.

Case 6. I distinctly remember an incident involving my sister. When she was learning to sew in grade school, she made the mistake of putting the sleeves of a blouse together so that she could not get into it. That evening, with tears, she told us how the teacher, in front of the whole class, said she would never be a seamstress. She was so embarrassed and humiliated that the incident has stayed with her always, and, to this day, she doesn't know how to sew. How much better it would have been to sweeten the criticism by beginning with a verbal pat on the back and bringing out some of the better features of the blouse.

How often have you heard the words:

'John was such a fine fellow:'

'John was such a faithful worker,'

'John was such an asset to the Company,'

'Don't know what the department will do without John,'

Nice words, that's true—but John can't hear them because he is working on a special deal with St. Peter. Wouldn't it have been kinder to compliment John while he was here? Maybe a sincere pat on the back would have done some real good. As a friend of mine puts it, 'A pound of taffy is worth a ton of epitaphy,'

"Do you make your employees feel important"?

How blind we sometimes are to the so-called 'small things.' Human nature is the same all over. There isn't one person in this group who doesn't like to feel important. You do and so do I. The file clerk likes to feel important; so does the messenger, the addressograph operator, the stenographer.

Case 7. This fall, we hired an attractive girl who seemed to be very intelligent in an academic way but who had absolutely no business training. You know the type. The girl expected to continue at college but was unable to do so for financial reasons. Because of her lack of commercial subjects, she had to accept whatever she could. As is our usual practice, Lois was hired as a messenger. After a short time, an opportunity in the Jacket File Department developed. We felt that Lois would be able to handle it well. At first, she turned 'thumbs down' on it as she felt the work was routine and that she was capable of doing other things. We

explained the work to her, not glorifying it, but telling her how important it was in relation to the rest of our organization, and how many departments depended upon the person in charge of the work. We also told her she was specifically selected because we felt that she was the best qualified to fill this important post. She accepted and has really done a 'bang up' job. In fact, we have saved ourselves some of those flying dollars because we have been able to eliminate the part-time help of another employee. This girl is happy because she feels her work is important. But doesn't this apply to everyone?"

Make Work a Worship.

The attitude of one and all in an office must be Godfearing, affectionate and humble, and everyone should try to silently produce day in and day out solid work. Work must be a sort of worship; then an office will be a temple where the devotees can come to make their humble offering in the shape of honest and ungrudging work. There should be no fussing whatsoever about it. It has been rightly pointed out that working steam is not heard whereas the escaping steam is doing all the noise.

The top management evolves the policy to be followed by the office and lays down the broad principles to be adopted by the middle management and followed by the rest. The middle group on the one hand works out the details of the policy and principles laid out by the top people and puts the track for the rest of the employees to follow and on the other they also distribute the work among the staff and take care of its execution from time with precision and perfection. No doubt much

depends on the topmost representatives of the management, being capable of looking to the needs of everyone in the office up to the last or least paid employee, but much more depends on the converse of the position being equally true and everyone in the office should have a firm faith that he can safely see the chief representatives of the top management, if circumstances warrant an interview.

Giving a very common comparison in the matter of the relationship that should prevail between the chief representatives of top management and all the others in an office one can say that it should be like the relationship of the sun and the world. Just as the sun exists for the benefit of every one in this world, the top officers' existence should be for the benefit of everybody in the office. Each and everyone in an office must actually feel the living presence of the topmost men and the vice versa. The topmost men must always inspire the confidence and enthusiasm of all the rest in an office by their mere presence and personality. Then there will be a feeling of immense security in the minds of all the members of the staff and this feeling in its turn will accelerate the efficiency of the office.

The top management or their chief representatives should generally provide sufficient incentive for all others in an office to devise special methods of simplifying work and reducing costs and eliminating waste. This can be in the shape of prizes for such discoveries of lesser importance, and promotions for similar discoveries of greater importance or a series of helpful changes suggested by a single officer or employee. Sufficient encouragement or recognition should also be

provided for those who are always on time at the office and rarely absent themselves from work. This applies equally to those who are always obedient and conform to the discipline and help to promote the well-being of the office as a whole. But care should be taken that in all these matters equal opportunity is provided to one and all because if anyone is placed at a greater disadvantage than others by the office itself in these matters then the said attractions become a source of irritation to those so placed.

Those in the middle management must be ever aware of their being only men in the middle lest they overstep their authority. Similarly those working under them should know that unless otherwise informed properly the final authority in various matters is the top management and not middle. The supervising staff should discharge their responsibility with care and diligence because it is mostly they that represent the management in the eyes of those in their charge or under their care and supervision. They should also be a tower of strength radiating most healthy vibrations of enthusiasm and affection. On one side they should be faithful to the top management and on the other they should not fail in their duty to their colleagues and to those in their charge. There should be no confusion whatsoever between these two distinctly different duties and neither of them should be sacrificed for the sake of the other. Middle management should hold these two duties quite sacred.

It is also the duty of those in middle management to set an example to others in the office by their personal behaviour, habits, thoughts, words and acts. Gene-

rally a father who smokes cannot command his son to abstain from it. Therefore a superior officer at default in any matter cannot command a faithful following from among his assistants in matters of discipline, obedient behaviour or any other matter. So generally when one in the middle management finds a bad trait in his assistants the first person he has to check up is himself, i.e., he should see whether directly or indirectly he has himself paved the way for the faults of the assistants. Otherwise he might be suddenly surprised by someone correctly pointing him out as the root of the trouble that his department is suffering from.

Scheduling Work.

Scheduling of work to be turned out by each department and each member of a department is the main method to be adopted by middle management to obtain efficiency in all departments. Not only trains are arranged to go to certain towns, but train time-tables are also worked out which show precisely when and where each stop should be made. Similarly in the office not only is the route of the work to be laid down by planning, but a time-schedule is also to be prepared so that a certain volume of work can be handled in a given time. Most office organisations still have a great deal to do before they can rival the precision of the railways in adhering to a timetable. But I have already found in one office at least that it is not an impossible proposition.

One advantage of speed is low cost. When unnecessary steps are eliminated and the handling of a work is restricted to as few persons as can effectively work on that routine, when the assistants are well trained and have the enthusiasm to

do their work effectively, when the communication system and the method of distribution of work cuts down delays, and when the work is scheduled, waste of time and energy eliminated is so much as to stagger any student of economics. Proper adjustment of time schedules particularly between departments, is extremely important to clerical operations, just as it has been the mainstay of assembling the various parts of an automobile in that industry. The total strength of the staff should never be so large as to hide inefficiency nor so small as to make a worker or an on-looker get that feeling of cramming or hustling.

Most departments have a better idea of the volume of work they handle than of the speed, accuracy, cost or timing involved in its handling. To obviate this partial ignorance, knowledge of previous experience should be made use of whenever it is available. Anticipated or expected volume of work should be determined to help distribution of work to be followed in an office. In clerical work, even today the attitude is to work hard or do overwork whenever there is an unusually heavy load and compensate for this by taking it easy when the load is light. Careful splitting up of the heavy load when it comes and scheduling of work is seldom carried out. To avoid or reduce peaks or pressure of work it is necessary to plan daily, weekly, monthly and yearly jobs and split the volume of work in order to level down the load and handle it with proper speed. For example in one life office when the new business is heavy, age admission work in respect of most of that new business is handled just after the pressure is released. This splitting up and putting off a part of

the work works excellently in that office. Obtaining regularly the periodical lists of pending work from all departments is the way of knowing the existence of pressure of work if any in some departments and also the way of knowing from which other department relief can be provided. It is also to be noted that each department will turn out the maximum work when there is slight pressure of work rather than when working with what we call "enough of work for the department."

Middle management has also to look to the efficiency shown and emotional satisfaction derived by each of the assistants in the departments. If the efficiency of an assistant is unusually low he must try to step it up by very effective and solicitous methods and without antagonising anyone. Should his sincere and intelligent attempts prove a failure, he must mentally mark out the particular assistant for further tactful handling by better hands more experienced in that particular line. At times persons who are really not competent are allotted certain jobs merely considering their degrees or other educational qualifications and this creates a lot of inefficiency in certain departments. The only way of eradicating this type of inefficiency is by allotting such works to those who can handle them with success whatever be their educational qualification.

In the matter of the emotional satisfaction derived by everyone in the different departments, the officers concerned must have a discerning eye to correctly assess the emotional stature and condition of each of their assistants and provide help to those that require it. A

large number of people have some deep-seated emotional weak spots and unless these are eradicated by some psychotherapeutic treatment, it would be better to recognise them and sympathise with such members and avoid situations which would create misery and unhappiness to such persons. To give an example, in one Indian Office an assistant was transferred to another department which was being supervised by a lady. He immediately sent in his resignation to the principal officer of that office-organisation. The real trouble was that this assistant had a dominating wife who was rich and he could not rebel against her. His newly created circumstances in the office somehow brought about a situation similar to that in his house which at once made him rebel. The principal officer who got scent of this situation quietly transferred him to some other department wherein he worked smoothly without the said emotional distress.

So first and the foremost it is necessary to recognise that individuals are not alike and they need to be understood each in a different way and that the most successful man is he who can understand the largest number of individuals with all their differing individualities. Talking in common parlance, one person likes 'Iddlies' with 'Chatni,' while another likes 'Iddlies' with 'Sambhar' and yet another likes them with butter and so on. The ability to discern these differences in the consumers and dish out things accordingly is the ability expected of the person in charge of such distribution work.

One mistake that many in middle management make lies in the awe and solemnity with which they do their check-

ups. Some supervisors are even talked of as "tigers" especially when they check up others' work. So the disturbance they create can be better imagined than described. All supervising staff should understand the need for creating a most friendly and cordial atmosphere while handling any such work. Unless the workers are helped to keep mentally cool and collected they cannot turn out efficient work. Checking-up work is meant to see that everything is made correct in a particular work already done by another. The idea behind it is not to find fault with the person who has handled it originally. It is simply for the purpose of maintaining a good standard of efficiency and to eliminate errors if any in any work, that checking or verification is done. So why create a fuss about it? If everyone does his work correctly where is the place for those who check up work?

Each supervising officer should see that there is a correct pen picture of the work handled by his department and he should from time to time study this picture with a view to effect progressive changes in it by way of simplification of complex works, eliminating repetition of work, etc. In these days of strikes and lockouts it is said that every office should be so maintained as to make it possible for a fresh set of intelligent educated youth to walk in and handle the work quite efficiently with the help of these pen portraits. That is to say the pen portraits should be quite faithful and thorough besides being a live guide from the standpoint of strangers that go through them. But with all the perfection in these portraits it is yet to be seen how far they can really fulfil

the purpose which they are intended to fulfil. Still it is better to have these pen pictures.

Integrity is a rare quality, but it has to be made easily available in every one of the departments in an office. This anomalous situation really intrigues and challenges all managements and very few have been able to successfully tackle it. Like attracts like. That is the only law that works successfully in this singular situation. Of course, vigilance is the watchword of all successful managements and extraordinary vigilance is required to observe and attract integrity and weed out its opposite quality from an office.

Mechanisation of much of the work in an office has become one of the most popular modern methods of improving office efficiency. But here one is treading on very uncertain ground because mechanisation is beset with various other problems including unemployment. So it has to be resorted to as the very last measure of improving office efficiency. Economy should not be the main motive behind mechanisation. In every case, before mechanisation, a management must make sure that all other ways and means of assuring efficient work in the department to be mechanised have been explored and tried without much success.

It is said we become aware of our teeth when we get tooth-ache. Similarly discipline is said to exist in an office when there are many defaulters. But in fact discipline should appear to be absent in spite of its enforcement every second and it can appear so only when there are no defaulters or when there are very few of them. Such a situation can be

created when almost all the officers and staff love their work and one another most sincerely. Then there is nothing hard for anyone to do. Where love and affection prevail in abundance all difficult tasks become easy and all hard work becomes soft.

More often than not defaults are late-coming, slow work and wasting time in various ways, e.g., in visiting the W.C. many assistants spend considerable time. Wise supervision overcomes all this. A sort of time-schedule can be fixed after looking to each assistant's habits and needs. Over and above this time-schedule freedom of access to the said place should be provided so that no rigidity might be attached to the time-schedule. In these matters which have got an uncanny knack of beating all expectations when attempts are made to keep them rigidly regulated, giving some freedom alongside fixing certain timings works best. Then none can complain nor take advantage of the freedom allowed lest one attracts the watchful eyes of the tactful supervisor.

Respecting worthy sentiments of the members of the staff and building up healthy traditions among them provides the best means of maintaining a sound relationship between the middle management and the assistants in the various department.

Co-ordination:

The integration of all the functions of an office into one harmonious unit is the dominant administrative problem of office operation. Co-ordination means the orderly arrangement of group effort, to provide unity of action in the pursuit of a common purpose. Co-ordination should

start from the level of policy-making and extend upto execution and control of the results and affects every function of an office.

To be effective, co-ordination must bring together the efforts both vertically and horizontally. The vertical series of relationships from the top downward is far stronger generally in an office organisation than are the horizontal relationships. Through the centuries people have been trained to respect the orders and wishes of their superiors and the leaders are usually aware of the value of giving precise directions for securing what they want. Thus the line of authority and responsibility stretching downward from the top has been efficient since ages in transmitting policies, decisions and directions down that line. But the same cannot be said of horizontal series of relationships because history does not record their existence except in military situations. Since the development of office organisations is of comparatively recent origin, the habit of horizontal series of relationships among people has not taken as strong a root as the vertical relationship. Therefore every administrator must maintain this type of relationship by taking into account the specialists or assistants working under him, and also to an increasing extent those working under somebody else in some other wing of the office. Moreover, since many activities concern more than one department, the horizontal relationships among departmental heads in different parts of the office are becoming continually more important.

The responsibility for co-ordination rests particularly upon top and middle management. The senior officers or the top representatives are often sufficiently removed from day-to-day activities that

they may take well-co-ordinated functioning somewhat for granted. But middle management is vitally interested in the co-ordinative problems, since its members occupy just that middle position between their superiors and subordinates. They often share the difficulties of their superiors in making decisions and they necessarily take part in the efforts of their subordinates to carry out works and implement policies. They take and transmit orders, decisions and guidance downward; they also receive and convey problems, difficulties, solutions and suggestions upward. The lines of communication meet in them or to be more appropriate they are the accepted media of communications. The senior officers see, hear, and analyse problems outside the scope of internal administration also. But the junior administrators see, hear and in the main deal with the problems relating to internal operation only. Middle management has to recognize its position or its responsibility sufficiently and feel its great importance before it can make the whole organisation or office work very efficiently.

One of the reasons why many in middle management do not see the development in which they are playing an important role is that they have an idea at the back of their minds that they are more or less personal representatives of their chiefs. As has been already pointed out elsewhere in this paper, it is to be expected that they will take a more impersonal view of the situation and see it from both sides of their position. Although their loyalty to the chiefs remains just as great as they feel it, their duty to their subordinates, to their colleagues and to the organisation as a whole should never be cold-shouldered. It may be that they will be a bit slow like a child who feels first his relations with his parents and later those

with other members of the family. Middle management and those others under them should turn more and more to each other for counsel and consultation, for the comparison of aims, methods and results. They should also utilise the technical and advisory services of the entire organisation, whether these happen to be located structurally in one department or other. From year to year they should learn increasingly that the price of efficiency is co-operation among functions and departments and they extend their co-operation the more gladly because it is becoming a matter of necessity as well as of courtesy and good sense.

The problem of co-ordination is closely connected with the growth of experienced men who can take a broad and general view of all the factors involved in a given activity or problem. The number of available men experienced in all departments on a broad basis is generally not large. Those men are the opposite of those who are specialists of any one department because specialisation is said to be knowing more and more about less and less. Of course, specialists themselves will take a broader view if they have opportunity to do so. Breadth of view and of understanding cannot be overstressed so that junior administrators can make the necessary effort to take a general view themselves and influence those in their charge to do likewise. The very arrangement and set-up of work should be finalised only after knowing to some extent the influence different forms of division or departmentalisation may have on the supervisors and on the staff.

The biggest single factor in training men with a broad view of the office is the attitude of the chief administrator himself. If he makes up his mind to have such trained men and encourages his assi-

stants to look at the general picture, to consider the effect of what they do in other departments of the office, explains the broader angles and increases their understanding in their dealings with them, they will largely reflect his own attitudes. Breadth of vision can be transmitted thus to anyone under the usual conditions prevailing in an office. Particularly one can train one's leading assistants in a broad view, at least in matters of the various departments, mainly how and where they affect other departments.

Transfer of good and efficient men from one department to another is one of the best ways of promoting good-will and building up efficiency and co-ordination by mutual understanding. The experience of those transferred like this is more and more broadbased and their ability to see things in relation to the office as a whole is enormously increased.

As an office grows, the increase of size and complexity necessitates opening up of new departments and creation of new methods of handling causing differentiation through subdivision, delegation and specialization. These necessary forces split some parts of an office into further new parts and divide and subdivide the work into functions under different men of varying abilities and character, while some other wings or departments might get consolidated and broadbased at the same time. But these changes should be taken as in the usual course and all affected by them should get adapted. These changes also bring about a situation in which unless great care is taken to counterbalance the various new tendencies, the unity and efficiency of the office in working toward a common purpose is seriously interfered with.

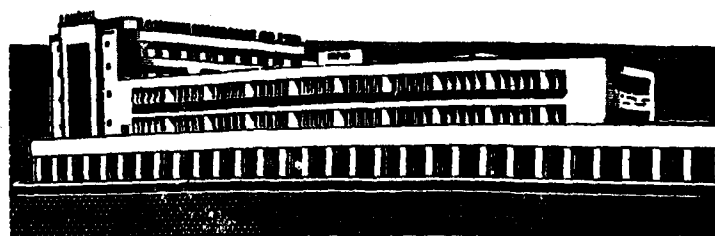
Middle management because of its position, is greatly concerned with the building up and development of the co-ordinative forces and in preserving or recreating the unity of purpose and of activity essential to the accomplishment of the objectives of the office. The greater the natural lines of association which tie an office organisation together the lesser the conscious effort required for co-ordination. When those affected participate naturally in the framing of plans, their

execution and follow-through, co-ordination is not labelled and specially sought after, any more than we are conscious of the constant breathing which sustains our bodies. Therefore most is generally said about co-ordination in organizations where its insufficiency is obvious. Whenever co-ordination is well established efficiency is bound to be high because the two go hand in hand.

