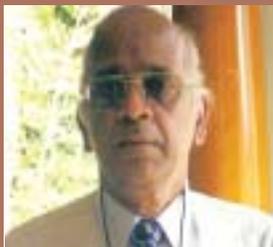


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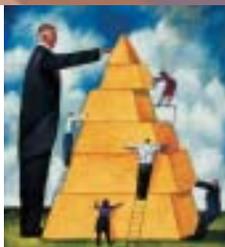
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the will to win



The
New Look
ULIP



The Five
Qualities of
a Leader



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Premium

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Editor:

K Nitya Kalyani

Reporting:

T E Narasimhan

Research:

T E Raghavasimhan

Copy Desk:

Indira Balaji

Samanth Subramanian

Design:

Rangashree

Layout:

T V Nanda Kumar

Marketing:

Sandhya Raman

Editorial Office:

No. 40/1, Karpagam Apartments,

Sriman Srinivasa Road,

Alwarpet, Chennai 600 018

Phone : 91-44-2499 6472

e-mail : editor@premiumonline.in

**Advertisement/ Subscription/
Circulation Enquiries**

No.40/1, Karpagam Apartments,

Sriman Srinivasa Road,

Alwarpet, Chennai 600 018

Phone : 91-44-2499 6472

e-mail : info@premiumonline.in

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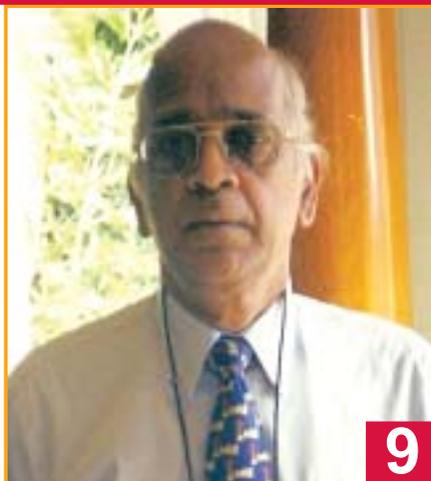
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Editor: K Nitya Kalyani

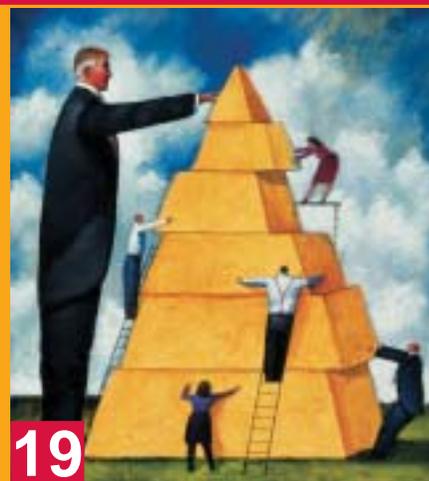
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We invite readers' letters on Premium and its contents.

Please write to

The Editor, Premium

40/1, Karpagam Apartments, Sriman Srinivasa Road, Alwarpet, Chennai - 600 018

Call us on 044-2499 6472 or e-mail us at editor@premiumonline.in

Motivational Seminar

Premium's exclusive motivational seminar "Kurai Onrum Illai" for its first 100 subscribers will be conducted by Mr R Gopinath, founder and CEO of Go Past, on July 29, 2006 in Chennai.

LUGI's Annual Convention

The Life Underwriters' Guild of India's (LUGI) 4th Annual Convention will be held in Chennai between September 15 and 17, 2006 at Chennai Trade Centre. About 800 people are expected to attend the event.

It is rare that a person gets the chance to serve the society and country while earning his livelihood. Selling insurance is one such enviable profession.

Eighty per cent of the insurance sold in India is sold by individuals. Individual tied agents, staff of corporate agents – including banks, of brokers, career agents and employees in the sales force – together managed to bring in Rs 45,000 crore worth premium income to the industry in the last financial year with minimal information and support.

Life Insurance spread in India has barely scratched the surface. The competitive environment and healthy capital market trends have boosted life premium growth significantly over the past few years, yet there is enough indication that what we have seen is only the tip of the iceberg.

The Non-Life industry ignored retail insurance and the agency channel for various reasons in the past. It is now clear that its largest and most stable growth in the future will come from the retail, or personal lines, sector.

So, the market requirement right now is sustained, and strong, business growth. A well-trained, knowledgeable, highly motivated and effective sales force is a must for that.

Being an intangible and emotional product, the context in which insurance is sold plays a big part in the success of the activity. Outside this area there is a lot that can be done to encourage the performance of insurance agents. Just on the information side, this can be news and analysis about the industry and its happenings, growth trends and potential in the economy, social trends that create awareness and demand for insurance and best practices of sales winners from around the world. This not only informs, motivates and gives them direction, but also fosters a sense of professional identity and catalyses them to define their vision.

The various stakeholders of the industry provide these inputs in the course of their functions. A dedicated publication adds a dimension to this process. Empowering agents with highly focused, relevant information and supporting them with motivational and productivity tools is a beginning. Doing this consistently and with insight born of experience will be the aim of this new publication.

We dedicate *Premium* to this little understood, and even less appreciated, professional. We are of the firm belief that the profession and the insurance industry will both grow to claim their rightful place in the Indian economy and society, and very soon too.

K Nitya Kalyani

PULSE

Life First Premiums Grow 119 %

The Life Insurance industry grew 119 per cent in terms of first year premium in the first two months of the financial year 2005-06 compared to the same period in 2004-05 finishing with Rs 5,868.89 crore (Rs 2,677.76 crore).

As per statistics released by the Insurance Regulatory and Development Authority (IRDA), Life Insurance Corporation of India (LIC) grew 106 per cent to Rs 4,183.05 crore (Rs 2,027.27 crore).

The private sector collectively grew to Rs 1,685.85 crore (Rs 650.49 crore), clocking a 159 per cent growth.

Of the private companies, ICICI Prudential Life led in terms of first year premium which stood at Rs 438.25 crore (Rs 205.53 crore) up 113 per cent. It was followed by Bajaj Allianz Life that finished with Rs 375.54 crore (Rs 97.15 crore), growing 287 per cent. (See table on page 22)

Non-Life Premiums Grow 22 %

Non-Life insurance premiums grew 21.67 per cent to reach Rs 4,717.28 crore in the first two months of the current financial year, up from Rs 3,877.09 crore in the same period in 2004-05.

Public sector companies grew 8.86 per cent to Rs 3,078.89 crore (Rs 2,828.20 crore), and the private sector by 56.20 per cent to Rs 1,638.89 crore (Rs 1,048.89 crore). The New India Assurance Company was the leading insurer in terms of premium and also showed the highest growth in the industry at 15.37 per cent, ending with Rs 976.22 crore (Rs 846.17 crore).