Paper read at the 10th Indian Insurance Conference

"LAKSHMI" The Citadel of Security

Founded in the spirit of service and patriotic zeal, Lakshmi Insurance has forged ahead through liberal Policy terms, prompt settlement of claims and sympathetic handling of all Insurance policies.



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Ernakulam Office: V.T.K. Estate Buildings, Valanjambalam.
Kakinada Office: Temple Street.

All India Insurance Salaried Field Workers Association

Address of SRI S. L. ROY,

President, at the 1st Annual Conference. on 14-10-55

THIS is the first time in the history of the Insurance Industry that Salaried Field Workers have assembled to discuss the conditions of service under which they work. In Europe and in America the importance of this category of workers is so well recognised that no such occasion has arisen in those countries. It is most unfortunate that this has to be done in India.

Before, however, I begin our tale of woe, you will certainly want me to thank Shri Chapalakanta Bhattacharya for the broad-mindedness he has shown in agreeing to inaugurate our Conference. We appreciate the gesture. He belongs to a profession, Journalism, which is manned entirely by the middle-class intelligentsia. So is ours. Insurance is an industry which is manned entirely by the middle-class. Can the profession of journalism which has ever upheld the rights of man be entirely oblivious to the conditions of employment prevalent among Salaried Field Workers of the Insurance business whose number at the moment will not be less than twenty thousand in India? We hope that within the limitations that capitalism imposes, our brethren of the Press will lend us a helping hand, if only to enable us to reach the ears of those who rule the destinies of the nation and who are at the moment very vociferous about a "Socialistic pattern of Society." We must also feel honoured for the presence amongst us

today of a great personality like Shri Hirendranath Mukherjee and of the veteran Congressman Shri Pratap Chandra Guha Roy. Their very presence give us a glimpse of brighter days for us.

On the 3rd. October last, at Madras, Prime Minister Nehru is reported to have declared:—

"We have laid down as our goal a socialistic pattern of Society and we are also a democratic State.....In our own country, we have now to go on another pilgrimage to achieve what is called the Welfare State and Socialist Society, the end of poverty and of unemployment, so that all the people of this great country can live a good life and all of them have opportunities for progress." These are brave words, these are words that tend to frustrate frustrations. No one in India has any doubt about the sincerity of Nehru. But what can one Nehru do unless he has around him, in the Congress, in the country and in the administration, men with even just a touch of Nehru? So far as the Insurance Industry is concerned, we can say that it is run by selfish capitalists and *apke-waste* flunkies.

It is on the basis of the above words of Nehru that I, as President of the Association, request him to appoint a high-level Commission of Enquiry to go into every aspect of the Industry and I shall today try to make out a case for such a Commission of Enquiry. In view of the specula-

tions afoot about Nationalisation of the Insurance Industry, the situation is ripe for such an Enquiry Commission. The recent appointment of an Administrator of the Bharat Insurance Company and the appointment of two Govt. Directors on the Board of Directors of Hindusthan Co-operative Insurance Society are indications enough that an enquiry into the Insurance Industry is urgently called for. During British days there were many Banking Enquiry Commissions. Today, in Independent India, in India that has attained freedom, the Government that talk in terms of Democracy and Freedom, cannot undertake major legislation without Enquiry. It is only the other day that the Union Law Minister told Shri B. C. Ghose that the Government is going to introduce in Parliament a comprehensive bill to amend the Insurance Act, as early as possible. Here is a democratic Government that is not able to give the people's representatives a definite time for their action. The proposed comprehensive bill, I am afraid, will be prepared on the basis of the reports of the "Department of Insurance." Unless, there is a full enquiry, Nehru's assurance about equal opportunities for all will just be a political slogan.

How "Socialistic pattern of Society" works at the ministerial level can be gauged by the opposition that Nehru's Ministry gave to Shri B. C. Ghose's amendment bill. Shri B. C. Ghose merely wanted to remove a handicap under which the agents were working and his bill tried to give the agents the right to nominate their heirs. But Minister M. C. Shah has been told by his capitalist friends of the Insurance Industry that the amendment would open the way to corruption. It is strange that no demand was made by the Parlia-

mentarians to know what those corrupt practices were likely to be. In the Government's handling of Shri B. C. Ghose's bill, there was no evidence of the Socialistic Pattern of Society.

My Association had correspondence with the Central Ministry of Labour about our status as workers under the Industrial Disputes Act. The manner in which the Ministry handled the question gives the lie direct to any "Socialistic pattern" mentality existing in the mind of the Minister and his Under-Secretaries. Mr. Easwaran, one of the under-Secretaries came to Patna when the correspondence with me was going on. But he never asked me to meet him to discuss the issues I had raised. This is the kind of Democracy under which we live. Old Congressman, the valiant Giri was kicked out to be replaced by an Ahmedabad stooge to be the Labour Minister in Republican India.

I assure Nehru that I am not unduly cantankerous. I am simply citing instances that have raised doubts in our minds and strengthen our demand for a Commission of Enquiry. I shall give another instance how the bureaucratic mind works—far away from ideas of Socialistic pattern. As President of this Association I handed over personally to the Deputy Controller of Insurance Copies of appointment letters issued by three insurers. They purported to be Salary appointments but they were based on premium income bringing them under the mischief of Section 31A (1) (b) of the Insurance Act. I asked him in the forwarding letter to explain certain aspects of these letters. But I received no reply from him. What if an Association of citizens had written to him? The Brown

bureaucrat, trained under the British, can hardly take notice of the working class, even if they belong to the educated middle class section of the population.

What kind of middle-class people are these Salaried Insurance Field Workers? Since 1920 many of those unfortunates non-co-operated with British rule, to whom every avenue of life was closed under the relentless police-rule of the foreigner; these men, owing allegiance to Congress, took up insurance as a profession. Many have been political sufferers, many without going to jail, as they had family-burdens to carry on their shoulders, worked among the people and carried the message of Congress among them. While the leaders were in jail, these men acted as freedoms' fifth column. Today, the Congress sits in power and Congress Ministers turn a deaf ear to their woes.

For the layman, for those who are uninitiated in this business of insurance, let me explain the functions of the Field Workers in this industry. In the first place are the agents who are to contact men, who canvass people for life insurance. They are not only of primary importance but they are of the first importance in the production front of this industry. They are, however, remunerated by commission at a percentage fixed by law. As this is not a fixed income profession, no one comes forward to become agents. No queue is formed by applicants for agency. Men are to be persuaded and cajoled into becoming agents. For this purpose, for recruiting, training and getting work out of agents, men are employed on salary. These are the Inspectors & Organisers—the Salaried Field

Workers. To Indian Insurance Companies agents are not of primary importance. They employ us to get agents for them and to get business through agents. Naturally, one would expect that the Companies would treat us handsomely, give us a career and train and educate those who are found worthy for executive positions. Not so with Indian Insurers. In the majority of the Companies the chief positions are held by the capital-owning class and merit has no place in promotions. Certain Head office positions have to be reserved for specialists and these are filled by those specialists who also specialise in flunkeyism. The Salaried Field Workers can at best become a Branch Manager but in the selection thereof also flunkeyism is the test, not merit.

I shall give here a definite instance of the mentality of Indian managers towards agents. In America, Insurance Companies advertise the usefulness of agents. Their publicity is calculated to remove sales-resistance due to the feeling of the public in considering the agent's visit as an annoyance. American companies assiduously try, through publicity, to train the public to regard the agent as the family's friend. But last month I found an Indian Insurance Company advertising in the papers about their novel scheme of "mobile squads". This category of workers is being publicised as "giving service" to policyholders. It has been categorically stated in the advertisements that these men were not going to the policy holders like others who approach them for self-interest. That is, the agent goes to the individual "out of self-interest". What a recommendation for agents indeed. The manager of this Com-

pany has forgotten that if the agents had not been there and secured the policies, would the mobile squad have had any work to do? Agents in this country have not got the sense of dignity to protest against this gratuitous insult to their profession.

The mentality behind this advertisement is the mentality that does not at all understand the importance of the different human factors involved in this industry. This new-fangled "Mobile Squads" are actually a sinister machinery that will spoil the business of other insurers. They visit those whose policies have lapsed. In doing so they will twist the business of other insurers. The policyholders will be persuaded to convert their previous policies with other companies and to take out new policies with this insurer which has recently reduced its rates, which is the bait with which the fish will be hooked. This is all the service they will give. The whole scheme is unethical and against business morality. Yet, Sri Arun Chandra Guha, a Central Minister, has allowed himself to be associated with this Company's propaganda for this scheme. Strange is the mentality of Nehru's team. While you are arresting directors and principal officers of insurers, while you are appointing Government directors in mismanaged companies, a limb of the Government allows himself to be used as a cat's paw by one of the most capitalist-minded insurance companies to advertise their goods.

Now let us recount some of the conditions under which the Salaried Field Workers in the insurance industry have to work.

This Association received three cases of Branch Secretaries. The Companies involved were Warden, Free India General and Andhra Insurance Co. Ltd. In each case there was clear violation of Sec. 31A. The basis was a certain percentage of premium income. The Andhra Case is recent. It has been printed in full in the Association's Journal.

Every one knows that there can be no production without capital investment. In the Insurance sector, the managers want just the reverse. Appointments of Branch Managers & Inspectors are made on that presumption. When Indu Chakravarty is asked by Mr. D. Subramaniam, F. I. A. Ex-President of ILAOA, that his entire expense must be 70 % of the new premium, he virtually says — "Produce & when you have produced, you will get a portion from it." They want to fry the flesh in its own fat. They are not disposed to spend a cowrie for the fat.

Suppose the Government of India tells the Engineer of Bhakra-Nangal Project— "Get the machinery & labour at your cost. Build the Dam. When the canal begins to work and the Electric plant works and price is realised by the sale of power and of water you will be paid so much percent. In the meantime, we will advance you money to keep you alive and no more. If the sale of power and water does not bring 50 Lakhs a year, you will have to refund what has been paid to you." This is virtually the basis on which Salaried Field Workers are being appointed. It is useless for me to appeal to any other Minister. But I am appealing to Nehru to realise that the condition of appointment of these workers is just as I have explained above. Let him enquire and find out.

I ask Nehru again if he can imagine a man, with family & children, working with the fear every year that he might lose his job. Almost all insurance Companies, except Oriental, issues appointment letters annually. Each year new conditions are imposed. The farce of confirmation is there. A greater farce is allowing the Workers to contribute to Provident Fund. Then one year, it may be after six, seven or fifteen, he is thrown out because he could not get "new Premium income" on the increased basis. These conditions do not make for "Equal opportunities, Freedom or Socialistic Pattern."

Take the case of Sri K. P. Srivasava, the General Secretary of the Association. After 8 years he was 'dismissed.' Sri I. B. Sen Gupta was given the boot by National Indian after 16 or 18 years of Services. He was in East Bengal, he came to Calcutta amid new surroundings. No consideration was made for his past loyalty and work. The National Indian's record is a record of massacre of old workers. The case of Subodh Chandra Das of Gauhati is peculiar. He was an agent of this Company from 1929 to 1949. This was a period when the National Indian was a deficit Company, in a struggling condition. He was getting business from an area that is still backward. In 1949 he was made an Inspector. In 1952 he was dismissed. No consideration was made for loyal service for 20 years.

Take again the case of Sri N. G. Samad-dar of Patna. He is a bonafide insurance worker who has tried to learn the theory & practice of life insurance. The lapse ratio of his business hardly exceeds 6 %. Such a person is an asset to this profession. After six years of honest work he was last year given the sack by the National Indian. If he had produced 5 Lakhs business in a year out of which 4

Lakhs would go out of the books, he would have received promotion. But because he would do 1½ Lakhs out of which at most 20,000 may lapse, he is not considered fit to continue.

Then there is the case of Shri R. N. Mitra of New India. He was a superior worker with 3 districts. After the code of conduct was introduced, his areas were cut down. His own agents were elevated into organisers. But his guarantee did not decrease. Eventually he was left with 2 Sub-divisions in place of 12. And on the plea that his quota was not fulfilled his salary was reduced in the ninth year of Service. In the name of Equity or Justice can one think of such happenings anywhere? Suppose you give a man 10 acres of land on condition that he would pay you 100 mds of paddy a year. Then you take away 8 acres and still demand that he must pay you 100 mds. That is what has happened with Mr. Mitra. Appeal to the General Manager has gone unheeded.

We are in a position to prove that the biggest Companies are evading the code of conduct as well as the law. A person is appointed as "Personal Assistant" to the Branch Secretary. Actually a Unit number has been given to him with a business guarantee. He is the second intermediary between the Branch & the agent in violation of the code of conduct. This Company has three Branch Secretaries at Calcutta. Why?

It is only a full probe by a high power Commission that can reveal all the unlawful activities of the insurers. The grievances of Salaried Field Workers in the Hindusthan Cooperative call for an immediate investigation. Will the Government of India ask its nominee directors of the Company to enquire and find out

The South India Co-operative Insurance Society Ltd.,

5 & 6, Mount Road, MADRAS-2.

WHOLE LIFE
Rs. 15

1953 VALUATION BONUS

per Rs. 1000 per annum.

ENDOWMENT
Rs. 12

An Ideal Co-operative Institution to insure and represent.

- ★ Low Premiums
- ★ All Plans of Assurance
- ★ Liberal Agency Terms

Particulars may be had on application

EMPIRE'S Report of Progress in 1954

New Business	...	...	Rs. 3,84,06,774.
Total Assets	...	...	„ 12,38,65,607.
Total Claims paid	...	...	„ 14,65,12,947.



Highlights from the Administrator's Report

- Every prospect of an increase in the bonus to Policyholders.
- Nearly 70% of total Assets invested in Government Securities.

**THE
EMPIRE OF INDIA LIFE ASSURANCE CO., LTD.,**
(Estd. 1897)

Head Office: EMPIRE HOUSE, D. Naoroji Road, BOMBAY-I.
Branches ALL OVER INDIA.

the unethical and illegal conditions prevailing there?

Apart from workers, the treatment of Policyholders by our insurers are devoid of any code of ethics, morality and law. In the matter of Surrender values, Paid-up policies, automatic extensions, claims, Policyholders are not getting a fair deal from the Insurers. We are prepared to help if an Enquiry Commission be created.

I know that the result of such an Enquiry will inevitably strengthen the hands of those who are advocating nationalisation of the Insurance Industry. Whether entire State-Control is conducive to public benefit is a problem that must be ascertained by a responsible body of men. There is, however, one way out. While the Organisation & procurement may be left to the shareholders as private owners the entire fiscal apparatus may be placed in the control of Directors appointed by Government. This method was tried very successfully in Germany after 1933 and the surplus funds of insurance Companies were used to finance Agricultural Credit Banks because insurance funds are susceptible of long-term investment.

The kind of appointments now being made of Salaried Field Workers is entirely with a view to show big business. But huge lapses occur naturally as a result, as I have proved in an article of mine published in the "Insurance Underwriter". These lapses mean economic waste of Social Savings. Stoppage of this waste is necessary if national savings are to be of use in National Planning. Partial State-control on lines above indicated is likely to prevent this waste benefitting the people, the Companies and the nation.

I know that our insurance panjandrams get annoyed if any one outside their circle try to give any advice. It was

in 1932 that I advocated Government Securities as the best form of investment for insurers. The Company managers got annoyed with me. Then I called attention to "policy-conditions" and pointed out how in the interest of not only policyholders, but in order to popularise insurance, policy conditions should be improved in this country and the policyholders be given a square deal. My book on the subject has not been considered fit to be a text book for students appearing at the Life Office Associations Examinations. A study of the book would reveal skeletons in the cupboards of many insurers. What I have said about organisation is also looked on askance.

You, gentlemen, can yourselves remedy many of the evils. The prime necessity is to combine. If you combine you can take up some of the cases and institute legal proceedings. I can assure you that in most cases we shall get the Court's verdict in our favour. Sri K. P. Srivastava has already instituted a case against Lakshmi Insurance Company.

The next step is a strike. If you can carry out a strike at the end of the season, you may rest assured that your demands will be heeded to. Prepare for a strike next year in November, unless conditions improve.

The 14-point demands issued last year by our Association are before you. If you go through them carefully, you will see that they are calculated not only to better your service conditions, but they aim also at improving the morale of the business, thereby helping to increase growth of the Companies as well as helping to increase production on honest lines.

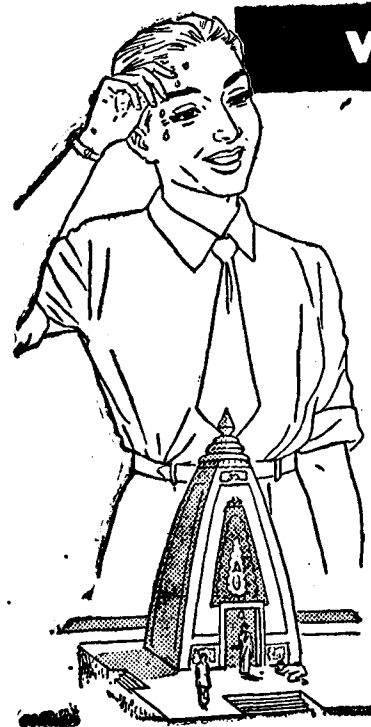
Be united. Do not have separate Associations all over the country. Have Re-

gional committees linked to the parent organisation. That will give you power. Your employers are too strong. They will break up your small units. Above all do not lose heart. Nagendra Nath Bhattacharya, a poor clerk dismissed by New India, ten years ago, grimly fought on helped by the Insurance Employees' Union and he has recently been paid Rs. 10,000/- by New India though the Company had wasted about five times that amount to resist Nagen Bhattacharya's claim. This was waste of Policyholders' money.

quiry Commission to your other demands. The mighty British Government was civilised enough to concede Gandhi's demand for an Enquiry Commission about Champaran ryots who were an infinitesimal part of India's total population. I cannot believe that the Congress rulers of India, who swear in the name of Gandhi, will turn a deaf ear to our demand for an Enquiry Commission if we can place before them a sufficient number of cases of injustice and voice our demand for Enquiry unitedly.