The leading private sector company was ICICI Lombard with Rs 589.52 crore premium (Rs 320.16 crore), a growth rate of 84.13 per cent. It was followed by Bajaj Allianz General with Rs 325.29 crore (Rs 228.55 crore), a growth rate of 42 per cent. (See table on page 22)

No Online Exams for Agents for Now

Insurance Institute of India (III), which conducts the pre-recruitment examinations for insurance agents, has discontinued online examinations with effect from July 1, 2006.

An announcement by the institute on its web site says that it is in the process of building its own capability to offer online examination at a few locations, and that until then only offline examinations will be conducted.

Channel surfing

The introduction of competition in the market place has significantly changed the way companies look at business. A sharp growth in sales is a primary objective, and one solution to achieve that is to develop more sales and distribution channels.

The Export Credit and Guarantee Corporation (ECGC), which sells a specialised product for exporters to cover defaults of their buyers abroad and also offers factoring services, recently considered developing an agency force. It had requested the

Insurance Regulatory and Development Authority (IRDA) to allow agents licensed by it (who can represent one Life and one Non-Life company) to be allowed to represent ECGC in addition.

The IRDA did not decide in favour of ECGC, *Premium* learned, and so ECGC is exploring other solutions for distribution and service, apart from its existing branch network. The Agriculture Insurance Company of India (AICI), which also put forth a similar request, may just have a stronger case.

Insurance Ombudsman for Chennai

Mr K Sridhar has taken charge as Insurance Ombudsman covering Tamil Nadu, Pondicherry and Karaikal regions recently. Earlier, he served as Managing Director of LIC of India and as Chief Vigilance Officer of General Insurance Corporation of India (GIC).

Pension reforms and agents

The proposed new pension system does not envisage agents being licensed by the regulator as in the insurance industry. Mr D Swarup, Chairman, Interim Pension Regulatory and Development Authority (PFRDA), told *Premium* that the sales of Individual Retirement Accounts (IRAs) would be done by the entities serving as Points of Presence (PoPs) for account holders. It would be these PoPs who may appoint a salesforce in a manner suited to their purposes.

Pension reforms in the country have been on the cards for a few years now and the PFRDA Bill, which proposes an independent regulatory authority for the pensions sector and a structure for a new pensions system including individual pensions, has been pending for Parliamentary approval.

Underwriting to the fore

The General Insurance business is going to be detariffed from January 2007. Insurance Regulatory and Development Authority (IRDA), has been taking meetings with the top management of all the General Insurance companies to evaluate their preparedness for this major change in the market.

Mr. C S Rao, Chairman, IRDA told *Premium* that the exercise was to see that the

process went smoothly and there were no upsets in the market.

His concern is that competition could reduce premium rates below remunerative levels and that may affect the solvency of the companies.

Underwriting, a discipline that has not received the prominence it should have in the General Insurance industry, will have to become professional and all companies have to behave in a responsible manner in taking advantage of the change, he said.



Wanted: Franchisees

The Agriculture Insurance Company of India (AICI) wants to appoint franchisees to sell its products in Maharashtra, Andhra Pradesh and Madhya Pradesh. It is looking for agriculture graduates.

Mr M Parshad, Chairman and Managing Director of AICI, told *Premium* that the company plans to offer commercial products for cash crops and contract and corporate farming, in addition to its National Agricultural Insurance Scheme (NAIS) and other existing products.

AICI will also sign up with rural cooperatives and non-governmental organisations (NGOs) to market its rural products and develop a network of agents.

The company has introduced a coffee insurance scheme recently and is planning to launch new schemes for sugarcane, coconut, rubber, tea, poppy, basmati rice, aromatic and medicinal plants and for contract farming. For these, AICI plans to tie up with sponsoring agencies like sugarcane factories and industries that are interested in agro products.

AICI also plans to bring into its fold all eligible crop loans and to cover 50 per cent of crop credit targeted for disbursement by all banks within two to three years. There will be intense publicity to rope in maximum number of non-loanee farmers into the scheme, with a view to covering all areas and crops under the scheme within three to five years.

Selling online

You can calculate insurance premium on most companies' web sites, and even buy policies on some.

Private insurance companies' products can be bought in 10 minutes online. Customers can see illustrations and calculate the premium before they buy a product.

For instance, ICICI Prudential Life and ICICI Lombard's interface, "InstaInsure 3 steps", gives all the product details, illustrations and premium calculation, and accepts premium, online.

Tata AIG General Insurance's product eMarine or Electronic-marine is a web-based tool. Customers can generate their marine insurance certificates anytime, anywhere. Any number of users in the client's organisation even from different locations can operate eMarine.

Birla Sun Life Insurance sells a range of products for individuals and groups through its online portal. Upon registration, the customer will gain access to a customer service desk.

The three steps process starts with illustrations and a need analysis, followed by premium calculation.

Royal Sundaram Alliance Insurance Company recently launched Sea Drive, a web-based application that enables the company's customers and intermediaries to generate policies online. It also supports both online and offline certificate issuance. This tool will assist in managing and reviewing the client's portfolio online, resulting in better portfolio and cash management. Users can manage their policy online, which will include viewing their premium balance and transaction journal.

Oriental enters reinsurance market

The Oriental Insurance Company, (OICL) has ventured into the foreign reinsurance market, bringing to the country premiums in foreign currency. OICL Chairman and Managing Director, Mr M Ramadoss has been quoted saying that many opportunities exist abroad.

To begin with, OICL will concentrate on SAARC, South East Asian and Latin American countries, providing reinsurance support on a Fac Re basis. So far, OICL has provided reinsurance to Maldives Aviation, Royal Nepal Airlines and an airport in Brazil, Mr Ramadoss said. OICL will also participate in mega risk covers.

Bharti group in life insurance

Bharti group, in a tie-up with Axa Asia Pacific Holdings Ltd, called Bharti AXA Life Insurance Company Ltd, has received registration from IRDA and will be launching its products shortly.

Start Up

Star Health and Allied Insurance has started selling its new policies as India's first standalone health insurance company. It has a 1,200 strong sales force spread across 63 offices. They are employees rather than tied agents, a new model in the industry.

Mr V Jagannathan, Managing Director, Star Health, told *Premium*: "We plan to do Rs 80 crore premium in the first year and that will take us to break even." The company is recruiting 50 doctors to its staff.



ING Vysya Life gets first Indian MD-CEO

Mr Kshitij Jain, who has been with ING Vysya Life in India since its inception in 2001, will serve as the first Indian MD-CEO of the company. He took over on July 1, 2006 from Mr Frank Koster, who returns to Amsterdam to a senior position in ING's headquarters. Mr Jain has been a senior member of management and has been primarily responsible for sales and distribution.

LIC to expand agency network

The Life Insurance Corporation of India (LIC), the country's No. 1 insurer, has drawn up ambitious plans for expanding its agency network by 1 lakh by the end of the current financial year. According to the plan, the total number of agents of the LIC, the backbone of the corporation, will go up from the present 10 lakh to 11 lakh by March 2007. This is perhaps a response to the competition in the form of private sector insurance companies. The Government is likely to liberalise FDI in the insurance sector, which would also require LIC to gear up for competition.

Oriental Bank may enter life insurance

The Oriental Bank of Commerce (OBC) is thinking of entering the life insurance business and will be looking for Indian and foreign partners, it is reported.

Mr K N Prithviraj, Chairman and Managing Director, OBC, has been quoted saying that they will be partnering with other commercial banks and will firm up plans in 12 months.

OBC now distributes the life policies of LIC and the general insurance products of Oriental Insurance.

Health cover for the poor of Dharavi

A unique insurance medical cover is being introduced for the people below the poverty line living in Dharavi, Asia's largest slum, in Mumbai. The scheme covers the medical and regular health check-up costs of the nearly 30,000 families living here. Supported by a general insurance company and micro-financing institutions, the scheme is on a partnership basis between general physicians and the families through a health maintenance organisation (HMO). The pilot project, designed by eminent Mumbai physician Dr R D Lele, will begin soon. It is expected that the primary cost of healthcare for these families will be brought down by this co-operative scheme.

LIC looking to infrastructure-related stocks

LIC is keen on acquiring attractive infrastructure-related stocks, its Managing Director, Mr D K Mehrotra, has been quoted saying. LIC has already invested Rs 1,600 crore since April 2006, and it now wants to invest in secondary markets. In recent weeks, LIC has added to its investment portfolio stocks in oil, IT and banking – totally worth Rs 700 crore. At the same time, LIC wants to limit its market exposure to Rs 9,000 crore, as in the previous year. Mr Mehrotra said this represents nine per cent of its total investible surplus. If unit linked policies' investments are also taken into consideration, however, the absolute figure of LIC's total investment would be much larger.

A return to agency

Talk to Mr B K Sarkar, GM - Marketing of Oriental Insurance Company (OIC) and you are transported to the days when the General Insurance business was agent intensive and vibrant with a personal lines focus.

The General Insurance industry should return to the tied agency model, he insists. Personal lines insurance is going to be the future, and individual agents are best at writing that business.

Oriental, which has 36,000 agents, he says, should have a lot more. His argument is simple – "With an agent I don't acquire fixed costs and pay him only out of the premium he brings in."

Additionally, it is a good profession for many youngsters.

Mr Sarkar has taken it on himself to nurture and grow Oriental's agency force. He is organising agents' conventions to felicitate top performers and keep them motivated by conveying the company's vision to them.

News about your company?
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Editorial Department
PREMIUM
40/1, Karpagam Apartments,
Sriman Srinivasa Road, Alwarpet
Chennai - 600 018
Phone: 044-2499 6472
or e-mail us at
editor@premiumonline.in

That's Life!

Year end business performance figures of insurance companies always reveal interesting trends. The private sector Life Insurance companies ended the year 2005-06 with almost 29 per cent market share. This defied business trends in other markets where the insurance industry was newly opened up to competition and new entrants hovered at 10 per cent market share even after a decade. Newspaper headlines say that public sector market share is shrinking, which is true, but this sounds negative while it may not actually be so.

First, the market share of any monopoly (LIC in this case) will be reduced the moment a competitor enters the market and books even a Rupee in premium. This does not automatically mean that LIC's business is lost or that its revenues are being snatched away. It is just that its component in the overall market has been adjusted to accommodate the new entrant.

Market share is a relative measure and must not be seen in isolation. It must be seen in conjunction with the growth trends in different sectors of the industry.

Having said, that let us see how the life industry fared on these counts.

The private sector in life insurance has increased its market share from 1.60 per cent in 2001-02 to 28.56 per cent in 2005-06. Hence LIC's market share has dropped to 71.44 per cent.

This has to be seen in the context of two parameters. One is that new business of the industry has grown from Rs 25,529.65 crore in 2004-05 to Rs 35,897.95 crore in 2005-06.

The second is the growth rate trends of the sector over the last few years. The private sector growth rate, which was 462 per cent in 2002-03 over the previous year, was 84.49 per cent in 2004-05, reflecting a growing base. LIC has revived its growth rate to 28.40 per cent from 2002-03 rates of 52.27 per cent as, in the interim it went through a massive drop in growth rate to 1.65 per cent in 2003-04 on account

of losing the single premium portfolio base when the tax status of that product was altered in the budget of 2002.

The subsequent rally was smart at 22.98 per cent in 2004-05 and, later, the company ended 2005-06 with a healthy growth rate of 40.61 per cent.

In terms of new business premium quantum, the private sector has grown from Rs 170.49 crore to Rs 10,252.76 crore in the same period while LIC has added Rs 15,152.47 crore to its then base of Rs 10,492.72 crore. So, in terms of absolute accretion, LIC comes out ahead.

Over just the last year, LIC's business has grown from Rs 19,972.25 crore to Rs 25,645.19 crore. That is, it wrote an additional Rs 5,672.94 crore in premium. The corresponding figure for the private sector was Rs 4,695.37 crore (Rs 10,252.76 crore in 2005-06, up from Rs 5,557.39 crore in 2004-05). In other words, LIC's new business growth was Rs 977.57 crore more than that of the private companies.

K Nitya Kalyani

New Business Premium of Life Insurers 2005 - 06

	Premium			Market Share		
	2005-06	2004-05	Growth%	2005-06	2004-05	Growth%
Bajaj Allianz	2,715.62	860.02	215.76	7.56	3.37	124.56
ING Vysya	284.07	281.62	0.87	0.79	1.10	-28.26
Reliance	193.43	91.19	112.12	0.54	0.36	50.85
SBI Life	828.52	482.93	71.56	2.31	1.89	22.01
Tata AIG	463.49	300.23	54.38	1.29	1.18	9.79
HDFC Std Life	1,028.94	486.15	111.65	2.87	1.90	50.52
ICICI Pru	2,637.48	1,584.09	66.50	7.35	6.20	18.41
Birla Sunlife	678.1	621.28	9.15	1.89	2.43	-22.38
Aviva	407.54	192.29	111.94	2.55	1.18	115.44
KMOM	397.54	374.74	6.08	1.11	1.47	-24.56
Max NewYork	443.27	224.69	97.28	1.23	0.88	40.30
MetLife	142.63	56.49	152.49	0.40	0.22	79.56
Sahara Life	21.81	1.67	1,205.99	0.06	0.01	828.78
Shriram Life	10.31			0.03	0.00	
Private Sector	10,252.76	5,557.39	84.49	28.56	21.77	31.20
LIC	25,645.19	19,972.25	28.40	71.44	78.23	-8.68
Total	35,897.95	25,529.65	40.61	100	100	0.00

ULIPs: A Right Turn for the Customer

By K. Nitya Kalyani

Over the past few years, unit linked insurance policies (ULIPs) have proved to be very popular in the market, and the sale volumes of ULIPs have been dramatic.