Add the demand for a high power En-

May God be our guide in our efforts.



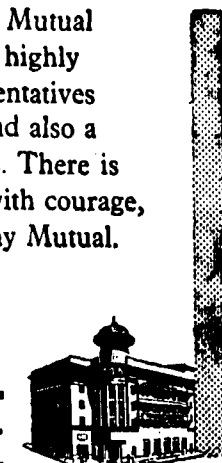
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Any honest work is dignified.

To any ambitious person, a Bombay Mutual representation offers a dignified and highly lucrative career. Many of our representatives earn over Rs. 2000/- every month, and also a pension on the renewal commissions. There is always a place for the right person with courage, zeal and determination at the Bombay Mutual. Write TODAY for details.

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Oldest Life office in India

Wanted agents on liberal Commission
CHIEF AGENTS: S. A. Ramaswami & Bros.,
Bombay Mutual Building 378, N. S. C. Bose Road, Madras - 1.



Review

**Oriental Government Security Life Assurance Co., Ltd.,
BOMBAY.**

27th Triennial Valuation as at 31st December, 1954

disclosed a profit of Rs. 7.10 Crores.

THE biggest among Indian Insurance Companies, the Oriental Government Security Life Assurance Company, Limited, has once again established beyond doubt by the results of the triennial valuation made as at 31st December, 1954, that it is best managed. Valued on very stringent bases, the valuation disclosed a profit of Rs. 7.10 crores as against Rs. 4.65 crores for the previous valuation and the Actuary recommended a bonus to with profit policyholders at the rate of Rs. 22½ per thousand per annum on whole life assurances and Rs. 18 per thousand per annum on Endowment Assurances which represent an increase of 50 per cent over the rates declared for the previous triennium.

Progress during the triennium.

New Business: The new business of Rs. 92 crores completed during the triennium is a record by itself. The progress represents an increase of 59,470 policies and Rs. 30 crores in the sum assured over the figures for the previous triennium.

Consistent with the increase in New Business, the income by way of premium and interest has also increased. Premiums increased by 12.82% and interest less income-tax by 29.92%.

Expenses: There has been an increase in the ratio of expenses also from 22.2 per cent of the preceding valuation to 24 per cent. The increase is attributed to the large outlay on first year's agency commission and initial expenses incurred on the large volume of new business.

There has been a considerable improvement in the mortality experience from year to year during the triennium, the ratio being 42.9, 41.7 and 37.0 for the years 1952, 1953 and 1954 of the expected deaths.

Interest: The average net rate of interest earned for the triennium was 3.92 per cent. The rate earned during the previous valuation period was only 2.85%

Funds: There has been a record increase in the funds of the Company as a result of satisfactory progress. At the beginning of the period the funds amounted to only Rs. 63 crores. There was an addition of Rs. 15 crores during the triennium and the total amounted to Rs. 78 crores at the end of the triennium.

Valuation Bases: The valuation was made on the basis of 2-11/16 per cent interest rate as against 2-5/8 per cent on the previous occasion. Oriental 1925-35 ultimate table was applied for Mortality and 21.9 per cent of the premiums was provided for future expenses and profits. These bases are stringent indeed considering the actual experience of the company during the triennium and will go to strengthen the financial position in no small measure.

The results of the Valuation are really a great tribute to the management and the Institution has well deserved the confidence reposed in it by its policyholders. We wish it every success.

THE BHARAT INSURANCE COMPANY, LIMITED, DELHI.

(Estd. 1896)

59TH YEAR IN NATION'S SERVICE

New Business in 1954 Over
Rs. 6,39,00,000/-

RECORDING

AN INCREASE OF TWO CRORES OVER THE
BUSINESS OF 1953

THE NEW GREAT OF INDIA INSURANCE CO., LIMITED.

Total Assets as on 31-12-1954 about	...	Rs. 2,00,00,000
Total Life Assurance in force as at 31-12-1954	...	Rs. 4,40,00,000

BONUS DECLARED IN LATEST VALUATION.

General Manager: M. G. Mody, Esq.

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

MADRAS BRANCH:

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

Branch Manager: C. P. SHAH, Esq.

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Ahmedabad, Amritsar, Baroda, Bangalore, Belgaum, Bhavnagar, Calcutta, Calicut,
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REPRESENTATIVES AT

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

News

Ahmedabad Insurance Institute

Inauguration By Mr. C. R. G. Gardiner
On 1-10-1955.

The Ahmedabad Insurance Institute was formally inaugurated by Mr. C.R.G. Gardiner, President of the Federation of Insurance Institutes on Saturday the 1st October 1955. In his inaugural speech Mr. Gardiner expressed his joy at the birth of the Institute. At the outset he paid a tribute to Late Mr. J. C. Setalvad who did the work of a pioneer in the field of Insurance. He welcomed the Ahmedabad Insurance Institutes as the first of its kind to be formed and affiliated to the Federation of Insurance Institutes in Bombay. He emphasized the need of a net work of such Institutes in all big cities and centres of trade and commerce in the country and added that the Federation will do all at its command to assist the local insurers in the formation of local Institutes, affiliated to the Federation. He explained that the Federation will follow the pattern of the Chartered Insurance Institute of England and its main pursuit will be academic. He outlined the academic nature of the proposed activities and stated that it should not be long for the Federation to conduct examinations in Insurance which ultimately should achieve the standard of those conducted by the Chartered Insurance Institute of England. In the end he emphasized that this Institute will be a non-political body, directly concerned with improving the lot of the people engaged in the

insurance industry by enhancing their professional equipment through academic channels. He also emphasized the need of a Branch Manager's Library towards this end with each Institute.

Earlier in his welcome address Shri G. R. Desai, Chairman of the Ahmedabad Insurance Institute gave details of the formation of the Institute and of the elections. He also referred to the development of the Insurance Industry in Ahmedabad since 1875. He then referred to the projected move of the Union Government to nationalise the Insurance Industry. If the Union Government required finances to promote the Second Five Year Plan and similar plans and if they hope to utilise the resources available through the Insurance Industry, Mr. G.R. Desai thought it would amount to a leap in the dark for the simple reason that it is no more a secret that the Actuaries have not been able to arrive at the correct Office Premium to be charged to the Life Policyholders and the quest of computing such a premium is not yet over. The quest has become more complicated because it is now recognised that the hitherto three elements, the mortality, the interest rate and the expenses, are by themselves not sufficient to determine the quantum of Office Premium to be charged to Life Policyholders. In addition to these there are two other factors entering the causal nexus of the computation of the office premium, namely, the introductions viz. New Business and Terminations viz. lap-

★
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Ahead!*

**New Business Paid for
1953**

RS. 2,03,11000

1954

RS. 2,68,86000

**ASIAN
Assurance Co., Ltd.**

(Estd. 1910)

Head Office:—

Asian Building, Ballard Estate,
BOMBAY 1.

General Manager:—

P. U. PATEL

B.A., B.Com., (Lond.)

★

ses, the surrenders, the paid ups and the claims by maturity or death. These several elements as dynamic forces inter-acting between themselves will require a static Norm to be obtained for determining the correct quantum of Office Premium so that the future is harnessed in the said Norm. Until such a Norm is finally evolved out, it would only mean a gamble if the Government takes over the Insurance Industry and utilises the funds for promoting the Second Five Year Plan and other plans without creating any adequate reserve which the Government otherwise does for currency etc. Mr. Desai then announced a few donations and wound up his speech by stating that the economic, cultural and the social development of a country depended on the development of Insurance and the latter can develop more rapidly if Institutes of the type be created all over India for seminating education amongst members of the Institutes who will be raised from amongst those who are directly connected with the Insurance Profession and to achieve this end Mr. C.R.G. Gardiner, according to him, deserves the highest tribute for having thought of Federation and the Associated Institutes and having laboured for their promotion all over India.

Mr. Gardiner was followed by Mr. T.k. Desai, the Chairman of the Bombay Insurance Institute, who said that the Insurance Industry has not remained so simple as it was before and that it entails a lot of technical knowledge, perfect in all its details, for a man to do insurance business and year after year he should become more adept in his profession by obtaining necessary education which is proposed to be imparted through Institutes of this type all over India. He was then followed by

the President of the Function, Sheth Shri Amratlal Hargovandas, a well-known Industrialist and Educationist of Ahmedabad, who said that a long felt want for seminating technical education amongst persons connected with this Industry will be filled up by the promotion of the Institute already inaugurated. He wished the Institute a long life and success.

Madurai Insurance Association, Madurai.

At the Sixth Annual General Body Meeting of the Association held in 1-10-55 at the Mother India Life Office, Madurai, the under-noted office bearers were elected for the current year.

President: Sri. Y. S. Newton (New India)

Vice Presidents: Sri. A. Ramachandra Iyer (Bharat) Sri K. Srinivasan (Metropolitan)

Hon. Secretary: Sri. T. Rangachary (United India)

Joint Secretary: Sri. A. N. Vydhyathya Iyer (Neptune)

Hon. Treasurer: Sri. A.E. Arumukham (Oriental)

Hon. Auditor: Sri. N. Govindarajulu (Sterling)

Committee Members: Sries:

R. Balaraman (Bombay Life) E. Annamalai (Mother India) C.V.R.S. Chockalingam Chettiar (General Assurance) M. Venkatachalam (United India) C. R. Santhanam (All India Genl) & G. Ramachandran (United India)

The South India Co-operative Insurance Society, Ltd.,

At the meeting of the Board of Directors of the Society held on 15th October, 1955, Sri P. Kasturi Pillai of Salem has been elected as President and Dr. K. Sub-

baramaiah has been elected Vice-President of the Society.

The Andhra Insurance Co., Ltd.,

Sri D. Subrahmaniam, M.A., F.I.A., F.S.S., A.S.A., General Manager, Andhra Insurance Co., Ltd., Masulipatam, resigned his post on the 1st October, 1955.

The Managing Director, Sri P. Parthasaradhi Naidu, having withdrawn his candidature for a Director's place at the General Body Meeting of the Shareholders held on 2-10-55, has also vacated his office.

Sri I. Brahmananda Rao, M.A., F.I.A., Asst. Actuary, Andhra Insurance Co., Ltd., is appointed to act as Principal Officer.

Mr. S. Ramachar, General Manager, Hindusthan Ideal Insurance Co., Ltd., was elected as a Director of the Company in place of Mr. P. Parthasaradhi Naidu, resigned.

All India Insurance Salaried Field Workers Association

Resolutions passed at the Conference held on 14th and 15th October 1955

(1) This Conference of All India Insurance Salaried Field Workers demands that a high power enquiry commission be appointed by the Government of India to enquire thoroughly into every aspect of the Insurance Industry including the conditions of service of salaried Field workers before preparing any bill for the amendment of the Insurance Act and the representatives of the salaried Field workers should be included in such a commission.

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The NEPTUNE ASSURANCE
Company, Limited.

Famous for Clock Insurance Schemes
Attractive Insurance Schemes to suit All Modern Needs

Last Valuation Bonus declared:

Per thousand per year

Endowment Rs. 8/-

Whole Life Rs. 10/-

1954 is our Bonus Year

Life Fund exceeds	Rs. 1,00,00,000
Assets over	„ 1,25,00,000

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(Estd. 1925)

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Total Assets exceed „ 2 „

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as at 31-12-1953

Rs. 12 per Rs. 1000 per year on all participating Policies.

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General Manager. (Lond.), A.S.A.

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FIDELITY GUARANTEE, ALL RISKS ETC

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MADRAS, VIJAYAWADA, AND COLOMBO.

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India.

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K. S. RAMAMURTHI, M.A.,
Deputy General Manager.

(2) This conference records with regret that the Department of Insurance has failed to exercise the powers vested in them under the Insurance Act for the protection of workers, specially in the matters of section 31A (1) (b) in spite of facts having been brought to their notice by the Association of the salaried Field workers. This conference further declares that the code of conduct is violated by almost all insurers universally without any action having been taken by the department of insurance.

(3) This conference informs all salaried field workers that every appointment letter in which a certain premium income is made the basis of the contract is an illegal contract because it violates section 31A (1) (b) and the word salary in such and specially pro-rata contracts is a misuse of the language. No condition of such an illegal contract is enforceable against the employees.

(4) This conference condemns the practice of certain insurers in issuing terms of appointment on plain paper instead of company's letter head and in changing the word 'salary' into 'allowance' or 'remuneration' which practice, in the opinion of this conference, is not consistent with honest business procedure.

(5) This conference condemns the introduction of mobile squad by a certain very big insurer and opines that this system is a camouflage to twist the existing business of other insurers and declares that real service to policyholders can be given only by the agent and the inspector concerned in a particular policy. In no civilised country is the policyholders' money mis-spent in such special appoint-

tees who have no personal interest in policyholders. Salaried organising personnel always give service to policyholders wherever such personnel have security of service.

(6) This conference is of opinion that the industry be nationalised as soon as possible, specially in view of the disclosures made in the cases of Empire, Jupiter, Bharat, Tropical and other Companies and this conference is further of opinion that in many insurance companies similar conditions are operating.

Proceedings of the Field Workers
Conference.

The 2nd Conference of the Field-Workers of National Insurance Co. Ltd., Kanpur Branch, was held at 49, Cantonment, Kanpur on Friday the 7th instant. Shri. S. D. Srinivasan, the General Manager & Actuary presiding.

The Conference started at 8 A.M. when Sri. S. N. Puri, the Branch Secretary read his paper on organisation. A lively discussion ensued thereafter regarding the merits and demerits of the Agency system. The consensus of opinion was that the paid workers should also be utilised for the conservation of business already placed on books and that they should be offered facilities sufficient to make them interested in playing the double role of production and conservation. The workers of Bareilly Branch Office who also attended the Conference took a very active part in these discussions. Sri. S.D. Srinivasan, the President wound up the discussion by saying that there was nothing wrong with any of the existing systems of organisation. He appreciated the idea of affording opportunities for field-

workers to meet and discuss common problems for mutual benefit.

Sri Satish Chand Gupta, the Divisional Supdt. read out his paper on General Insurance which explained at length the various systems of Insurance with a vivid description of their origin and subsequent growth. The difficulties in the way of establishing a stable agency force as for Life business were discussed at length.

A Public meeting was arranged at 4.30 P. M. which was well attended by Business magnates, Educationists, Insurance executives and prominent members of medical profession. Successful workers of the company for the years 1953 and 1954 received certificates of merit from Sri Mangtoo Ramji Jaipuria, Managing Director, Swadeshi Cotton Mills, Kanpur. Srs. S.D. Srinivasan, the President spoke on Nationalisation as public were anxious to have his views on this burning topic of the day. The speaker could not visualise a state with Insurance Industry Nationalised for the following reasons:-

(1) Industries run by the state lack the spirit of competition which is very essential for the healthy growth of any industry and more so with Insurance Industry.

(2) According to Law a major portion of the funds of Insurance Companies are already invested in Government Securities. Allowing for the essential and unavoidable investments in building, Machinery, furniture etc. hardly 15 % more of the funds of Insurance companies can be diverted to augment the resources of the Government by Nationalisation. This little benefit may be neutralised by the

set back that may set in on account of the non-existence of competition and prompt service.

(3) The private sector will be deprived of the little assistance it is now having due to the diversion of all available resources to the public sector.

(4) Foreign business cannot thrive with the resultant loss of invisible imports which are so essential for every nation that their loss can be ignored.

(5) Insurance in other advanced countries is not nationalised. Foreign Governments, therefore, may be reluctant to allow us to do business in their countries and to allow their business to be placed with our Government.

The Conference then came to a close with a vote of thanks by Sri S. N. Puri.

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

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

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(Incorporated in India in 1935)
Masulipatam.

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Madras. 1.

General Manager: S. RAMACHAR

Crop Insurance

Inability of the State Governments concerned to share the expenditure involved, it is stated, is the reason why the pilot scheme of crop insurance in India has not so far been implemented. The methods of crop insurance adopted by different countries were studied last year by the Food and Agricultural Organisation of the United Nations, with a view to examining the possibility of introducing this form of cover in underdeveloped countries. A paper prepared by the F.A.O. was discussed with experts of the various countries. The question of implementing the scheme it is understood will be reconsidered by the Indian Council of Agricultural Research on receipt of final proposals from the F.A.O.

Cattle Insurance

A scheme for Cattle Insurance on an experimental scale has been drawn up by the Indian Council of Agricultural Research for inclusion in the Second Five Year Plan. If the Planning Commission agrees to take it up, Mysore and one or two other States are likely to be chosen for the implementation of the pilot scheme. In this connection, it may be pointed out that on an average about 100,000 cattle, worth more than Rs. 2 crores, die in the Indian Union due to rinderpest disease alone.

Reinsurance Corporation

An Indian Reinsurance Corporation is likely to be formed early next year, according to reports.

The proposed Corporation will carry on general reinsurance business other than life. At present, general reinsurance is mainly carried on by foreign insurance companies.

By means of reinsurance, the risk of insurance is divided among a number of insurance companies. Discussions are at present going on between the Government of India and the Indian Insurance companies in regard to the Corporation's authorised capital.

Insurance Club, Madras.

Shri Sri Prakasa, Governor of Madras, entertained.

To meet His Excellency the Governor of Madras, Shri Sri Prakasa, the Insurance Club, Madras, arranged a dinner Party on the 18th October, 1955, at "Woodlands". All prominent insurance-men in the City attended and Mr. S. Ramachar, President of the Club invited the guests. Kumari Radha Rani and party gave a recital of oriental dances.