Sales of ULIPs grew ten fold from Rs 1,579.42 crore in premium in the year 2003-04 to Rs 16,060.67 crore in 2005-06. It was Rs 8,247.75 crore in 2004-05.

Traditional insurance policies grew only 14 per cent in the same period, from Rs 17,064.48 crore premium in 2003-04 to Rs 17,069.37 crore in 2004-05 and Rs 19,804.33 crore in 2005-06.

The proportion of ULIPs in the business mix of insurance companies also shot up from just 8 per cent in 2003-04 to 45 per cent in 2005-06.

The popularity of ULIPs was based on buoyant capital markets, which brought attractive returns. So selling the ULIP – which is an insurance policy with a large market investment portion – was rather easy, because market investments have been appealing.

From the insurance company's side, the advantage is that ULIPs place less strain on the solvency margin than traditional products. The investment portion of ULIPs call for a lower solvency margin as per Insurance Regulatory and Development Authority (IRDA) regulations, and this is the lion's share of a typical ULIP.

Despite this popularity, there have been fears that many policyholders may have bought them without

understanding clearly the correct nature of the risk in a ULIP, in comparison with a traditional product. In the case of a ULIP, the market risk of the investment portion of the policy is fully borne by policyholders, just as the rewards also accrue to them. In a traditional policy, the policyholder is shielded from these fluctuations, and the proceeds of the policy are clearly known from inception.

Typical ULIPs have a relatively small life cover and a large investment portion. So if the capital markets perform badly and the returns are poor, or if there are losses, the policyholder would be left with only the original small sum assured, while his expectations and understanding may be that he will get a larger amount.

Since, in a traditional policy, the policyholder is protected from such adverse changes in the market, the risk is that he may assume the same is true with regard to ULIPs too. In addition, in a traditional policy, the pattern in which the premiums can be invested is strictly governed by the investment regulations of IRDA. These are designed primarily to ensure safety and liquidity of the funds –

ULIP vs. Traditional

	2003 -04	2004 -05	2005 -06
Pvt. Sr.	50:50	29:71	82:18
LIC	2:98	22:78	30:70
Total	8:92	33:67	55:45

The Guidelines

These are the main points of the new guidelines for ULIPs, proposed by the Life Insurance Council and announced by IRDA, which took effect from July 1, 2006.

The guidelines state a few features that ULIPs should have. They are:

- A reasonable insurance cover linked to the premium payment
- A long-term nature
- Transparent terms and conditions
- Simplicity in design with no technical jargon
- More of a long-term investment strategy to suit the long-term nature of the products
- Adequate information and disclosure about the investments and their risks
- An industry-wide standard method to calculate the net asset value (NAV) and standardised terminology



Mr S V Mony - Secretary General,
Life Insurance Council

which belong to policyholders – and reasonable returns.

IRDA introduced some guidelines for ULIPs effective July 1, 2006, with the intention of making them more transparent, so the policyholder may invest with clear understanding. It also ensures it is structured so that the insurance cover is increased consistently. More than these, the main purpose was to ensure that ULIPs are medium-to-long-term investments, as insurance products should be. Companies have been asked to make changes to earlier products to comply with these guidelines and enforce them for new products too. (See box: “The Guidelines”)

“This has to be done on an ongoing basis,” Ms Shikha Sharma, MD & CEO, ICICI Prudential Life Insurance Company, told *Premium*. “We have to keep moving towards simpler norms so that agents can explain them in uncomplicated terms to customers.”

IRDA has also mandated some policy terms. The key condition is that the minimum policy term should be five years and that surrender value, if applicable, will be payable only after the third policy anniversary. Similarly, revival of a lapsed policy will be possible only if all due premiums are paid for at least three

Advertisements

The Guidelines have specific norms for advertisements for unit linked insurance policies (ULIPs). Here is a summary of the new norms.

The disclaimer: “*Past performance is not indicative of future performance,*” should be printed in same size letters in all advertisements. Risk factors as stated in the policy document should also be disclosed in advertisements.

Advertisements for ULIPs have to contain the risk factors as stated in the policy document and also warnings as set out by the IRDA guidelines. Two compulsory warnings are:

- The premium paid in ULIPs are subject to investment risks associated with capital markets, and the NAVs of the units may go up or down based on the performance of fund and factors influencing the capital market and the insured is responsible for his/her decisions.
- ----- is only the name of the insurance company and ----- is only the name of the unit linked insurance contract, and does not in any way indicate the quality of the contract, its future prospects or returns.

Other warnings draw attention to the fact that ULIPs are different from traditional life insurance products and are subject to risk factors, so that the prospective policyholder is not misled into buying them without a clear understanding.

Advertisements should contain a factual picture of inherent risks and risk factors and explicitly state the quantum of the guarantee, and the contingency on which it is payable. They should not compare funds offered by one insurer with funds offered by another.

Advertisements should be simple and unambiguous, avoiding jargon. There should be no emphasis on past performance of the fund, nor should it be linked to future performance.

Where past performance is given, it should state its compound annual return calculated on a standard basis for five years or as many years as possible, and for one year at least if data is not available for a longer period.

Disclosures and warnings

The IRDA guidelines specify also disclosure norms for ULIPs.

All sales documents, including the proposal form, should carry the statement: “*In this policy, the investment risk in investment portfolio is borne by the policyholder.*”

In addition to this, they have to disclose – in same size letters – details and objectives of the various funds offered, profile of the investments, the investment strategy, definitions of all charges and their ceilings, and description of the risk profile of the funds under each policy.

The policyholder should also be given periodical reports. An annual report with full details should be given about investments and fund performance in relation to the economic scenario and market developments. It should include the investment strategies and risk control measures adopted, changes in fundamentals such as interest rates and tax rates that affect the investment portfolio, the composition of the fund, sectoral exposures and ratings of the investments, analysis of the duration of the investments, and performance of the various funds over different periods along with a competitive benchmark index.

consecutive years. A third condition is that no loan can be given under this policy, and that partial withdrawals are allowed only after the third policy anniversary.