**BOMBAY LIFE
Assurance Co., Ltd.**

RECORD Business in 1954.

Proposed over Rs. 6,38,00,000

Paid for „ Rs. 5,30,00,000

Low Premium Rates - High Bonuses.

The Best and the safest Company to Insure with & Represent.

**Mr. K. Balasubramanyam and
Mr. V. H. Vora feted.**

Mr. B. B. Dotto, Secretary, Police Co-operative Insurance Society, Limited, arranged a Tea party in his Office premises on the 7th October, 1955 to meet Mr. V. H. Vora, B. Sc., F.I.A., Manager New India Assurance Co., Ltd., Bombay. On the 14th October, he entertained Mr. K. Balasubramanyam, B. Com., A. I. A., J. P., Manager, Bombay Life Assurance Co., Ltd., Bombay. On both the occasions,

prominent insurancemen of Calcutta attended and felicitated the guests.

South India Insurance Association.

On the 27th September, 1955, the Annual General Body meeting of the South India Insurance Association was held at which Mr. N. Rama Rau was elected President, Mr. S. Rangarajan as Vice president and Mr. A. S. Mani as Hon. Secretary.

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3/11/55

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The attainment of size has been secondary to quality and safety.

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

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

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Business in Force	...	Rs. 7,00,00,000
Income	...	Rs. 42,00,000
Assets	...	Rs. 1,79,00,000
Claims Paid	...	Rs. 55,00,000

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VOL. XXI
No. 7

1954

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FOR UNITED INDIA !**

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Life Assurance in force	Rs. 30,56,26,000
Total Assets	" 9,73,00,000
Total Income	" 1,68,00,000
Life Assurance Fund	" 8,77,00,000
Total Claims paid in 1954	" 52,85,000

NEW BUSINESS SECURED Rs. 5,30,00,000

**OUR BIENNIAL VALUATION ON 31ST
DECEMBER, 1954:**

BONUS DECLARED:

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Participating Policies.**

**Rs. 15/- per thousand p. a. Endowment
Participating Policies.**

SURPLUS DISCLOSED Rs. 51,38,221.

Ask for particulars of our Policies for Provision
of Retirement Income.

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★ KUMBakonam, (S. INDIA), NOVEMBER 1955 ★

ORIENTAL	Page
GOVERNMENT SECURITY ASSURANCE CO. LTD.	8
ORIENTAL	
FIRE & GENERAL INSURANCE COMPANY, LTD.	
Editorial:	...
Federation of Insurance Institutes.	...

THE NEW GREAT ...
By Mr. D. N. MALUSTE,
Deputy Controller of Exchange, Reserve Bank of India, Bombay.

Title To Life Policies ...
By SHRI. T. S. KRISHNAMURTHY,
Assistant Manager,
United India Life Assurance Co., Ltd.

Are You Planning for Failure? ...
By Fred G. KIMBALL, C.L.U.,
Manager, Basic Training, New York Life Ins. Co. New York.

News ...

OVER 80 YEARS OF SERVICE TO THE NATION

Over 80 Years ago, whilst insuring the life of David Park, we adopted as our motto "HEAVENS LIGHT OUR GUIDE" and thereby pledged ourselves to serve the nation with uncompromising honesty/utmost integrity and unimpeachable security. For over 80 years we have striven to uphold this motto and live upto our pledge. And today the name "ORIENTAL" stands foursquare in the forefront of Indian Insurance, affording Insurance protection in every field of activity, so vital for the progress of the Nation.

As at 31-12-1954.

Life Policies in Force

Total Claims Paid:

Rs. 237 crores.

Rs. 61,36,02,282

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Head Office: Oriental Buildings, Bombay.

THE NEW GREAT INSURANCE CO., OF INDIA LIMITED.

Total Assets as on 31-12-1954 about ... Rs. 2,00,00,000

Total Life Assurance in force as at 31-12-1954 ... Rs. 4,40,00,000

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Federation of Insurance Institutes.

THE establishment of the Federation of Insurance Institutes (J. C. Batarel Memorial) in June last at Bombay is one more step in the development of Insurance Business in our Country. As has been already pointed out by us in these columns, an Institute of the kind alone was much needed to tone up the entire working of the business. Only if Institute, with the objects and aims desired to be achieved by the Federation of Insurance Institutes now, had come into being at least a quarter of a century before, and succeeded in achieving those objects, Indian Insurance would have been all the better, and perhaps the Business might not face a situation as it does today. The observations of Mr. M. C. Shah, Minister for Revenue and Civil Expenditure, Government of India, in the course of his address to the Members of the Patna Insurance Club, recently, should be still ringing in the ears of everyone connected with Insurance in India. "I know there are cut-throat competitions" he said and continued "I am aware of the malpractices. I have definite cases where atrocious things have been done by certain insurance people against the interest of the policyholders. Our sole aim there, for is to see how the interest of the policyholders is served and safeguarded and how all these evils in the industry are eliminated." There is no need for further comment.

If the Government of India is examining the question of "Nationalisation" of Insurance, as the "Joint National Insurance Commission" has pointed out. In any Country, where the Government is pledged itself to the goal of a socialistic pattern of society and to bring about a "Welfare State," it becomes a part of the duty of the Government to see that such an important Institution as "Insurance" progresses on satisfactory lines and the policyholders' interests are safe. In our Country "Insurance" and particularly "Life Insurance" managed as it is now cannot be considered to be free from defects and we do not hesitate for a moment to attribute these only for want of proper training. At a time when only a small number of Indian Companies were struggling hard to come up in the midst of powerful foreign competition, and appealing pathetically to our countrymen to support swadeshi Institutions, opportunists found the situation very favourable to step in and the result was the flotation of a large number of companies in a short period. Trained and qualified men were totally absent both at the Head Offices and in the field. Lay men who held the reins of these companies were content with collecting as much as possible from the public without caring for the expenses incurred and the persons engaged in the field for such a responsible job

were also equally ignorant. Unhealthy competition was the net result. If only there had been one or more Institutions in our Country to give proper training for all those who desired to take to Insurance as a career and if the managements of Insurance Companies cared to engage only such trained men for jobs either at the Head Office or in the field, the business of Insurance in India would have by this time developed on lines somewhat parallel to those of U. K. and U.S.A.

The founding of the Federation of Insurance Institutes with the main object of providing and maintaining a Central Organisation for the promotion of efficiency, progress and general development among persons engaged or employed in Insurance, is none too soon in our Country. The efforts of Mr. C.R.C. Gardiner, O.B.E., the first President of the Federation, to see that the Institution functions efficiently and effectively so that a long felt necessity is satisfied, deserve all praise. Already some of the Insurance Institutes, societies, and clubs existing in the Country, but not functioning as effectively as one would wish, have been affiliated to the Federation. The Federation has now affiliated itself to the Chartered Insurance Institute, London, and the Members of the Federation are therefore entitled to the benefit of reduced fees for examination entrance and for their correspondence courses as available to the members of the Chartered Insurance Institute. The Federation also hopes to run the Chartered Insurance Institute Examinations under its auspices here in due course. There is also a proposal to start Institutes in the various centres such as Delhi, Madras, Bangalore, Patna, etc., and it is our hope that Insurance men all over the Country will extend their unstinted co-operation to the organisers and see that the objects of the Federation are achieved for the benefit of all.

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as on 31st December 1954

which is an eloquent testimony of efficient management, effective administration and sound investment policy of this national institution

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BRANCHES ALL OVER INDIA AND
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Foreign Exchange and Insurance

By D. N. MALUSTE,

Deputy Controller of Exchanges, Reserve Bank of India, Bombay.

(Speech delivered on 16th September 1955 at a Meeting of the Members of the Bombay Insurance Institute)

I AM very glad to be present in your midst this evening and to explain to you how the Foreign Exchange Control regulations affect the insurance business in which you are all interested. I may add that I am speaking to you today in my personal capacity and any views which I may express this evening should not be regarded as the views of the Reserve Bank to which I have the privilege to belong.

General:

As most of you are probably aware, the Exchange Control was introduced in our country on the outbreak of the Second World War in September 1939 and is operated at present in terms of the provisions of the Foreign Exchange Regulation Act 1947. The object of this Act is to ensure that our limited foreign exchange resources are utilised to our best advantage and the regulations governing insurance business have been framed with the object of ensuring that the expenditure of foreign exchange is reduced to the minimum while at the same time insurance companies, both registered in and outside the Republic of India, are provided facilities to carry on their legitimate business.

As you are aware, there are a number of foreign companies operating in India. According to the Indian Insurance Year Book 1954 out of a total of 319 insurance

companies registered under the Insurance Act 1938, 104 are foreign companies. Of these, 67 have their principal offices in the United Kingdom and 37 in other foreign countries. These foreign companies perform a useful function particularly in regard to general insurance—a field in which Indian companies have begun to take interest only recently. For Exchange Control purposes, both companies registered in India and Indian branches of foreign companies, are treated alike and the regulations apply equally to both the sets of companies with the exception that certain special provisions have been made for branches in India of insurance companies whose Principal Offices are located overseas.

Definitions:

I shall first explain to you the regulations governing life insurance business which incidentally forms the greater proportion of insurance business transacted by Indian companies. Before doing so, I would like to explain to you the meaning of the three terms resident, non-resident and foreign currency, which I shall be using quite frequently in the course of my talk.

A 'resident' is a person, bank or firm who resides in India while a 'non-resident' is a person, bank or firm residing

outside India. It is very difficult to lay down any precise rules for determining whether a person is ordinarily resident in India but it is a presumption that a person is resident if he, for example, maintains his home in India or resides here for a substantial part of each year or pays incometax as an Indian resident. On the other hand, the fact that a person gives an Indian address does not necessarily mean that he should be regarded as a resident if he is in India only on a temporary visit and he is ordinarily resident elsewhere. Whether a person is a resident or non-resident has to be determined after consideration of all relevant factors and if in any case an insurance company is doubtful about the status of an individual, it should make a reference to the nearest office of the Reserve Bank of India giving full particulars so that a ruling of the Control could be obtained regarding the residential status of the person concerned for exchange control purposes. I may add that for purposes of exchange control persons resident in Nepal, Tibet and Bhutan are treated as resident. The term 'foreign currency, means any currency other than the Indian rupee and includes Ceylon and Pakistan rupees, sterling and other sterling and non-sterling area currencies. In effect 'foreign currency, means any currency other than the Indian rupee.

Life Insurance:

The first point which I wish to emphasise is that it is not permissible for any insurance company in India to issue an insurance policy on the life of an Indian national resident in India in a foreign currency and all such policies must be issued in Indian rupees. This regulation also applies to persons of other nationali-

ties if they are domiciled in India. The reason for this regulation is obvious, viz. to avoid the expenditure of foreign exchange since if policies are issued in foreign currencies, it would be necessary to provide foreign exchange to pay the premia as and when they fall due. This regulation does not, however, apply to policies which were issued in sterling area currencies prior to the 1st September 1947 and in non-sterling area currencies prior to the 3rd September 1939. The reason for this exception is that until the 3rd September 1939, there was no exchange control at all while until the 1st September 1947, there was no exchange control with the other sterling area countries and currencies and the Control did not wish to interfere with the insurance contracts which were entered into by residents of India before the restrictions were introduced.

Just as fresh policies cannot be issued in foreign currencies on the lives of Indian nationals resident in India or on the lives of persons of other nationalities domiciled in India, existing rupee policies cannot be converted into foreign currency policies or the records of existing rupee policies cannot be transferred to an office outside India except with the prior approval of the Reserve Bank. Such transactions are regarded by the Control as capital transfers and facilities for such transfers are given only in certain defined cases, e.g. where the person concerned is leaving India for good on emigration or retirement. In cases where the transfer of records is approved, sanction is given by the Control for the corresponding transfer of the actuarial reserve held against the policy.

Insurance companies are permitted to issue a policy in foreign currency on the life of any non-Indian who is temporarily resident in India but is not domiciled here. An Australian who comes to India for a temporary period could obtain a policy in Australian Pounds but he cannot be issued with a policy in U.S. dollars or Canadian dollars. It will be in order for an insurance company to issue policies in sterling to U.K. nationals not domiciled in India and in U.S. dollars to American nationals. We do not permit the issue of a policy in U.S. dollars to any foreign national other than an American national unless the foreign national is able to supply U.S. dollars from his own resources for payment of premiums. I may also add that although it is permissible to issue foreign currency policies on the lives of Non-Indians subject to the conditions just mentioned, it is not permissible for an insurance company to issue to such persons single premium endowment assurance policies which mature within a period of seven years from the date of payment of the initial purchase price. It is necessary to obtain the prior approval of the Reserve Bank of India for issue of such policies and such applications are regarded by us in the same manner as other applications for capital transfers. It is also necessary for insurance companies to obtain the approval of the Reserve Bank to issue endowment assurance policies in foreign currency which mature within a period of seven years from the date of payment of the first annual premium. Applications for issue of such policies are regarded by the Control in the same manner as other applications for transfer of savings to the country of domicile of the party concerned.

When foreign currency policies are issued in accordance with our regulations just explained, the premium on such policies could be paid either in rupees or in the currency of the policy. If a company receives premium on such policies in rupees, we authorise the company concerned to convert it into the currency of the policy. We also grant facilities for the policyholders to obtain foreign exchange for payment of the premium on a foreign currency policy issued in accordance with our regulations.

If a rupee policy has been issued on the life of a person and he subsequently leaves India, it is necessary that he should remit the premium in the currency of his new country of residence or make the payment from the appropriate non-resident account, i.e. an account of a bank or a person resident in the country or currency area of the party from whom the premium is due. Premium on a policy issued in rupees on behalf of a person resident in the U.S.A. may for instance be received in any of the following three methods:—

- (a) A rupee payment by debit to the account of an American bank in India.
- (b) A remittance in U.S. dollars.
- (c) Sterling from an American sterling account in London.

If foreign currency policies have been issued on the lives of persons who are not resident in India the premiums on such policies must be received in the currency of that policy or in rupees from the appropriate non-resident bank account or from the non-resident rupee account (other than a blocked account) of the policy holder.

When a rupee policy held by a non-resident matures or the policy holder wishes to receive the surrender value in the country of his residence, it will be necessary for the insurance company concerned to obtain the prior approval of the Reserve Bank. Such applications are normally allowed by us provided the policy has been issued in accordance with the regulations mentioned earlier. Before issuing endowment policies and annuities to foreign nationals temporarily resident in India, insurance companies will be well advised to draw the attention of the insured to the possibility that there may be difficulties to arrange for the transfer of the proceeds at maturity if the premiums are paid in rupees from his resident account.

A policy cannot be assigned by a resident in India to a non-resident nor by one non-resident to another non-resident in a different currency area without the prior approval of the Reserve Bank. The reason for this prohibition is that we wish to prevent the creation of a foreign exchange liability to the assignee without our approval. To this general regulation, we have made the following two exceptions:

- (a) Technical assignments of life policies to the Principal Office or branches of overseas insurance companies as a security for rupee loans granted in India.
- (b) Assignments without valuable consideration to non-resident wife or relatives of the policyholder.

Settlement of Claims: (Life Policies).

I shall now explain to you the regulations which apply to the payment of

claims at maturity or surrender value of life policies issued in foreign currencies.

- (a) If such policies have been issued by foreign companies, they must arrange to claims in foreign currencies out of their foreign currency assets. In the case of such foreign companies the Control permits them to retain in a special account premia collected by them in foreign currency or in certain cases remit them to their Head Office. They are therefore required to provide foreign currency when payments are due under such policies. Indian companies are not, however, granted such facilities and they have therefore to apply to the Reserve Bank for permission to purchase the necessary foreign exchange. It may be added that claims due to non-residents must be paid in the foreign currency of the policy and not in any other foreign currency.

- (b) When a foreign currency policy matures and the insured is resident in India, claims may only be paid in foreign currency provided the beneficiary is entitled to hold or acquire the foreign currency concerned. This is because under a Government of India Notification (No. 12 (13) F1/47, dated the 25th March, 1947 issued under section 9 of the Foreign Exchange Regulation Act 1947), any resident in India holding or acquiring U. S. dollars or Philippine pesos is required to surrender them to the Reserve Bank. In practice therefore the only persons who could

receive the proceeds of a dollar policy in U. S. dollars would be American nationals and certain other non-sterling area nationals. In regard to foreign currency policies other than U. S. dollar policies, payments of the proceeds of the policy can be made in the currency of the policy provided it is the currency of the country of domicile of the policy holder. In all cases where beneficiaries are not entitled to receive payment in a foreign currency, payment should be made by insurance companies in rupees either out of their rupee balances or by drafts in a foreign currency obtained by them from their Head Office and sold to an authorised dealer in foreign exchange in India.

Marine Insurance

After having explained the regulations relating to life-insurance business, I shall proceed to explain those relating to other types of insurance cover which are included in the term general insurance. Next in importance to life insurance is marine insurance. Our regulations governing marine insurance are very simple. It is permissible under our current regulations to issue in rupees, sterling or any other foreign currency marine insurance policies covering shipments between India and other countries and which are financed by persons or firms in India. To this general regulation, there are two exceptions, viz. coastal shipments can only be insured in rupees and it is not permissible to insure them in any foreign currency. These regulations governing marine insurance also apply to insurance of baggage and valuables in transit.

Non-marine risks inside India (excluding life):

Insurance cover on non-marine risks inside India (other than life) on assets owned by residents in India may only be issued in rupees. Where, however, it has been a long established practice to effect insurance in other currencies in the past, e.g. by foreign Principal Offices on behalf of their branches in India, the Control would be agreeable to allow the existing arrangements to continue, if they are satisfied that the change in the existing arrangement would cause hardship to the company or branch office operating in India. In such cases where permission to obtain a foreign currency policy is granted, permission to purchase the necessary foreign currency to pay premiums on the policy to the person or firm in India whose assets are being covered will also be granted.

Non-marine risks outside India (excluding Life):

In the case of assets which are located outside India but are owned by residents of India, insurance policy can be issued either in rupees, sterling or the currency of the country in which the assets are situated. If such policies are issued in foreign currency, residents of India are authorised to purchase foreign exchange to pay the premium irrespective of the fact whether policies are issued by resident or non-resident companies.

Miscellaneous:

I shall now briefly indicate our regulations in regard to miscellaneous types of policies:

- (i) All Risks Insurance Policies and Householders Policies covering assets held outside India by residents of India may be issued only in rupees but when claims are received in respect of losses arising outside India permission to remit

the amounts outside India is granted provided it is necessary for the policy holder to purchase and replace articles stolen from his house overseas.

(ii) **Personal Accident Insurance:**— The issue of personal accident policies is subject to the same conditions as life insurance policies. Payment on claims arising in India on rupee policies should be effected in rupees. If the beneficiary is resident outside India at the time of payment, payment could be effected in the currency of his country of residence to enable him to meet medical expenses, etc. incurred while abroad.

(iii) While dealing with life insurance business I had stated that it is not permissible to issue without the prior approval of the Reserve Bank life policies in foreign currencies to non-Indian nationals which mature within a period of seven years. There are however no such restrictions on issue of personal accident policies to non-Indian nationals, temporarily resident in India and such policies may be issued freely in the currency of the insured's country of domicile or in rupees irrespective of the period covered by the policy.

(iv) **Policies issued under the Workmen's Compensation Act and Merchant Shipping Act:**— Claims under these policies arising in countries outside India may be paid in the foreign currency of the country in which the beneficiary is resident.

Method of collection of premiums (non-life business):

I shall now explain the method of collection of premiums in the case of policies issued on risks other than life:—

(a) **Rupee policies:** Premiums on policies issued in rupees on behalf of non-residents may be paid in rupees from the non-resident account of the persons or firm actually paying the premium or from the appropriate non-resident bank account. Alternatively, premiums may be accepted in U. S. dollars or in the currency of the non-resident or in sterling from the sterling account of the country of his domicile. It is not permissible to accept payment in rupees emanating from a resident account.

(b) **Foreign currency policies.** (i) If foreign currency policies have been issued on behalf of residents, premiums may be collected in rupees or in the currency in which the policy has been issued. In such cases, residents will be authorised to purchase foreign exchange to pay premiums on policies issued on their behalf in foreign currencies. If the premium is paid in rupees, the rupees must be placed to the insurer's resident account and remittances from this account will be allowed in accordance with the procedure which I shall explain to you shortly.

(ii) If foreign currency policies have been issued on behalf of non-residents premiums must be collected in the currency of the policyholder or in rupees or in sterling from the account of a resident in the country in whose currency the policy has been written. Premiums on a policy written in sterling on behalf of a resident in Ceylon

may for instance be accepted in rupees from a Ceylonese bank account or from the account of any bank resident in the sterling area or in sterling. Similarly, premiums on a policy written in U. S. dollars on behalf of a resident in Iran must be received in U. S. dollars or in sterling or in rupees from an American Account. It is not permissible to accept payment in the case of such policies from an Iranian rupee or sterling account.

(c) **Foreign currency accounts:** Premiums collected in foreign currencies including sterling must either be credited to a foreign currency account in the name of the insurance company concerned or the foreign currency must be sold to a bank in India authorised to deal in foreign exchange. Most Indian companies doing general insurance business maintain accounts with their agents or bankers in the United Kingdom to facilitate reinsurance treaty arrangements and to effect prompt settlement of claims arising outside India. As I shall explain shortly these companies are given facilities to make remittances to their overseas agents to meet their liabilities as and when necessary.

Method of settlement of claims (non-life business):

I shall now deal with regulations regarding settlement of claims on policies other than life policies.

The bulk of claims payable to non-residents on non-life business are on marine policies and in the majority of cases, claims are made to the overseas agent of the Indian companies issuing the policy.

When this occurs, settlement is duly effected through the Indian company's London agents and the amount paid is debited to the sterling account maintained by the company concerned. Claims in such cases due to non-residents are payable in rupees or in sterling for credit to the account of the country of residence of the beneficiary. The claim can also be paid in the currency in which the policy has been issued provided that in the case of a sterling policy payment will only be made for credit to the appropriate account of country of residence of the beneficiary. If an insurance company is unable to make payment out of its own foreign currency resources, the Control will be prepared to authorise the purchase of foreign exchange to the extent required. Applications for this purpose will have to be accompanied by satisfactory documentary evidence of the claim to be paid, the ownership of the goods or place of residence of the beneficiary and a statement of amounts held by the applicant company in foreign currency. Permission to pay claims in foreign currency will be granted provided the Reserve Bank is satisfied that

(a) if the claim relates to exports the ownership of the goods on which the claim has arisen has passed into the hands of the overseas importers:

(b) in the case of imports, the goods on which the claims arise are still in the ownership of a non-resident:

(c) in the case of non-marine business the person to whom the claim is payable is a non-resident at the time of payment.

Re-insurance:

In respect of reinsurance business effected with or accepted from non-resident

to the maximum extent possible. In spite of our limited exchange resources, facilities have been made available to some of our leading insurance companies to extend their operations overseas and we are very happy that the companies concerned have been able to utilise these facilities to advantage. I have no doubt that these companies which have extended their operations in foreign countries have been observing and will continue to observe both in spirit and letter regulations of the Control in the country of their op-

eration and thereby maintain and enhance the prestige of India and Indian enterprise. Apart from this, if they ensure that policies are issued by them strictly in conformity with the exchange control regulations of the country in which they are operating, they will not experience any difficulty in collection of premiums, maintenance of actuarial reserves and transfer of surplus funds and will also enable to assist them in their difficulties, as and when necessary.

Title To Life Policies

By SHRI. T. S. KRISHNAMURTHY, M.A., F.C.I.I.,

Assistant Manager,

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(Continued from page 50 Annual Number issue)

The Nominee

The general rule of law that a mere nominee or payee is not entitled as such to the legal chose in action of the policy and cannot give a legal discharge is modified by Section 39 of the Insurance Act which gives such right to the nominee if the "Nomination" is effected as prescribed by the Section. These requirements are that the nomination must be endorsed in the policy either by issuing a policy with the nominee's name incorporated therein or by subsequent endorsing of the policy with nomination and communicating the fact to the insurer. What is required is a mere communication, (the Act is silent as to when and by whom) communication can be done even after the death of the life assured and by the claimant. It is sufficient compliance of Statutory Requirement. Nomination of a Minor is possible and the Section permits the naming of a guardian by the assured to which guardian the policy amount is to be paid in the event of the death of the life assured during the minority of the nominee. A letter of consent is required to be obtained from the Guardian and filed with the Company.

While the nominee can give a legal discharge to the Insurer to pay him in the event of the death of the life assured, it should be clearly understood that it is not the intention of Section 39 of the Insurance Act to modify the general rule of law

that a person who is not a party to a contract is not entitled to the benefit. The nominee claims the policy money as the agent of the deceased assured and he is accountable to the estate of the deceased. It does not transfer the right of property in the policy to the nominee. Hence (1) the assured can cancel the nomination (2) nomination is automatically cancelled by the death of the nominee..... (3) a transfer of the property in the policy as provided in Section 38 or by a will cancels any previous nomination and (4) the policy can be attached by creditors before it is paid to the nominee and (5) on the maturity of the policy during the life time of the life assured, the nominee's claim is extinguished. In paying the amount to the nominee as the person "to whom the money secured by the policy shall be paid," the insurer will get a valid discharge in case of a bonafide payment without notice of any cancellation of the nomination or of the right of any other person who claims a better title as the assignee or personal representative of the deceased. Immediately, however, the Company receives a notice of a claim, it must give reasonable time for the other claimant to take legal step to enforce his claim as against the nominee. It should not by payment or otherwise do anything to take away or disturb the rights of such claimant. It must hold the scale equal between the nominee and the other claimant and not show partiality to the one

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or the other, either by a too hasty payment or by too much unreasonable delay. The insurer is always protected by a bona fide payment and if such payment is made, the other claimant must look to the nominee for settlement of account.

A distinction is to be made between the title of a nominee under the Insurance Act so named in the policy as issued and a beneficiary for whose benefit the policy is issued if under Section 6 of the married women's property Act. If the name of a wife or any children of the assured is mentioned against the column "To whom payable in the policy," a difficulty may arise whether such mentioned person is a "Nominee" under the Insurance Act or a Beneficiary under the Married Women's Property Act. The proviso to Section 39 (7) clears this difficulty by enacting that any nomination of any such person in the policy if specifically expressed to be under 39 of the Insurance Act, does not attract Section 6 of Married Women's Property Act.

The Assignee

As explained before the legal Chose in Action in the policy can be transferred by the Insured to any other person. This transfer, whether by way of sale, pledge, mortgage or gift has to be made in the manner laid down in Section 38 of the Insurance Act. These requirements are:

- (1) It has to be in writing either endorsed on the policy or by a separate stamped deed signed in either case by the assignee or his duly authorised agent and attested by at least one witness. The deed must specifically set forth the fact of transfer.

- (2) The assignment takes effect immediately on execution but in order to give a legal right to the assignee or his legal representative to sue the Company, a written notice together with the deed or a copy of the deed certified to be correct by both the transferor or transferee should be given to the Insurer.

- (3) Priority among successive assignees shall be regulated by the order in which the notice is given.

It is not necessary to mention here the circumstances which necessitated the amendment in the law governing transfer of Chose in action, so far as life assurance policies were concerned. That is a matter of history. We are concerned here only with the assignee's right to give a complete discharge to the insurer. No difficulty arises where the assignment is absolute, viz. where the entire amount secured by the policy is transferred by assignment to one assignee only and that assignee gives proper notice. An assignment does not cease to be absolute in this sense where a provision is inserted that the assignment gets cancelled on the survival of the assured to the maturity date of the policy or in the event of the death of the assignee. Such restriction does not affect the title of the assignee to full money payable under the policy. Similarly it has been held that the money payable under the policy can be transferred apart from the right to any bonus payable under the policy because the contingency on which the bonus is payable is different from the contingency on which the policy amount is payable.

But difficulty arises only where a part of a policy money is transferred either as a gift or sale or by way of pledge. A policy for Rs. 10,000 is pledged to a Bank

as security for a loan of Rs. 2,000. In the event of the death of the assured the Bank can give a discharge to the Insurer for the full amount of the policy or should the insurer get a discharge from the Bank to the extent of Rs. 2,000 and interest and from the personal representative for the balance. It has been held that a legal Chose in action is not divisible so as to permit the legal right to sue for part of a debt to be assigned to A and the legal right to sue for another part of the debt to B. The legal right to recover the sum assured being a policy of assurance whether on life or whether other risk can only be assigned as a whole. Under this rule, the insurer will obtain a full discharge by paying the money to the assignee even though the assignment be by way of security only and the personal representative of the assured should look to the assignee for his claim.

The point is particularly important in dealing with claims on policies premium on which are paid from assured's contribution to any Provident Fund and the policy is assigned to the Trustees of the Provident Fund. At one time, it was thought that where the wording of the assignment was such as to make it a transfer of a limited interest, viz., only to the extent of the premiums paid out of the Provident Fund, the Insurer should get a discharge both from the Trustees to the Provident Fund and the personal representative of the deceased policyholder. This opinion is not accepted as correct and such assignee can give a complete discharge to the Insurer. Section 38 of the Insurance Act is based on this principle since sub section 5 states "Subject to the terms and conditions of Transfer or assignment the Insurer shall recognise the transferee or assignee named in the policy as the only person entitled to the benefit under the policy." The conditions refer-

red to in this clause is referred to in 38 (7) viz., any condition that the assignment shall be operative or that the interest shall pass to some other person on the happening of a specific event. Such conditions do not make an assignment, a transfer of part of the interest.

Where, however, there is a subsequent assignment, the subsequent assignee by paying off the interest of the prior assignee can give a complete discharge to the Company. If on the other hand, the earlier assignment on the face of it is a transfer of a limited interest, and the subsequent assignee, can neither pay off the interest of the first assignee nor agrees to the payment by the Company, the entire amount of the policy money to the first assignee, the proper course for the Company would be to pay the money to the Court under Section 47.

Priority Among Assignees

Through Section 38 (3) Priority among successive assignees is regulated by the order of the notice. But an assignee of a later date may gain priority over an assignee of an earlier date, by being the first to give the formal notice only if at the time he took the assignment he had no actual or constructive notice of earlier assignment. *Newman vs. Newman*, North J. interpreting the same words found in the Policies of Assurance Act 1867, said "It was not intended in my opinion to enact that a person who had advanced money by a second charge with notice of first, and made subject to it, should by giving the statutory notice first, shall exclude the first person who had the "Prior Charge." If however, an assignee took his assignment without notice of an earlier one, he may acquire priority over the earlier by giving the formal notice notwithstanding that before he have the notice he had become aware of the ear-

lier charge. The fact that he did not make an enquiry as to the existence of earlier encumbrances does not disentitle him from obtaining priority if neither he nor the Company had notice of earlier charge. But, he will be deemed to have constructive knowledge of previous encumbrance, if he had knowledge of such facts which ought to put him on enquiry as a prudent person. For example, an intending assignee for valuable consideration accepting nonproduction of the policy without a satisfactory explanation excepting "left at home by mistake" or "it was at the Bank for Safe Custody" will be deemed to have had constructive knowledge of a prior charge and he cannot acquire priority by simple process of giving the first notice. But an assignee who had neither given notice to the Company nor takes possession of the policy would lose priority to a subsequent assignee who would thus have no means of ascertaining the existence of the assignment and would have been misled by the negligent conduct of the first assignee. Also an informal notice not in accordance with Section 38 of the Act will not give such assignee priority over earlier events, still an informal but definite notice to the insurer is sufficient to fix the Company with liability to prevent any subsequent assignee from obtaining priority.

Assignment and Right to the Policy Document

As the policy is the evidence of the debt, it is analogous to title deed of property and an assignee of the policy is *prima facie* entitled to the policy. But the Document as well as the money secured by it are both property (each being a different kind of property) and the right to one may pass without the right of the other and one person may be entitled to hold the document as against the person who has the sole right to the policy mo-

ney. A solicitor may have a right of lien and his right is not taken by his failure to give notice. In *West of England Bank Vs. Batchelor* (1882). A effected Policy. He mortgaged to B but the mortgagee was paid off and the policy remained with A's solicitors, A effected a fresh mortgage with West of England Bank but knowing that the policy had been lost gave the Bank a certified copy. Later on the assignees came to know of the existence of the policy with A's solicitors and brought an action for recovery of the document. Their plea was that A's solicitors failed to give notice to the Insurance Company of their lien. Fry J. said "The solicitor's right is merely a passive right, a right to hold the piece of paper or the piece of parchment as the case may be until he is paid. In this case, it gives the solicitor no right against the fund, but merely a right to embarrass the person who claims the fund by the non production of the piece of paper. The fact that the assignor does not hold that paper is notice to all the world that it is somewhere else."

Similarly in *Rummens Vs. Hare* (1876) a policy was handed to the assured's mother as a gift. Subsequently he married and on his death his widow as executrix claimed the money. The Company declined to pay without production of the policy. Therefore, this section was brought in for recovery of the policy document on the ground that mere delivery of the policy was improper assignment that the right to the policy money was hers and as such she was entitled to the policy amount. It was held that the mother held a good title to the policy document. Lord Caines said, "We have nothing to say as to the money which is secured by it. This is one of those cases in which the plaintiff may not be able to recover the document which is the evidence of

the debt while the person who holds that evidence may not be able to recover the debt itself but with that we have nothing to do."

In all such cases, when the policy is in the hands of a third person who has a right to retain it, the Company cannot insist on its production but the Company is entitled to statutory declaration from the Claimant that he had asked for the production of the Policy and had been refused. But if the policy is in the hands of a person who has no right to keep it the Company is probably within its rights to insist on the Claimant taking legal steps to recover it.

Foreign Assignments

Where a policy issued according to the law of One Country is dealt with in another Country, there may be a conflict of law. Thus a Company with its Head Office in India may issue policies payable in India to residents in Foreign country. The question as to which law will govern assignment of such policies is regulated by principles of International law. These principles are summarised by Macgillivray as follows:

- (1) Where the question is the validity effected of an assignment as between assignor and assignee it will be determined according to the LEX CONTRACTUS of the assignment.
- (2) Where the question is competition among assignees, and the LEX CONTRACTUS of all assignments is the same priority is by LEX CONTRACTUS.
- (3) WHERE LEX CONTRACTUS of the various assignments is different,

priority is decided as for the LEX CONTRACTUS of the policy contract.

- (4) Where the question is the liability of the Insurer to be sued in the name an assignee, the law applicable is the LEX CONTRACTUS of the policy contract.

The LEX CONTRACTUS of the policy or of the assignment is the law which the parties intend shall govern the contract. It is *Prima facie* the law of the place where the contract is made unless contrary intention is proved.

Mortgage

A policy of Life Assurance can be mortgaged like any other property. But under Section 38 of the Insurance Act any such mortgage comes within the definition of transfer or assignment of the policy and it is not necessary therefore to consider the claim of the mortgagee separately except where the mortgage of the policy is in favour of the insurance Company to secure the repayment of any loan granted on the security of the policy. An essential right of a mortgage is the right of equity of redemption. It has been held that the insurance Company cannot put a clog on the equity of redemption by treating the policy as surrendered when the loan and interest exceed any time the surrender value of the policy. It is necessary to distinguish between two cases. One where premiums are advanced out of surrender value to keep the policy in force, and where because of the loan, the balance of surrender value is insufficient to advance any premium, the policy automatically lapses; thus depriving the assured of the equity of redemption. This,

it is held, is not to be construed as a clog on such equity of redemption but only a lapsing of the policy because of the condition of the policy as to the payment of premium. Where however, the policy is made paid up either at the request of the assured or in accordance with the policy conditions the practices of Companies to treat the policy as surrendered when the Loan and interest exceed surrender value does conflict with the assured's right of redemption. This was the point decided in *D V. Satyanarayana Vs. National Insurance Company*.