There are conditions laid down for topping-up of premium (to increase the investments in units under the policy) so that it is not done at the expense of paying premiums due on the life cover. Increasing the investment portion of the policy disproportionate to the life cover is also discouraged.

Detailed guidelines have been given on the pricing of units under the policies and so has a list of proposed charges. These aim to ensure uniformity in calculation and definition. Similarly, conditions related to policy riders have been laid down for companies to follow while designing the product.

There are two types of problems that ULIPs pose. One relates to product design (the medium- to long-term nature needs to be preserved) and information disclosure (sufficient and

transparent product information must be ensured).

The other relates to intermediaries and the selling process. The question here is whether the intermediaries are trained to understand the risks and rewards of the product and whether the selling process ensures that the customer makes a fully informed buying decision.

The guidelines therefore also deal with the risk of mis-selling by the intermediary. The main proposal in this area is that market conduct rules should be created for agents selling ULIPs and a standard method for sales illustrations and model illustrations should be available to them.

The illustration should reflect the effect of charges corresponding to the lower and higher investment returns and client specific details like age and intended premium size. (See box: *"The New ULIP Regime and the Insurance Agent"*.)

The Life Insurance Council – which is a self-regulatory body made up of



Ms Shikha Sharma - MD & CEO,
ICICI Prudential

all the life insurance companies in India – has been given the responsibility to create both these. Drafts of both documents are to be discussed in the Life Insurance Council meeting scheduled for the third week of July in Hyderabad.

Mr S V Mony, Secretary General of the Life Insurance Council, told *Premium* that the companies were talking about a voluntary code of conduct. They feel that competition should be within boundaries, and that ensuring this would be a first step for a self regulatory organisation which the council is.

“Companies are also keen on special training for agents to sell ULIPs. A revised syllabus is being proposed for the 100-hour pre-licensing training of new agents with a chapter covering ULIPs. Licensed agents, if they want to continue selling ULIPs, should get trained and qualified in a timeframe to be specified,” he said.

The IRDA has suggested that life insurers should voluntarily opt for rating their ULIPs. This is to ensure disclosure of quality information and an objective assessment of performance for the benefit of the insuring public. With these detailed guidelines, changing the way ULIPs are created and sold, it will be interesting to watch the future development of this business.

The New ULIP & The Insurance Agent

The guidelines for ULIPs by IRDA speak of the Market Conduct of insurance companies and their intermediaries like agents, corporate agents including bancassurance partners and brokers. This has also been drafted by the Life Insurance Council and is to be discussed at its meeting in the third week of July 2006, after which it will be ready for implementation. They include:

- Separate training to all the insurance agents/ intermediaries before they are authorised to sell ULIPs. The curriculum for this training should contain the basic features and inherent risks in these products
- Periodical in-house refresher training to ULIP agents
- Maintaining records of such agents
- Appropriate documentation forming part of the proposal papers to demonstrate informed decision making on the part of the proponent in deciding on a particular insurance product
- Provision of the sale illustration statement as prescribed and duly acknowledged by the potential policyholder
- Code of conduct to ensure no mis-sale takes place
- Education of the policyholders on an ongoing basis about the features, risk factors, terminology, definitions of charges etc under these contracts
- Uniform practices for rounding off unit prices

New version of BIMA Gold

The Life Insurance Corporation (LIC) of India is considering a new policy along the lines of Bima Gold – the commemorative policy for its golden jubilee last year which sold exceedingly well – with additional features.

New product for NRIs from IOB

Indian Overseas Bank (IOB) has joined hands with the UAE Exchange to offer remittances for insurance products to non-resident Indians (NRIs) in the Middle East. This new product is an arrangement between United India Insurance Company and IOB, which provides insurance cover for NRIs under the scheme IOB NRI Shield.

The scheme covers NRIs during their stay in India, up to a maximum of 180 days a year. NRIs, during their visit to India, require insurance to meet contingencies arising out of ailments, accidents, baggage loss and other perils like fire.

LIC's new unit-linked gratuity plan

LIC has launched a unit-linked gratuity plan and aims to earn Rs 1,000 crore of premium income from the scheme this year.

Christened Gratuity Plus, the plan is different from traditional cash accumulation plans, as the returns under the plan are linked to the performance of the chosen fund. Gratuity Plus is aimed at companies that desire to entrust gratuity fund management to an insurer and wish to have flexibility of choice of investments.

There is a choice of four funds to meet various risk appetites - bond fund, income fund, balanced fund and growth fund. LIC manages Rs 15,000 crore of gratuity funds of 30,000 corporate clients. From

D&O for unlisted companies

Tata AIG General Insurance Company has floated a policy named "Highlight" to provide liability cover for directors and officers of unlisted small and medium-sized businesses. This cover is a pre-underwritten product with minimum documentation. It protects directors and officers from business-related risks, according to a press release.

Though these businesses are unlisted, the nature of risks faced by directors and officers at the hands of stakeholders are similar to those of listed companies. This includes regulatory investigations, employment practice litigation and accounting irregularities. "Highlight" will provide protection to the directors and officers of these unlisted companies when they are faced with suit claims from any stakeholder.

January 1 to June 15, 2006 LIC has earned a premium of Rs 710.05 crore from gratuity schemes, it is reported.

Existing clients of gratuity plans have been given the option of switching over to the new plan.

National Insurance to launch three products

The National Insurance Company (NIC) will offer three new health insurance products this financial year.

Vidyarthi Medclaim, a group hospitalisation policy for students, and a senior citizens' scheme will be launched shortly.

Dhanvanthari Medclaim, a group health insurance cover for the account holders of State Bank of Mysore and the members of their families, was launched recently. This was modelled on the cover created earlier for Vijaya Bank, UCO Bank and State Bank of Bikaner and Jaipur. A micro-health insurance scheme is also on the cards.

Social insurance for NRIs

The Government is considering social insurance plans for NRIs as the community has been remitting crores of Rupees to India for years. Other welfare measures are also being considered. A survey by J P Morgan to study the extent of remittances by NRIs to India since 1995 reveals that, on average, NRIs have remitted Rs 1 lakh crore every year. Since 1995, that figure has jumped by 150 per cent, and it constitutes 23 per cent of India's foreign exchange reserves. Their remittances have been invested in sectors like real estate.

RELIANCE GEN GOES RETAIL

Reliance General Insurance Company Ltd., one of the first private companies to be registered by IRDA, focused on industrial business in the first few years. Today it has reworked its strategy and is giving retail business a big push, Mr K A Somasekharan, President and CEO of the company, told Premium. The company has launched a series of personal lines products and will be adding to its tied agency force to sell them.