Personal Legal Representative

In case of the death of the life assured without any nomination, assignment or a trust in respect of the policy, the policy money is payable to legal representative of the deceased. The legal representative in the first instance is the Executor or the Administrator. An Executor is the person so named by the deceased in the will or and an Administrator is the person who where there is no will takes what is called letters of administration from the Administrator General. In the case of a will executed within the City of Bombay, Calcutta and Madras, the will must be "probated" or proclaimed and a probate must be taken out. In the case of Europeans, Jews, or Parsis, letter of Administrator or Probate must be obtained before a suit can be filed against the Insurance Company (Sections 212 and 213 of the Indian Succession Act). Section 214 enacts that where no probate or Letters of Administration are taken out no Court shall pass a decree against a debtor of a deceased person for the payments of debts to a person claiming on succession to be entitled to the effects of the deceased

unless a Succession Certificate is produced. For some time there was a doubt whether a policy of life assurance where the sum is payable on the death of a person is a debt within the meaning of Section 214 of the Succession Act. In *Namdhari Roy Vs. Bissessri Kumari*—The Calcutta High Court held that "Debt" included only debt to a living person. But following *Wills Vs. Stenton*—A full Bench of the Calcutta High Court held in *Bancha Ram Vs. Adyanath Bhattacharjee* that a debt even though payable only after the death of the creditor was a debt in view of Section 214 of the Succession Act and hence to collect the debt, a Succession Certificate is essential.

Succession Certificate is an authority granted by a Court to a person mentioned in the Certificate to collect all amounts mentioned in the Certificate. It is not a document vesting the ownership of the property of the deceased in the holder of the certificate. It only authorises him to collect and enables the debtor to obtain a valid discharge for this payment.

Where the amount of the debt is less than Rs. 2,000 it is possible to obtain from the Administrator General of the Province a certificate issued by him. The Insurer gets a valid discharge by paying to the holder of such Certificate.

Conflicting Claims—Payment in to Court and Interpleader

When an Insurance Company is confronted with conflicting claims, it has two alternatives (1) Interpleader as provided by Section 88 Civil Procedure Code. There is a proper procedure when the number of claimants are known and the rightful claimant is one or other of them. It is

called an interpleader suit because the plaintiff (the Insurer) has no interest in the subject matter but only the dependants interplead as to their claims. The insurer may be required to deposit the moneys into the Court before any order can be made. If the Insurer does pay in compliance with such an order he is discharged from liability, irrespective of the fact that Court may pay the money to the wrong claimant. In the interpleader suit the insurer gets the benefit of the costs from the unsuccessful claimant. But the discharge of the Insurer is not absolute because, it is only a discharge from claimants who were made parties to the suit and not against future claimants who were made parties to the suit and not against future claimants who may have a better title.

The alternative is payment into the Court under Section 47 of the Insurance Act. The only ground on which the Insurer will be permitted to pay the money into the Court is when there is a honest reasonable opinion of the Directors that it is impossible otherwise for the insurer to obtain a Satisfactory discharge. It may be because of conflicting claims or insufficiency of proof or improper assignment or other form of bad conveyancing. The Court will grant a receipt if it is satisfied that a satisfactory discharge cannot be otherwise obtained by the insurer and the receipt shall completely discharge the liability of the policy. Non application can be made before the expiry of the six months from the policy by survival or from the date of receipt of notice by the Insurer of the life assured. The insurer shall bear the cost of the application, but if the payment is accepted, future cost is at the discretion of the Court.

There are not many reported cases of payment into Court. But the sum assured was paid in the Court in *Fleetwoods Policy and Lakshmi Devi Vs. Bharat Insurance Co.* both of which have been mentioned before. Other circumstances are infancy and lunacy of claimant without appointment of guardian or another.

Minors

A contract with a minor according to Indian Law is void (*Mohri Bibi Vs. Dharandas Ghose*). Infants enter into contractual relation in respect of life assurance being the assured or beneficiary under a policy or becoming an assignee, or nominee of the policy. An infant is the assured under the Children Deferred Assurances. When we speak of a contract with a minor as being void it only means that it is void against the minor. That is, no liability can be imposed on him by the contract. But, he can take benefit under a contract or enforce contracts which are for his benefit. A child Deferred Policy unfortunately comes under both classes. It imposes an obligation on the minor to pay premiums. The policy therefore cannot be continued after he becomes a major, because if the contract is void there can be no adoption or ratification. But there can be fresh agreement with the minor on his attaining majority and the practice of issuing a new policy has the merit that it is free from any legal defect. Such a contract is held to be implied when the life assured continues to pay the premium after attaining majority. The position however is not free from doubt. On the other hand, an infant can enforce benefit. Hence a policy effected by the guardian for the infants' benefit can be enforced and claimed by the infant. In *Great American Insurance*

Company Vs. Madanlal Sonulal (1935) the guardian of a minor sole surviving coparcener carrying on the family business for and on behalf of the minor, had effected a policy of fire insurance in the name of the minor. In a suit by them for recovery of the amount payable under the policy, the defendants pleaded that the Insurance Contract was void as having been made by a minor. It was held that the contract was made out not by but on behalf of the minor and he could sue on it. On the same ground, the right of the 'child' under a Child Deferred Assurance Policy to claim the policy is not in doubt if the premium on the policy is paid out of the estate of the minor. Difficulty arises when the premiums are paid by the Grantee out of his estate and there is possibility of conflict between the grantees and the life assured's successor in case when the policy becomes a claim by death of the life assured. No doubt the grantee's claim will be barred by lack of insurable interest and the policy money may be paid to the successor of the Life assured.

In the case of Endowment or other permanent contracts of Life assurance on the lives of minors same difficulties arise as in the case of Children Deferred Assurance. Such policies are issued some times with a clause that the policy becomes the property of the life assured on his attaining majority. But in the event of the death of the life assured before he attains majority the policy money is payable to the assured viz. the father or the guardian who effected the contract. Here again, want of insurable interest would be an effective plea for recovery of the money. But such defence may not be open to an insurer knowingly issues such policies on these lives. There is also the consideration that courts in India would look the matter not from the technical

question of presence or lack of insurable interest but from the point of view of Section 30 of the Indian Contract Act and allow recovery on such policies on the ground that such policies do not amount a wager. No parent would gamble on his son's life.

An infant becoming a beneficiary or the legal owner of the policy as nominee or assignee necessitates appointment of guardian to whom alone payment can be made.

Lunatic.

The receipt of a Lunatic for a policy moneys due to him would be a sufficient discharge to the Insurer if the insurer was not aware of the lunacy. But, if they were aware, the receipt would not bind the lunatic and the insurer will have to wait until a commission is appointed or the insurer can pay the money into the Court.

Question of Insurable Interest.

It is well known that Life Assurance is not a contract of indemnity and as such no question arises of insurable interest as being necessary as a condition precedent to recovering the money payable thereunder. Existence of insurable interest is relevant only at the time of effecting the contract of assurance because Courts in India have held (*Alamal Vs. Positive, M.s. Pandya Versus Allianz*) that any policy of life assurance effected by a person on the life of any one in whose life the life assured had no insurable interest would come under the class of wagering contracts; but the question may be asked if a person effecting an insurance on the life of another person having insurable interest on the life assured's life, can enforce the policy after his interest has ceased. For example, where a policy is effected on the

life of a debtor in order to give a security to the Creditor, the question may arise as to whether the creditor is entitled to the policy absolutely or whether he is entitled only a mortgagee and bound to account to the debtor after satisfaction of the debt. Whether the policy is in the name of the debtor or creditor is immaterial because as a general rule the policy must be deemed to belong to one who pays for it (*M. S. Pandya Vs. Allianz* following some English decisions).

If the debtor expressly or impliedly pays for the policy the policy is his and he is entitled to the equity of redemption even though the policy is effected in the name of the creditor or has been assigned to him. If he dies, while the debt is unpaid his representatives are entitled to have the policy money applied in discharge of the debt and to have the balance paid to them. Failure on the part of the debtor to pay the premium in accordance with his promise to do so, does not entitle the creditor who has paid the premium on the debtor's default to treat the policy as his absolute property. He is only entitled to add the premium to his debt.

But if the policy is effected entirely at the creditor's expense, the representatives of the debtor have no concern with the policy money and the creditor may recover both the policy money and the debt. This rule was established in *Dalby Vs. Indian and London Life (1854)* which overruled a previous decision in *Godsall Vs. Boldero (1807)* where it was held that a life policy effected by creditor on the life of his debtor was a contract of indemnity and unless the assured was 'interested' in the life assured

at the time of the death of the life assured he could not recover.

The Taint of Illegality.

It is a known rule of law that no person can be allowed to profit by his own wrong doing. The application of this rule to life assurance results in

- (1) If a person who has insured the life of another person cannot recover if he murders the life assured.
- (2) If he insures his own life, his representatives cannot recover if he commits a crime and he is hanged for it.
- (3) Similarly if he commits suicide and suicide is an offence under the Country.

But it is only those who claim or representing the estate of the deceased, that would be prevented from recovery. Assignees or mortgagees for value to the extent of value would be permitted to recover where suicide clause is included and exception in favour of such assignees is included.

Proof of payment.

Merely finding out the person with proper title does not discharge the Company's liability. The policy may not be paid to such person and there must be proper proof of such payment. It is for this reason that insurer pays claims by cheque so that the responsibility of paying the money to the right person is shifted on the Company's Bankers. Money order is no doubt risky since the Post Office will disclaim responsibility if payment is made to the wrong person without any negligence on the part of the Post Office. Even

if paid by cheque, the cheque should be sent by registered Post to the proper claimant or handed over to any person duly authorised to receive the cheque. In *Emdinston Vs. Scottish Temperance and General Assurance Co.* 1929 the solicitor of the claimant obtained the cheque from the Company and forged the signature of the claimant and absconded with the money. It was held that the payment made to the defending solicitor was not a payment in law. It is necessary therefore to be careful about the witness to the

signatures of claimants. They must be attested by reliable and competent witnesses.

Conclusion.

The foregoing resume of some of the several points that arise in the settlement of life assurance will indicate that the task is not merely one of handing over the cheque in exchange for death certificate, but that varied interesting points frequently arise requiring care and consideration in dealing with them.

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Are You Planning for Failure?

By Fred G. KIMBALL, C.L.U.

Manager, Basic Training, New York Life Ins. Co. New York

IN SPITE of constantly increasing life insurance sales, in both quantity and face amount, better than one out of every two men entering the business still fails in his first year.

Yes, in spite of all that has been learned about the necessary characteristics for success, distilled from the experiences of many expert salesmen, *men still inadvertently plan for failure because they will not consciously plan for success.* In other words, no man plans to be a failure, he just doesn't plan *not* to be one. None of these characteristics, or essentials, are new, unique or startling. As a matter of fact you are completely familiar with each and every one of them and in this instance familiarity will not breed contempt.

It is a proven fact that familiarity with, and the application of, certain essentials will help you breed success. It makes a difference what kind of a man you take to your prospect tomorrow. Let's step back, take a look at this man, and see how he measures up.

Self-Starter

Is the man in your shoes a self-starter?

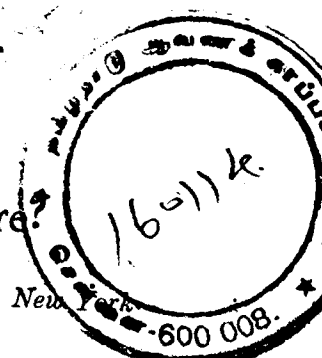
Successful underwriters are.

There is an old saying, "He who chops his own wood warms himself twice." How true that is of our business. It is no secret that success in selling life insur-

ance is the result of individual effort. While there are many people eager to help, you are operating, in the finest sense, a sole proprietorship. It is your individual responsibility to get yourselves out of bed in the morning, collect an idea or two, and begin making calls. You, as underwriters, must develop the ability to overcome inertia. Inertia, as you recall, is the ability of a body at rest to remain at rest, or the ability of a body in motion to remain in motion.

Today, an automobile, weighing upward of a ton of steel and rubber, can hurtle over the road at speeds in excess of 100 miles per hour in high gear. However, the gear that is capable of driving a car at such tremendous speed does not have a sufficient amount of power to move it from the curb when it is at a standstill. The force of inertia is at work and it takes a low gear, followed by second and then high to get the car rolling at such a tremendous speed. In like manner, when the car is travelling at a breakneck pace, it requires a tremendous amount of braking power to bring it to a halt.

The same set of facts apply to the "self-starter" life underwriter. The spark in his ignition is an idea, he shifts into gear as he approaches a prospect, and builds the sales momentum which will carry him through many successful interviews.



Mental Attitude

Does the man you take to your prospects have and maintain a positive mental attitude?

Successful underwriters do.

First of all toward yourself. You must have a desire to improve your knowledge and skills, recognizing the fact that you can't do today's business with yesterday's tools and expect to be in business tomorrow. You should own the product you merchandise, evidencing faith in it, and thereby securing the conviction so necessary to successful insurance selling.

Secondly, toward your company, and your manager. Express loyalty, enthusiasm and the eagerness to be of help to the organization and its members at all times. Successful men always have a sincere desire and a willingness to help their fellow underwriters.

And third, toward the business. You should be motivated by a wish to help prospects solve their financial problems. Promise to give and render service. Convince your clients, through your business-like methods and complete understanding of the application of life insurance to their needs and problems that the only thing they need ever know about life insurance is your telephone number—and mean it. Sincerity should be the keystone of your merchandising methods because you know you have "something to sell."

I will not deny that it may be difficult to maintain a positive attitude in the face of rejections, rated contracts, or "no sales" after a hard week's work. There are, however, many opportunities avail-

able to rekindle the flame and raise your morale. Continuous study through company courses, C.L.U. and training through the institutes of life insurance marketing offer opportunities to improve knowledge and rebuild enthusiasm.

Attendance at agency meetings, company conventions, and life underwriters association meetings will enable you to rub elbows with other successful producers and expose you to effective sales ideas which work so well for them. Stimulating and time-tested strategies, employed by top salesmen, are at your fingertips through purchase of any of a large number of good insurance publications.

There are constant opportunities for you to re-affirm your faith in a life insurance selling career in every locality. Maintain a positive mental attitude.

Have an Objective

Does the man you boss — yourself — have a goal?

Successful underwriters have one. Vision is indispensable to progress, and a goal, or quota, provides that vision. This does not merely mean sitting down once a year and throwing together some figures, haphazardly, to satisfy your manager with the fact that you are doing some planning.

Carlyle very aptly described the necessity for planning when he said, "Our main business is not to see what lies dimly at a distance; but to do what lies clearly at hand." This implies getting goals down to a practical level and establishing them through a three step process. First, you must keep a record of your daily activity so that any quota will be both realistic

and attainable. It is impossible to establish a sound work plan unless you are aware of the nature of your efforts in the past. In other words, when you start to set your goal for next year you have to know "where you have been."

Secondly, the records you have kept must be analyzed. This will enable you to determine how you are going to get to your goal. It is a simple mathematical calculation for the man who made 750 calls resulting in 400 closing interviews and 80 sales last year to know exactly what he needs to do this year if he wants 100 paid lives. Without records an underwriter may find himself wandering aimlessly in a non-productive circle of field activity.

Third, using the analysis of your records, a sound production and commission goal can be established. Then you will not only have some place to go, but will also know what to do to get there.

Prospecting

Is the man in your shoes a prospector — every day?

Successful underwriters are.

A recent survey indicated that 31.2 per cent of the men failing in the life insurance business did so because of a lack of prospecting — and this in spite of the fact that everybody knows the definition of a prospect and has had many methods of prospecting explained to him. Robert V. Coolidge, vice president of the Aetna Life, has summed it up by saying, "Prospecting is like shaving: unless you do something about it every day the first thing you know you will be a bum." No truer words have been spoken. The quan-

tity and quality of prospects are still major determining factors for sales success.

While prospecting is a problem, it is certainly no mystery. It boils down to having a constant flow of interesting places to go, a reason for going and the ability to be in touch with people at the right time. Let's review those three points briefly.

Have you tried using your age-change file to create a flow of work? This is one of the best, the most talked about and least used aids to uncovering "places to go" in our entire *modus operandi*.

Try asking your clients this question. "To whom did you send Christmas cards last year?" Each of you right now could name 10 or 12 close friends that you could fully qualify in a matter of minutes. Why wouldn't your clients and friends be able to do the same thing for you?

Use the Purdue prospecting question, "Who are two of the most promising young men you know?" The Institute's students secure an average of 1.7 names each time they ask this question.

Create a flow of places to go by studying the expanding economy, follow the money wind. Look for premium dollars on the basis of capital transfer. High taxes and low interest will not take care of people yet.

As to the second point, certainly today there is no lack of reasons to talk about life insurance to any man. Your knowledge of income, estate and gift taxes, basic methods of employee compensation and various tax decisions not only provide reasons to call, but demands that you put yourself in the presence of prospects.

News

Silver Jubilee celebrations of the Bombay Cooperative Insurance Society Ltd. on 8-11-1955.

*Speech of Dr. Punjabrao Deshmukh,
Union Minister for Agriculture.*

I have great pleasure to be amongst you on the occasion of the Silver Jubilee celebrations of the Bombay Cooperative Insurance Society, the premier cooperative insurance institution in India. I wish also to express my thanks to Shri Chandavarkar for all the kind sentiments he has expressed about me in his welcome address.

Let me explain, that my presence here today is not so much because of my official connection with the movement, but just as an humble worker in the cooperative cause, to whom every form of cooperative endeavour is a means to achieve that which we have set as our goal, namely, a cooperative commonwealth of peoples. Some days back in a broadcast talk on cooperation, I endeavoured to explain the importance of spreading the gospel of cooperation as the most effective means of securing those social and economic adjustments which would make for a more balanced system of democracy. We are now in the midst of the celebrations of the Cooperative Week, and it is necessary that we should reiterate those principles and re-affirm our faith in cooperation as the only satisfactory philosophy of conduct and method of social action, which can minimise exploitation and preserve humanity from destruction through explosive doctrines.

In pursuance of this faith, we have to see that the principles and practice of

cooperation are applied to as many fields of economic and social action as possible. I am very happy to find that in the difficult field of insurance where private capital has entrenched itself so strongly, your society has been able to more than hold its own and has been able to complete 25 years of very successful working. I went through the Annual Report and the balance sheet of your Society for the year ended 31st December 1954 and also the VIIIth Valuation Report, with interest, and was pleased to note that your Society has made very rapid progress and has placed itself in line with the large joint stock insurance companies in this country within a comparatively short time. I congratulate the Founder Members of your Society who lent their honorary services to the Society during the initial years, the Managing Boards of the Society and you, all members and policy holders of the Society, for having achieved a very sound financial position and won the confidence of the public in such a short period.

I need not remind such an educated and enlightened audience of the place of cooperative insurance in the national economy. Cooperative insurance has a double duty to perform, one to the Movement of which it is a member and the other to the country as a whole as an instrument of social security and an effective agency for collection of small savings. We are now on the brink of an unprecedented expansion of cooperative activity on all fronts. The plan of cooperative development for the second Five Year is being put into proper shape. The Movement

everywhere is being broadened and deepened to meet the strain of rapid advance contemplated in the rest of the socio-economic field. It is roughly estimated that the programme will involve an investment of Rs. 75 to 80 crores from the Reserve Bank, the State Governments and the Central Government. This will be in addition to what the Movement will require by way of short, medium and long term accommodation for its normal working, which it is expected would be of the order respectively of Rs. 150 crores, Rs. 50 crores and Rs. 25 crores' respectively annually by 1960-61. The Movement will thus have to find enormous resources to meet the needs of expanded activity in the years to come.

In this important task the insurance societies can play a very helpful role. Cooperative Societies till now are not able to mobilise local savings to any appreciable extent. In few places is the Movement self-financing, and a very large part of its credit supply has come from outside the purely cooperative field. This is more especially so in respect of medium and long term requirements. Although the village credit societies are usually called thrift and loan societies, "thrift", as one of the Registrars had remarked in his report, "has been a sleeping partner." Cooperative Insurance Societies, as accumulators of savings, can fill up the gap to a considerable extent and place large blocks of loanable funds at the disposal of the rest of the Movement. I am very glad to find that your Society is alive to its responsibilities in this direction and has invested Rs. 39 lakhs in the Cooperative Movement. Cooperative Insurance as an integral part of the Cooperative Movement can thus help substantially in making the Movement self-reliant and reduce its necessity to depend on outside financial aid.

The other task which it has to serve is even of greater importance in the light of national needs. The national second Five Year Plan, the details of which are being finalised, is likely to need about Rs. 4500 to Rs. 4800 crores. About eight to ten per cent of the national income will have to become available for investment if the full scale requirements of the Plan are to be met. A determined effort will have to be made to tap the savings of the small income group, who form the bulk of the community. It is here that Co-operative Insurance can perform a signal service to the country. The joint stock insurance companies, with their eye on profit cannot, and will not, reach out to these classes and the field will have to be entirely covered by Co-operative Societies. Your activities amongst the textile workers in this connection deserve every praise. Let me hope that as agriculture gets more

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settled through the application of better methods of production, better arrangements for storage, marketing and processing and through better protection of rights in land, it would become possible for you to penetrate more securely into rural areas and activate the savings of the rural community.

This brings me to the question of the social regulation and control of insurance. Your Chairman has alluded to the subject of nationalisation of insurance. It is admitted that if social regulation and control is needed in any private sector more than another, it is in the field of joint stock insurance. I had already dealt with this aspect in my address to the All India Co-operative Insurance Societies' Conference held in August in Delhi. "Insurance", as I stated then, "has a social purpose and it cannot be given a free run by private, competitive, profit-making interests. It is true that according to the Insurance Law, a substantial part of the life fund has to be invested in government and other approved securities. Insurance Law relating to investment promotion and management has also been considerably tightened. As was remarked by my colleague, the Finance Minister the other day, nationalisation is not advocated on the ground of securing a diversion of resources on any considerable scale to the public sector because the amount of life fund which is not invested in Government and other approved securities is after all not very much. There is, however, the whole question of the pattern of society which, it is our declared objective to establish, the gradual extinction of every form of acquisitive organisation from the national life and the encouragement of all these methods of action, which would lead to the prosperity and welfare of all at the expense of none. In any case, complete nationalisation of all

forms of insurance is not easy, and as an alternative, increasing co-operativisation of the insurance field will be very welcome.

It is necessary, therefore, that co-operative insurance should expand and widen its field of action. Life insurance is a class of business, which requires for its success a wide area of operation. It will not be possible for small societies with limited regions to spread the benefits of co-operative insurance, and competition between co-operative bodies for insurance business is also undesirable. I understand that sub-Committee of the All India Cooperative Insurance Societies Conference met in Bombay some days back to consider this problem. I hope it has been successful in evolving a workable scheme of associated activity on the part of the various existing insurance societies. I am sure your Society as the premier Co-operative organisation in the field will take the lead in this direction.

I wish your Society a long and successful career in this important field of national service".

Earlier, Shri A. L. Chandavarkar, Chairman of the Society, welcoming the Minister and other invitees referred to the value of co-operative insurance and the various problems that confront insurers in the country. The Souvenir issued by the Society on the occasion of the Silver Jubilee is very nicely got up and gives an interesting account of the growth of the institution from humble start to its present stature.

Insurance Act

New Ordinance Issued

An ordinance widening the scope of Section 106 of the Insurance Act dealing with misfeasance (Transgression, especially wrongful exercise of lawful autho-

riety) of directors has been promulgated on 1-11-55 by the President.

The ordinance is called the Insurance (Amendment) Ordinance. Under the ordinance, persons who may not be directly connected with the affairs of the company may also be made liable for misfeasance under certain circumstances. The court may compel the parties both to restore money or property which they have "wrongfully" taken and for losses suffered by the insurer due to their "misdeeds".

Under the new ordinance, the Administrator of the Bharat Insurance Company Ltd., Mr. M. J. Rao, issued orders to Mr. Ramakrishna Dalmia and several others prohibiting transfer of certain properties understood to be in their names so that they may be available to the insurance company as and when the court decides on the "misfeasance" proceedings that the Administrator will shortly initiate.

Others against whom similar orders were issued include: Mr. Shanti Prasad Jain, Shrimati Gunenidhe Dalmia, Shrimati Saraswati Devi Dalmia, Mr. R. P. Gurha and Mr. S. N. Dudani.

The Administrator has also issued orders to the Bennet Coleman and Co., Ltd., the Bharat Union Agencies Ltd., and Jaipur Udyog Ltd., which are understood to be controlled by Mr. Dalmia.

Safeguarding of Assets

Under the ordinance, a new Section 52B has been added to the Insurance Act. This Section empowers the Administrator to initiate action under Section 106 and also enables him to safeguard assets of

the company believed to be wrongfully in the hands of any person or persons.

Under Section 52B read with Section 106, powers are given to the Administrator and to the court to ensure that property does not disappear in the guise of "benami" transactions and for this purpose the court will have powers to ascertain facts regarding the nature of the interest of any person in any property whether standing in his name or otherwise.

The property of private companies which are controlled by such persons can also be attached under the aforesaid provisions. —

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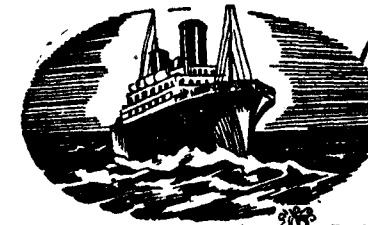
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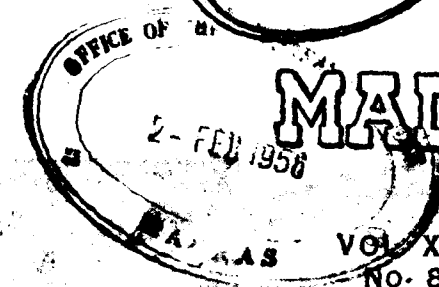
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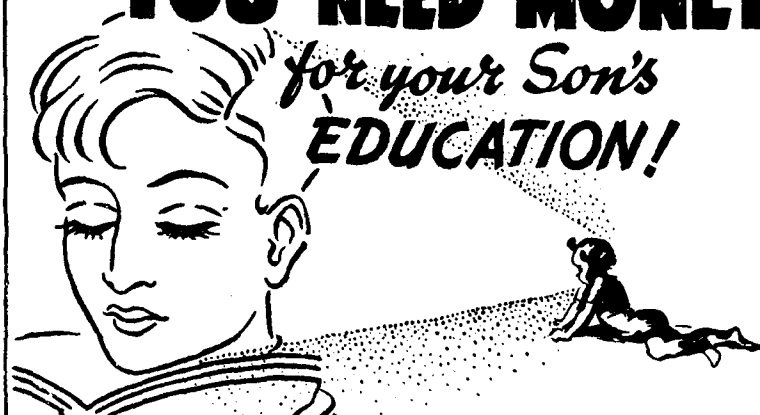
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CONTENTS

	Page
Editorial:	3
Insurance Business records good progress during 1954.	
 Avoiding Hidden Pitfalls In Business Planning For The Sole Owner	5
By MR. E. C. GOULD, Financial, Editor Monetary Times, Toronto.	
 Net Premium Valuation	11
By MR. H. DATTA, M.SC., B.L., F.I.A., (Lond.)	
 Critical Study of the Post Office Insurance Fund	13
By MR. B. B. DOTTO	



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THE INDIAN POLICY-HOLDER

VOL XXI

DECEMBER 1955

NO. 8

Insurance Business records good progress
during 1954.

THE Report of the Controller of Insurance, Government of India, for 1955, released to the press during the last week of December, 1955, reflects roughly an improved economic condition of the Country. Indian Insurers have set up a new record in the matter of new Life Assurance Business secured during 1954. 6,83,000 policies assuring a sum of Rs. 218.32 crores and yielding a premium income of Rs. 10.67 crores were issued by the Insurers. The average sum assured per policy was Rs. 3,123. Compared with the record for 1953, there has been an increase of 1,44,000 policies in 1954 and the sum assured increased by Rs. 75.14 crores. No doubt, the urge to seek insurance cover among the mass public is more of late, and the economic condition has also improved a little to avail of the service of Insurance but the sharp increase in the new business secured cannot be wholly attributed directly to this cause alone. A sudden substantial reduction in the rates of premium effected by the Insurance Companies generally and the subsequent rumour that the rates are likely to be increased again, gave a fillip to the field-workers to make hay while the sun shines. Further, the Staff Insurance Scheme introduced by a number of big companies and the short-cut method adopted by converting old policies into new ones have also contributed to the impressive record set up. With all that, it must be conceded that the performance of Indian Insurers during 1954 is really an achievement worthy of mention. The reduction in the rates of premium announced by one large insurer, served as an effective incentive to all the insurers in the Country to follow suit and compete with one another in securing the business. Competition in any business serves both ways, to progress forward and also backward. In the case of Insurance Companies in India though always the cry has been that unhealthy competition amongst themselves has resulted in undermining the stability of

the business, the reduction in the rates of premium and the competition followed has ultimately served a good purpose. It has awakened a new consciousness in the mass public about the usefulness of Insurance Cover and at less cost to them. The atmosphere so created will greatly help insurance business to progress at a faster pace in the future years.

There has been an increase in the new business secured by Indian Insurers outside India also. 32,000 policies were issued assuring Rs. 17.46 crores and yielding a premium income of Rs. 1.04 crores.

On the other hand the business secured by non-Indian Insurers in India has gone down when compared with 1953 record. They have issued 22,000 policies assuring a sum of Rs. 16.22 crores and yielding a premium of Rs. 0.94 crores. During 1953 non-Indian Insurers secured a new business of Rs. 17.08 crores.

At the end of 1954 43,13,000 policies were in force in India and the total amount assured was Rs. 10,58.83 crores. The Renewal premium income amounted to Rs. 50.13 crores. The number of policies issued by Indian Insurers that were in force was 40,69,000 and the total sum assured amounted to Rs. 9,21.90 crores. The increase over the business that was in force at the end of 1953 amounts to Rs. 88.54 crores. Though the increase is substantial when compared with the increase in the immediate previous years, it cannot be considered satisfactory in view of the large new business secured during the year. Even in the years 1945 and 1946 when the new business secured was only 123.7 crores and Rs. 140.9 crores respectively, the increase in the business in force increased by Rs. 89 crores and Rs. 88 crores respectively whereas in 1954, with a new business of Rs. 213 crores, the increase has been only Rs. 88.54 crores. It is clear therefore that lapses in the year have been too heavy which is not a sign of healthy progress.

Foreign business of Indian Insurers amounted to 2,74,000 policies assuring Rs. 85.03 crores yielding a premium income of Rs. 4.54 crores. There has been an increase of 1000 policies and Rs. 7.97 crores in the sum assured.

In granting Annuities, non-Indian Insurers have scored a march over the Indian Insurers. The net amount of annuities effected by Indian Insurers was Rs. 2,71,000 which is less by Rs. 23,000 over the previous year and the net amount of annuities effected by non-Indian Insurers amounted to Rs. 11,78,000 which shows an increase of Rs. 2,35,000 over the previous year.

Avoiding Hidden Pitfalls In Business Planning For The Sole Owner

By E. C. GOULD,
Financial, Editor Monetary Times, Toronto.

ARE You trying to tell me how to run my own business! is the over-confident expression of many a successful sole owner whose personal ability has gained for him most of his customers and whose private initiative is one of bulwarks in current industrial activity. As a matter of actual fact, much interesting and helpful material has been made available on this very subject because of certain pitfalls in the path of business permanence. While these pitfalls are not too difficult to avoid, they must first be detected if they are to be circumvented.

Stability in Business

Since sole ownership represents about one half of all business activity, it is highly desirable that it should also represent stability for the owner himself and continued security for all those people who depend upon it. This is a matter that may be quite apart from increased sales and net profit when the owner is alive and capable of running his own business. Certainly, no sole ownership can achieve its proper place as a stable factor within a sound economy if it is to be sold off at the death of the owner in a forced liquidation which produces only a few cents on the dollar.

In this regard, there are few sole owners who actually realize the extent

of their own high personal value to their own business. "Every page of the nation's business history verifies that the really potent factor in business success or failure is the character and ability of the men in charge of that business." This is particularly true in certain types of business because, unlike the corporation which continues automatically after the death of a high official or a large stock holder, the sole proprietorship actually terminates at the owner's death. This legal requirement may result in a most ruinous situation because the entire business activity may have been on a strictly personal basis.

On this basis, the sole owner may have been his own business manager, credit manager, director of policy, advertising manager, purchasing agent, personnel director, plant manager, office manager, sales manager, and director of public relations. When he dies, his human life value to the business dies and all that he leaves his family is the salvage value of the true worth. As a result, the stock may be sold off at a fraction of the real value and the fixtures included for almost nothing at all.

Sale of Assets

Most business men who are on their own probably realize this danger in their subconscious minds without questioning

it or actually doing anything practical about it. Certainly, if any sole owner had to advise the widow of his closest friend how to invest every dime she had to her name, he would not tell her to put her money in a business of which the owner had just died, in the expectation of getting out of it as much income as if the owner were still alive.

When a sole proprietor dies, his business becomes part of his estate, together with his personal property such as his house and furniture, his automobile and any ready cash he may have in the bank. Under the law, the executor must settle all estate affairs as quickly as possible. He must realize enough money through the sale of estate assets (whether business or personal) to pay all debts *in cash*, all succession duties *in cash* and all administrative expenses *in cash*. He must then distribute the balance of the estate to the heirs.

Importance of the Will

When there is no will and the executor attempts to operate the business, he becomes personally liable to the heirs for any losses sustained through his efforts. With the creditors apprehensive, the staff disrupted by worry over their future in the scheme of things and the real brains behind the business gone, it is an extremely undaunted executor who will take on the additional responsibility of an unknown business for the profit of another man's heirs.

If the sole owner should make a will, the executor must proceed as directed by the exact terms of the will. If no specific instructions concerning the business are contained in the will, he cannot turn the business over to the heirs directly un-

less all are adults and capable of consenting to the transaction. What is more, if any heir wants his or her share of the estate in cash, the executor cannot turn the business over at all... unless the other heirs can raise enough cash to pay off the recalcitrant one.

The words ... "FOR SALE: This Business At A Tremendous Sacrifice To Settle An Estate" ... indicate an ending that is far too prevalent in the history of many a sole proprietorship. If a business must be sold in order to settle an estate, speed is the executor's chief concern and he can only sell that part of the real worth which includes the stock, the accounts receivable and the physical assets. He cannot sell the brains and initiative that kept the business going during the life of the sole owner and were then removed because of his death. He cannot sell the human life value!

There are certain definite steps that the sole owner must take if he wishes to avoid these pitfalls and provide a reasonable security for his heirs. The first step involves a discussion with his lawyer and the incorporation of definite clauses in his will. In this connection, there should be a provision giving the executor full power to carry on the business as a going concern until it can be profitably liquidated or until it can be satisfactorily transferred to one or more of the heirs or sold as a going concern. There should also be a provision relieving the executor from personal liability as a result of these activities.

These provisions, however, are only the initial moves in avoiding financial distress after the death of a sole owner.

They will neither familiarize the executor with the business operations nor give him the experience to run the business as a source of income before it can be transferred or sold under the terms of the will. During the time it takes to probate the will, there may well develop a period of business stalemate. At such time, the stock may become obsolete and perishable goods may become worthless. Fluctuations in the market may leave the business facing heavy losses and many of the accounts may be transferred to competitors who can give more considerate and certain service.

Problems of the Executor

In spite of specific authority to continue operating the business and definite instructions concerning its disposal, there are quite a number of problems and obligations that freedom for the executor may not solve. For example, he may still be forced to sell under a court order to meet all liabilities. Taxes must be paid in cash and he will lose those customers who have been accustomed to deal with the man rather than with the business. He is also faced with a lack of credit since he cannot lawfully (without express authority from the will and sanction of the probate court) put into the business and estate assets beyond those already employed in it at the time of the owner's death.