STUDENT CARE



Company : Star Health and Allied Insurance Company

Type of Policy : Personal Accident policy for students

What it covers : Accidental Death and Permanent Total Disability following an accident.

Additional features: Hospitalisation costs are covered up to Rs 5,000 following an accident. This includes a limit of outpatient treatment of Rs 1,000 for school students and Rs 2,000 for college students.

Educational grant to students is available in case of death or permanent disability of the earning parent/guardian, limited to Rs 5,000 for a school student and Rs 10,000 for a college student. This amount is available once during the policy period.

Age limit : Students between the age of three and 18 years can be covered under school cover and students between the ages of 15 and 25 years under College Student Care.

Sum Insured and Premium : **School students:** The minimum sum insured is Rs 50,000 for a premium of Rs 70. The sum insured can be increased in multiples of Rs 10,000 up to a maximum of Rs 1,00,000 at an additional premium rate of Rs 0.60 per mille.

College students: Minimum Rs 75,000 sum insured for a premium of Rs 120. The sum insured can be increased in multiples of Rs 10,000 up to a maximum of Rs 2,00,000 at an additional premium rate of Rs 0.60 per mille.

MARKET PLUS



Company : Life Insurance Corporation of India

Type of Policy : Unit Linked Plan

Age limit : 18 to 70 years under without risk plan, 18 to 65 years under with risk plan

How it works : Available with and without risk cover. Policy holder has the option to book the surrender value at any time. However, it is payable to the policyholder only after three years.

There are no surrender charges/ exit load, no deduction on NAV for any claim – no bid offer spread, no other charges other than allocation charges and flat fee for without risk cover and additional life cover charges for with risk cover plan. Premium paid less charges will be convertible into units at a price of Rs 10 per unit.

Investment : There are four fund options, namely, bond, secured, balanced and growth fund.

Benefits : • **Accident benefit:** 50 paise per Rs 1,000 sum assured

• **Death benefit:** Risk cover/ sum assured along with policyholder's fund value

Minimum premium : • **Single premium:** Rs 10,000

• **Regular premium:** Rs 5,000

Maximum : No Limit

Product information given in these pages is intended as general information only and not as recommendation. While all care is taken about the factual accuracy of the information, *Premium* will not be responsible for any errors or omissions or the consequences thereof.

AUTO SECURE



Company : Tata AIG General Insurance Company

Type of Policy : Motor insurance

What it covers : • **Damage and loss cover**
Auto Secure covers cars against Fire, Explosion, Self-ignition and Lightning, Burglary, Housebreaking and Theft, Riot and Strikes, Earthquake, Flood, Typhoon, Hurricane, Storm, Tempest, Inundation, Cyclone, Hailstorm and Frost, Landslide and Rockslide, accident through external means, Malicious Act, Terrorist activity, whilst in transit by road, rail, inland waterway, lift elevator, or by air.



- **Legal liabilities:** To cover statutory liability for death or bodily injury caused to third parties including occupants of the car, and property damage to third parties (as per provisions of Motor Vehicles Act, 1988). Third Party Property Damage up to Rs 7.5 lakh for four-wheelers and Rs 1 lakh for two wheelers. It also indemnifies legal costs and expenses. Liability incurred for death or injury to paid drivers and employees using the car are provided for under this cover.
- **Additional benefits:** Warranty on accident repairs is offered in Auto Restore Garages when a customer opts for the Green Channel Settlement. These garages give up to three months warranty on mechanical work and up to six months warranty on body and paintwork.

WEDDING INSURANCE



Company : Bajaj Allianz General Insurance Company

Type of Policy : Event cover

What it covers : The insured can choose from four options from the six sections in the policy. The Section covering cancellation/ postponement due to accident is compulsory.



- Cancellation/ postponement of wedding due to accident to bride/ groom/ their blood relatives, resulting in hospitalisation.
- Damage to insured venue due to Fire and Allied Perils including Act of God, Riot, Strike and Malicious Damage within seven days from the printed wedding date.
- Expenses incurred for the following will be covered: Advances paid for the venue, to decorators, caterers, music parties, hotel and travel booking and cost of printing of invitation cards subject to limit of sum insured opted.
- Accidental Death and Permanent Total Disability including medical expenses up to 25 per cent expenses (on wider cover) to bride/ groom and blood relatives as declared up to the limit of sum insured opted for.
- **Money In Safe:** Money withdrawn from bank for wedding expenses and any loss of such money/ cash, entire or unutilised amount from safe/ locker at residence. Cover is available seven days prior to the wedding date and shall cease immediately after the wedding ceremony.
- **Burglary:** Loss or damage is covered caused by Burglary and Theft (i.e. following actual forcible and violent entry of/ exit from the premises) in respect of valuables like jewellery/ ornaments, precious stones, metals, appliances etc. given by blood relatives and in-laws for which proper valuation certificate/ bills etc are available, subject to limit of sum insured. This cover is available for seven days prior to, and one day after, the wedding date.
- **Public Liability:** This section protects your legal liability for bodily injury (including food poisoning) to, or loss or damage to, property of third party at the venue as declared on the event date.
- **Exclusions:** The company will never compensate any indemnity arising out of:
 - Dispute between the marriage parties
 - Criminal acts, child marriage, marriage under duress
 - Wilful negligence, misconduct, misrepresentation, insolvency
 - Breakage of fragile articles, other valuables which are not declared and included in the policy
 - Theft where there is no forcible entry/ exit
 - Subterranean fire, damage to electrical apparatus due to self-heating or short-circuit
 - Damage involving the insured and/ or his family members or employees as principal or accessory in case of burglary
 - Suicide, mental dysfunction, influence of alcohol, drugs and the like
 - Pregnancy and related claims
 - Fines, penalties, levies imposed by the Government
 - War and war-like perils including terrorist attack
 - Nuclear perils and radioactivity
 - Wear and tear and consequential losses

UNIVERSAL HEALTH INSURANCE



- Company** : The New India Assurance Company
- Type of Policy** : Hospitalisation Policy
- Benefits** :
 - **Reimbursement of Medical Expenses:** The policy provides reimbursement of hospitalisation expenses up to Rs 30,000 to an individual/ family subject to sub-limits.
 - **Personal Accident Cover:** Death of the earning head of the family (as named in the schedule) due to accident is covered for Rs 25,000.
 - **Disability Cover:** If the earning head of the family is hospitalised due to an accident / illness a compensation of Rs 50 per day will be paid for hospitalisation up to a maximum of 15 days after a waiting period of three days.
- Age limit** : Covers people between the ages of three months and 65 years.
- Who can be covered:** This is a family cover. Family is defined as earning head, spouse and up to maximum of three dependent children. Dependent parents can also be included.
- Floater basis** : The benefit will operate on a floater basis i.e. the total reimbursement of Rs 30,000 can be availed of individually or collectively by members of the family.