It has been pointed out that after a sole owner's death, the liabilities of his business never shrink... the assets always do. In view of this situation, there is another step that he must take if he wishes to provide security for his heirs. This step pertains to the fact that his personal assets must be used to meet any

debts of his business that remain unpaid... except for personal life insurance which is payable to a preferred beneficiary. As far as we have been able to determine, this is the *only* source of funds which are independent of the creditors' claims and are readily available through prompt payment *in cash*.

In this connection, it is wise to remember that "no man is truly independent unless he is independent of his own business" and there is a real danger in plowing back *all* the profits into expansion. While the continued growth of sole ownerships is extremely desirable up to a certain point, after that point it may well create difficulties.

Insurance Services

Because it is protected by law against creditor claims, business life insurance when made payable to a preferred beneficiary can provide a safe and effective depository for regularly withdrawn profits. In this process, the amount necessary for withdrawal can easily be calculated as an independent fund over against the business liabilities. During the first month after death, the firm's income will be greatly reduced, so it is vital to allow enough life insurance for at least one month's business expenses. Some of the suggested items that may be considered as a basis for minimum protection are listed below:

1. Total ordinary open accounts due others.
2. Total average notes outstanding.
3. Last year's total taxes.
4. One month's rent or property purchase payment.

5. One month's utilities (power, light water, heat, telegraph, etc.)
6. Wages payable for one month, including the owner's own; sales commission and expense.
7. One month's average equipment, repair and replacement; office supplies for one month.
8. One month's average building repair and upkeep.
9. One month's average advertising bill.
10. One month's cost of any items special to a particular business.

In addition, adequate business life insurance can provide many services for the sole proprietor. For example, the amount that will be paid at death may enable the family to receive *all* and not just part of the value of the business as well as the entire amount the owner had intended to save. If the sole owner should decide to retire, the amount of the fund then available should make him independent of his business because he has accumulated a part of the profits for himself. Even if the sole owner is compelled to or wants to discontinue making deposits after a period of years, he will then have a choice of (1) an independent fund in cash or (2) the ability of the plan to remain in full force for many years without further cash outlay on his part, or (3) a fully paid amount of business insurance that is completely self-sustaining.

Variations in Uses

There are many other variations in the uses of business life insurance for the sole owner. For example, if only one

member of the family is capable of taking over the business after the proprietor's death, the insurance fund can be used to compensate the other dependents and to give the new owner a better opportunity for making a living. This same type of planning may be applied in all fairness to any number of selected dependents since it is only rarely that all members of the family are capable of or want to continue an active interest in the business after the owner's death.

By the negotiation of a buy-and-sell agreement between the sole owner and one or more of his employees, the business may be transferred to these employees after the owner's death. It is suggested that during the owner's lifetime the employees purchase life insurance on his life, the proceeds of which shall compensate the beneficiaries. It is important that a buy-and-sell agreement, funded by life insurance, should place a definite value on the business at time of death.

This last example, of course, represents a special case apart from the ordinary planning of business insurance for the sole owner which is a relatively simple matter.

Such simplicity can be shown by a very brief recapitulation of the steps that are usually necessary for a sale after the sole owner's death that will be in the best interests of his family.

Definite Planning

The first step is the incorporation of two clauses in the will: (1) a definite provision giving the executor full power to carry on the business as a going concern until it can be profitably liquidated or sold.and (2) a definite provision

relieving the executor from personal liability as a result of these activities,

receive a greater consideration *both* from the sole owner and the life underwriter.

The second step is to organize the business so that it can clear its own liabilities without infringing on other estate assets after the sole owner's death,

The third step is to arrange the funds needed to protect the family against loss of the owner's human life value in the business at time of death.

The fourth step is to arrange for regular withdrawals of profits from the business—either for the sole owner at retirement or for his family, if he should die. These funds will provide the premiums for adequate business life insurance.

Need for Protection

Nearly one half of all business today are included in the classification of sole proprietorships. Since it has been estimated that about 80 % of them have never been solicited on the subject of life insurance as applied to their own specific needs, there must be a vast need for greater protection. According to a very frank writer on this subject, "the primary reason for this is fear..... fear on the part of life underwriters that they will get beyond their depths in the discussion; fear that the business problems will become too technical."

It has also been estimated that about 80 % of all sole proprietorships could not open their doors tomorrow if death struck their owners today. Business life insurance may have something very worthwhile to offer as the only way of providing ready funds to correct this situation. Consequently, it might not be too much to expect that this form of help should

In its basic fundamentals, the entire subject is not complicated and an intelligent discussion of the problem could probably produce an effective solution in the matter of a few hours. In cases where the estate is large or complicated it is recommended that the businessman include in his confidence not only the service of a competent life underwriter but also the advice of his lawyer and a trust officer. In any event, an adequate business life insurance program may solve untold complications at the death of the sole owner.

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Net Premium Valuation

By H. DATTA, M.Sc., B.L., F.I.A., (Lond.)

It is a pity that even now, when Indian insurance on the whole has long passed the stage of childhood, and is far advanced in adolescence, net premium valuation and bonus reserve valuation should both be all but unknown. Gross premium valuation, which is confined in advanced countries to solvency valuations, that is, valuations intended to decide whether the company is barely solvent or altogether insolvent, is used here for declaration of bonuses and sometimes bonuses at very high rates too. The reserve set up on a gross premium valuation need not necessarily be below or inadequate in the aggregate, but as the reserves of individual policies are hopelessly distorted and negative values appear for an inconveniently large number of cases, as will be clear from an examination of Form 'J' in any such valuation, even adequacy, when existing, is more often a matter of educated guess, and there is nearly always the possibility of encroachment upon the bonus loadings contained in the premiums. At least, the absence of such encroachment can never be demonstrated.

The nature of net premium valuations is very often misunderstood and sometimes subjected to unenlightened criticism. Of the different elements in a valuation or more correctly, in all actuarial calculations relating to life insurance, expenses alone are said to be amenable to regulation by the management, the other two important elements, namely, interest

and mortality being dependent on factors largely beyond their control. In all gross premium valuations, including their scientific variety known as "Bonus Reserve Valuation," future expenses themselves are independently estimated and assumed like the elements of mortality and interest. In a net premium valuation, including its milder variety known as "Preliminary Term Net Premium Valuation," and sometimes met with in this country, mortality table and the rate of interest alone are independently assumed, the net premium being automatically determined by these two elements and the provision for future expenses which is the difference between such net premium and the office premiums charged from the policy-holders, emerges of itself without being in any way amenable to interference or control by the valuing Actuary. Net premium reserve is, thus, the natural reserve, when the valuation is made on a mortality table and at a rate of interest consistent with the premium rates, on the further assumption that the rates themselves are adequate. Such a valuation, therefore, brings out correct reserves for individual policies, and hence also for all policies in the aggregate and leaves the bonus loadings intact and the loadings for expenses contained in the premiums freely available to the insurer.

Net premium reserve on a basis underlying the office premiums or consistent

with the office premiums gives, therefore the correct estimate of the liability under the policy contracts. Perhaps it is not so well known outside the Actuarial profession that the necessity of setting up a reserve in a life office arises because, and only because, level premiums are charged for an increasing risk, including the sudden increase of risk at maturity for an endowment assurance. It follows that the uniform must be more than adequate in early durations of the policy and less than adequate at later stages. Excess premiums received in early years must, therefore, be kept in hand and accumulated at interest so as to make up for the inadequacy at the later stages, and this accumulated value is the reserve or policy liability. If uniform premiums were charged for uniform risks as in fire insurance, for instance, uniformity of risk being secured by progressive diminution of the sum assured, or if the premiums

increased proportionately with the risk, then like fire insurance, there would be no necessity for creating any reserve, except perhaps some precautionary reserve to provide for adverse fluctuations. Parallelism between the origin of reserve as described above and that of the life insurance fund is remarkable.

More usually net premium valuations are made by prosperous companies at rates of interest lower than those underlying the office premiums so as to produce some precautionary reserve in addition to the reserve necessary to cover the bare policy liabilities. It produces an apparent anomaly, however, because valuations on lower rates, apparently make lower provision for future expenses with the result that some extremely strong valuations have been known to contain lower provision than recent expense ratios of the companies concerned.

Critical Study of the Post Office Insurance Fund

By B. B. DOTTO

WE are exceedingly gratified to find that our humble writing "AN APERTURE IN THE IRON CURTAIN" as published in the October, 1955 issue of the "Insurance World" (Volume XXV, No. 10) has been very greatly appreciated by a large number of insurers, assureds and field forces.



Mr. B. B. DOTTO.

Going a little in to the history of life assurance in India, we find that the first life assurance company in India was started in Calcutta in 1818 and was known as the "Oriental Life Insurance Society." "Bombay Life Assurance Company" was founded in Bombay on 1st May 1823. This was followed by the "Madras Equitable" in 1829, which

worked successfully for nearly hundred years and went into liquidation in 1927, due to the heavy depreciation of its investments following the great world war. The "Oriental Life Insurance Society" collapsed in 1833, owing to the failure of British Managing Agency Houses who were the partners of this Society and was re-organized in 1834 with the financial assistance of Prince Dwarkanath Tagore the grandfather of the Poet Rabindra Nath Tagore under the name of "New Oriental Life Insurance Company." The business of "New Oriental" was transferred in 1853 to the Medical Invalid and General Insurance Company, which was incorporated in the United Kingdom in 1841, and had a large volume of Indian business on its books. "Christian Mutual" of Lahore was started in 1847 and the "Triton Insurance" of Calcutta in 1850. Incidentally it may be mentioned that the "Triton Insurance" was the first general insurance company incorporated in India. Thus it will be seen that the first Indian Life Assurance Company and the first Indian General Insurance Company were started in Calcutta. Undoubtedly Calcutta has the most prominent place in the insurance map of India. It is a matter of shame that many of our educated people in insurance profession are not aware of the origin and development of life assurance business in India and refer to the "Madras Equitable" as the first Indian Insurance

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Company.

A proposal to start "State Life Insurance Society" was under the active contemplation of the Government for a pretty long time. The formation of three Indian Insurance Companies and their commendable success was the source of inspiration to the Government. The scheme of the proposed "State Life Insurance Society" was first notified in the Calcutta Gazette, the official organ of the Government of India, on the 6th March 1835. It was proposed to start the operation of the Society on and from 1st May, 1835. The proposal to start State Life Insurance Society was ultimately abandoned due to powerful agitation mooted out by the leading Indians and Europeans, who were interested in the foreign Insurance offices operating in India. The proposal was however revived about four decades after, in 1872, and it was announced to start the operation of the State Life Insurance Society with effect from 1st February, 1873. The responsibility of management was entrusted to the Postal Department. Bengal can justly feel proud of the fact that the first policyholder of the State Life Insurance Society was a broad-minded Bengalee Officer of the Postal Department, Mr. Nirmal Chandra Banerjea. Mr. Banerjea gave a start to the scheme by insuring his life for Rs. 4,000/- which was the maximum risk then acceptable by the State Life Insurance Society, which was subsequently known as the Post Office Insurance Fund or Postal Life Insurance. Mr. Banerjea died in 1922 and his beneficiaries received Rs. 5,346/- inclusive of bonuses.

Originally only the employees of the Postal Department were eligible to insure

with the Post Office Insurance Fund. In September, 1887 i.e. 15 years after its establishment, employees of the Telegraph Department were also made eligible to insure their lives with the Post Office Insurance Fund. In 1894 the employees of the Indo-European Telegraphs Department were allowed to insure with the Post Office Insurance Fund. Gradually the Post Office Insurance Fund attained popularity and its membership was thrown open to all Government employees and Military personnel since 1st February 1898. With the passing of years the maximum sum to be assured has been increased to Rs. 30,000/- for the Government and Semi Government employees and Rs. 20,000/- for the members of the Defence Service.

We have already mentioned in our article under reference that there is an iron curtain around the working of the Post Office Insurance Fund, as it does not publish its Balance Sheet, Valuation Report in the Indian Insurance Year Book even for statistical purpose. As per Rule 8 of the Post Office Insurance Fund, Government officials are prohibited under pain of dismissal, from making public any information of a private nature obtained in the course of business regarding Post Office Insurance Fund or any transactions relating thereto. On account of these rigidities, little is heard about the premium rates, bonuses and policy conditions of the Post Office Insurance Fund and our enterprising field forces are in a disadvantageous position, as they are unable to quote chapter and verse.

It is now a settled fact the Post Office Insurance Fund will throw open its mem-

bership to the public as soon as the necessary arrangements are completed. The Union Finance Minister, Mr. C. D. Deshmukh, is of firm opinion that the Government resources will be augmented more by extending the sector of Post Office Insurance Fund. All-India Posts and Telegraphs Administrative Officers Employees' Association in a Press Conference held at Olympia House, Calcutta on the 12th September, 1955 gave an enthusiastic support to the question of extending the scope of the Post Office Insurance Fund, as enjoyed now by the employees of Government and Semi-Government institutions to the members of the public.

As the Post Office Insurance Fund will soon start operating among the public, it is essential that there should be a discussion on the premium rates charged by it. It will be news to many that *Post Office Insurance Fund premium rates do not compare very favourably with those of the Indian Insurers*. Of course prior to 1954, the premium rates of the Post Office Insurance Fund were cheaper than most of the Indian insurers. It is universally known that in 1954 all the Indian insurers reduced their premium rates very substantially owing to better interest yield and improved mortality experience. As a result of this reduction in premium rates there is now no appreciable difference between the premium rates of the Post Office Insurance Fund and Indian Insurers. In the valuation Report of the Mysore Government Insurance Department, dated the 22nd December, 1954, Mr. H. V. Krishnamurthy, B.Sc., F.I.A., F.C.I.I., an employee of the State Government has very pertinently remarked as follows:

"Some time back a leading Insurance Company has reduced its premiums and this was followed by other companies reducing their premiums. Before the above reduction in rates, the premium rates of the Public Branch were low and competitive. After the reduction the Department's premium rates have been rendered somewhat high. In order to meet this situation, a reduction in our premium rates appears inevitable."

It is high time that Post Office Insurance Fund also should consider the above vital point and reduce its premium rates considerably.

The premium rates of the Post Office Insurance Fund are not the cheapest as is wrongly supposed by many and given wide publicity so long. Even our Excellent field forces are under the impression that Post Office Insurance Fund premiums are the cheapest available in India as the actual position is out of their knowledge. It is worthy of note that in addition to the cheap rates, Indian insurers are allowing decent rebates: (a) on annual premium payment and (b) on large sum assured. These rebates reduce the cost of insurance further. These two concessions are not available in the Post Office Insurance Fund. It must be remembered that Post Office Insurance Fund does not pay Income Tax, Super Tax Agency Commission, Organization expenses, etc. which take away a big slice out of the premium of Indian insurers, failing which they could have offered still cheaper rates.

It is important to take into serious consideration the fact that, with lesser than or almost equal premium rates with that of Post Office Insurance Fund and

above referred heavy expenditure, Indian insurers are paying higher bonuses, the maximum being Rs. 22/8/- per thousand sum assured per annum. The Post Office Insurance Fund has declared no bonus since 1951 and the excuses put forth by the authorities are worse than useless. The Post Office Insurance Fund has only two varieties of policies, viz., the limited payment whole life and endowment assurance. It is well-recognized that these two stereotyped policies do not answer the day-to-day needs of the insuring public.

From perusal of the premium rates of a large number of Indian Insurers it is clear that the premium rates of the Post Office Insurance Fund are very high and can be reduced substantially or, in the alternative, agents can be employed on Statutory commission which happy move will reduce the un-employment problem considerably. If a large number of Indian insurers can pay heavy taxes and agency commission and declare high bonuses with lesser than or equal premium rates with the Post Office Insurance Fund, we shall be interested to know as to why the premium rates of the Post Office Insurance Fund cannot be reduced following the lead given by the Indian insurers.

We have read with interest the Editorial of the 'Insurance World' for October, 1955 where a timely reference has been made to "The sorry experience of Postal Insurance policyholders regarding settlement of claims, of which many cases have come to light." In our article referred hereinbefore, we have also quoted from the editorial of Commerce of Bombay, dated the 2nd

July, 1955 in connection with the delay in payment of claims by the Government. It is now proverbially known that it takes months to get claims settled by the Post Office Insurance Fund, no matter whether maturity or death claims

From a careful perusal of the contents of the Press Conference of the All India Post and Telegraph Administrative Officers' Employees Association detailed elsewhere in this writing, we find that "so far 200 cases of assured amount mature for payment were lying outstanding." It is a matter of great concern that 200 matured policy claims have not been settled, which must have caused a good deal of resentment in the minds of the policyholders. It is needless to add that these unfortunate people are suffering financial loss only for partroniizing the Post Office Insurance Fund. In view of the rigorous provision of Rule 8 of the Post Office Insurance Fund, which has been detailed in a previous para, the policyholders are unable to ventilate through the Press or platform their serious grievance, as such action may result in their sack. The Controller of Insurance is also helpless in the matter as the Post Office Insurance Fund is not within the ambit of the Insurance Act.

In our article hereinbefore referred to, we have suggested that the Post Office Insurance Fund should be managed by a Board of Directors inclusive of representatives of policyholders as provided for in the Insurance Act and Rules. We are exceedingly pleased to learn the Public Accounts Committee has very wisely suggested that the Post Office Insurance Fund should come under a Corporation

under an act of the Parliament, with an insurance expert as its chief. This recommendation of the Public Accounts Committee has been zealously supported by the All India Posts and Telegraphs Administrative Officers' Employees Association with an eye to the upliftment of the Post Office Insurance Fund. We do hope and feel and the Union Communication Ministry will arrange for an early implementation of the very prudent recommendation which will not only remove the present stagnation of the Post Office Insurance Fund but assure better service to the policyholders which is now entirely absent.

(To be continued in January Issue)

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