UNIT PLUS II SINGLE



- Company** : SBI Life Insurance Company
- Type of policy** : Single Premium Unit Linked Life Plan
- Age limit and term** : The policy offers two choices of limited term: between five and 40 years subject to maximum maturity age of 80 years; minimum term for minor life assured is equal to higher of 18 years minus age at entry or five years.
- How it works** : Investment can be between Rs 40,000 and in multiples of Rs 1,000 thereafter, in a single contribution without any maximum limit. The life cover can be 125 per cent or 625 per cent of single premium amount irrespective of term.
- Investment Options** : Policyholders can choose their own allocation (in percentage) in the four different funds available viz Equity, Bond, Growth and Balanced Fund.
- Benefits** :
 - **Maturity Benefit :**
At maturity the Fund Value on the date is paid in full.
 - **Death Benefit:**
On death before, or at age seven, fund value is payable to the nominee.
After attaining age seven and before the 65th birthday, the beneficiary will receive the higher of the fund value or sum assured less partial withdrawals from top up amount.
If death occurs after age 65, the beneficiary will receive the higher of the Fund Value or Sum Assured less all the partial withdrawals made in the last 12 calendar months before attaining age 65 less all those made after attaining age 65 which will be set off against the sum assured excluding partial withdrawals from top up amount.
- Tax benefit** : As per section 80C and 10(10D) of Income Tax Act.

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The Editor, Premium
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or
e-mail us at editor@premiumonline.in

CANCER CARE



Company	: ICICI Prudential Life Insurance Company
Type of Policy	: Cancer Policy
Maximum Cover	: Rs 10 lakh
Age at Entry	: 25 to 70 years
What it covers	: Besides covering the most common cancers among men and women, like those of the lung, oesophagus, larynx, stomach, breast, cervix and ovary, it also covers a comprehensive list of cancers which include stomach, bowel, bladder, head and neck, liver, pancreas, gall bladder, brain, kidney and lymphoma. Provides cash payouts at various stages of diagnosis, treatment and surgery.
Benefits	: Payments on Diagnosis of Early Cancer, Oncological Treatment of Early Cancer, Diagnosis of Advanced Cancer, Oncological Treatment of Advanced Cancer and Surgery for Advanced Cancer.
Tax Benefits	: Contributions under the plan are eligible for tax benefit under section 80D and claim benefits are eligible u/s 10(10D) as per prevailing Income Tax laws.



CORPORATE LIFE



Company	: Aviva Life Insurance Company
Type of Policy	: Group life insurance policy
Benefits	: Compensates for financial loss to family members/ dependants. Cumulative insurance cover up to Rs. 1 crore. In case of accidental death, insurance cover can be up to Rs. 2 crore.
Tax benefits	: In accordance with the current provisions of the Income Tax Act, 1961. Currently premiums paid are allowed as expense for income tax purposes.
Premium payment	: Premium payment with a choice of monthly, quarterly, half yearly or annual payments.
Eligibility	: A minimum of 20 employees of an organisation have to be covered. Any permanent employee between the ages of 18 and 65 years is eligible.
Sum Assured	: Average sum assured per individual can be from Rs. 4 lakh to more than Rs. 10 lakh.



SAHARA SAMPANN



Company	: Sahara Life Insurance Company
Type of Policy	: Endowment life policy with Money Back
Age limit	: 14 to 55 years
Sum assured	: <ul style="list-style-type: none"> • Min : Rs 50,000 • Max : Subject to underwriting
Policy terms	: 15 and 20 years
Max. age at maturity	: 70 years
Benefits	: <ul style="list-style-type: none"> • Survival Benefit: A percentage of the basic sum assured is payable on survival of specified policy anniversaries. • Maturity: All vested bonuses along with terminal bonus, if applicable, are payable. • Death: A certain percentage of the Basic Sum Assured along with attached bonus and terminal bonus (only if death occurs after 15 years of the commencement of the policy and policy is in force.) • Additional Benefits: Accident Benefit Rider and Accidental Total and Permanent Disability Benefit Rider at additional premium of Re 1 per Rs 1,000 sum assured.



BIMA BACHAT YOJANA



Company	: HDFC Standard Life Insurance Company
Type of Policy	: Rural life insurance policy
About the product	: To provide cover to economically weaker sections and also to popularise the concept of life insurance and savings in rural areas. Bima Bachat Yojana is a low premium life protection plan. One time premium for a five-year term is just Rs 100.
Benefits	: <ul style="list-style-type: none"> • Death before maturity: Rs 1,000. • Survival to maturity: Rs 200
Age limit	: 18 to 50 years



Go Rural!

“The rural market for insurance is as good as the urban market. It may be even better, since moral hazard is lower and the level of compliance by the insured is higher,” said Mr N Rangachary, Financial Advisor to the Andhra Pradesh Government and former Chairman, Insurance Regulatory and Development Authority (IRDA).

Recent market surveys show that many rural areas have higher growth rates than urban ones. About Rs 100 lakh crore worth of industrial investment is expected to go into the rural areas in response to the attractive incentives in the Special Economic Zones policy.

“This means that the concept of a rural agent is undergoing a change and these developments call for a new approach,”

Mr Rangachary told delegates in his keynote address at a seminar on Rural Insurance organised by the newly formed Rural Marketing Agencies Association of India (RMAAI) in Hyderabad on June 22, 2006. The newly broadbased insurance industry has performed ‘beyond expectations,’ and all players have learnt much about how insurance has to be done, he said.

“They now have to develop the rural market and, to my mind, the only sensible approach capable of yielding results is the communal approach,” he urged, adding that the State and the Regulator should make the effort to spread awareness, as insurance is a new concept here.

He also advocated a holistic approach to create a nuclear policy to ensure a risk free environment for the rural population. Differential pricing between the urban and rural areas may be required, he said.

A thrust on claims recycling

The Life Insurance Corporation (LIC) has marked out a strategy of recycling claims to increase its first premium income. LIC has sent out word that at least 30 to 40 per cent of maturity claims should be recaptured as new premium income. In the banking sector, 70 to 75 per cent of maturing deposits are converted into fresh deposits or renewed. A prompt follow-up of maturity claims can ensure that this happens in the insurance industry also.

For example, a big branch in Chennai does not even recycle 1 per cent of its maturity claims. The insureds may be willing to reinvest their policy proceeds in single premium policies, policies with shorter terms and in immediate annuities if they are closer to retirement age.

Pitted against banks...

Banks are going to launch a huge deposit collection drive in the financial year 2006-07. Already, deposit rates and lending rates are slowly going up, and this is because the liquidity in the system is decreasing and the demand for loans is increasing. This means that selling insurance policies will be a little more difficult, since the competition from bank deposits will be stiff.

...and also tax benefits for bank deposits!

There is one more competitive investment for insurance policies, and that is the five-year bank deposit. According to the Union Budget 2006-07, Section 80C investments up to Rs 1,00,000 will be exempt from income tax if they are invested in specific instruments.

This year, bank deposits with a tenure of five years and above are also eligible for this tax benefit. However, as insurance company agents, you have two alternatives to offer to bank deposits – but on the medium- to long-term side. One is the insurance policy, of course, and the other is annuities, which have also been brought under the Rs 1 lakh limit, thus making it more attractive to buy and easier to sell.

How not to recycle claims

Are you encouraging your customers getting maturity claim cheques to reinvest in insurance products? Very wise, but don't convert them to pension plans unless they are very clear they want it, because you would be converting a tax-free investment into a taxable one.

Today, pension plans may be getting as much tax benefit in the investment stage as any insurance plan under section 80C of the Income Tax Act. But remember: The proceeds of a pension plan – the annuity – is taxable, unlike the proceeds of an ordinary life insurance policy.

MDRT: A Million Dollar Opportunity

By T E Narasimhan

It's an association of some of the best-performing life insurance agents from around the world, and its fastest growing membership is from India.

The Million Dollar Round Table (MDRT), an international, independent association of life insurance and financial services agents, includes more than 33,000 members from 74 nations and territories, representing 485 different companies. India's membership in this prestigious club, for the calendar year 2005, more than doubled to 1,203 agents, up from 574 in 2004 and 312 in 2003.

The MDRT was launched in 1927, when 32 life insurance producers, each of whom had sold at least \$1 million of insurance that year, created a forum dedicated to fostering



Mr P Srinivasan - President, Life Underwriters Guild of India

a high-standard, professional approach to life insurance sales and service. The association works towards the professional and skills development of its members and stands for ethical business practices and for

the personal growth and development of its members.

Mr Radhakrishna K Shetty, Zone Chair – India and Sri Lanka for MDRT, told *Premium*: “Over 2,000 Indian agents would have qualified for an MDRT membership by their business performance.” Only now is interest growing among Indian agents to become members. MDRT went on an awareness drive that resulted in more agents becoming members, Mr Shetty says, and work is on to bring a formal India chapter into being.

Mr Shetty, an agent of the Life Insurance Corporation of India (LIC), has qualified for the ninth year in succession. On registering for the 10th year, he will become a life member, one among the very few in India.

The Indian contingent was 350-strong at the annual MDRT convention 2006, held at San Diego June 11-14. Over 7,000 agents from all over the world who qualified during 2005 attended three days of sessions covering sales techniques, professional development and motivation, which recharged them tremendously.

Production Goals : Membership requirements for MDRT

An Indian agent who earns a commission of over Rs 5 lakh, not counting bonuses, or brings in a premium income of Rs 21 lakh during a calendar year is pre-qualified for MDRT membership. Qualifiers have to pay a fee and register as members to avail of benefits, one of which is that they can attend the annual convention, usually held in the US.

The Premium and Commission requirements (in the table below) are set independently. Conversion factors have no relationship to currency exchange rates and are used only to standardise MDRT processing.

Year	Membership Premium/Commission	Court of the table Premium/Commission	Top of the table Premium/Commission	Conversion Premium/Commission
2006	22,00,000/ 5,50,000	66,00,000/ 16,50,000	13,200,000/ 33,00,000	15.0845/ 7.9022
2005	21,17,600/ 5,29,400	63,52,800/ 15,88,200	12,705,600/ 31,76,400	15.7092/ 7.8546
2004	20,76,800/ 5,19,200	62,30,400/ 15,57,600	12,460,800/ 31,15,200	11.8 / 7.8667
2003	14,92,500/ 4,97,500	44,77,400/ 14,92,500	8,955,000/ 29,85,000	11.4808/ 7.6538

(Based on Premium and Commission for the previous calendar year, expressed in Indian Rupees)



Mr Binayak Dutta - Chief of Sales & Distribution, ICICI Prudential

Mr O P Dad and his wife Ms Sushila Devi, agents of Bajaj Allianz Life Insurance Company in Bhilwara, Rajasthan, qualified in 2005 for the second year in a row. Just back from MDRT 2006, they told *Premium* that the event was very informative, and “a learning process.”

Mr K C K Manivannan, 30, a Max New York Life Agent Advisor, is on a high. The 2006 MDRT convention was his very first, and it was all the sweeter because he qualified in his first full year of working as an insurance agent.

“Because of the opportunity that MDRT advisors get to interact with the top global advisors and exposure to international practices, they can enhance the sales advice they give their customers which, over the long term, will benefit the customer, the advisor as well as the company,” says Mr Binayak Dutta, Chief of Sales & Distribution at ICICI Prudential Life Insurance Company.

ICICI Prudential’s approach to developing advisors encompasses training, management and administrative support, and career growth and development, says Mr Dutta. “We believe that by offering a well-rounded growth opportunity,

advisors are encouraged to partner with us over the long-term and will deliver their finest.”

HDFC Standard Life's (HDFSL) Head, Retail Sales, Mr Dilip Gazarao, recalls that in the year 2001, when the first of his company's agents made it to MDRT and attended the convention, “he came back totally thrilled!” His perspective had changed from being a big fish in a small pond to a small fish in a big pond. He was numero uno here and found that at the MDRT convention, there were not only people who had been turning in excellent performances, but also doing so for decades!

The outcome of meeting them was enthusiasm and inspiration. The content of the conference was also a big value add in terms of learning, narrates Mr. Gazarao.

QUALITY MATTERS

“It’s not important to just get business but to keep it. The customer’s family has to continue to be protected,” says Mr Vijay Sinha, Assistant Director-Agency and Vice President Distribution Training of Tata AIG Life Insurance Company.

For this the company started a programme two years ago for its individual full time agents to qualify for LIMRA International’s International Quality Agent (IQA) award. Sixty-six Tata AIG Life advisors were given the certification last year, he told *Premium*.

The award, says LIMRA International, “recognises those agents whose production and persistency records indicate competence and dedication to the insurance industry and their clients. By qualifying, an applicant shows that the products they sell meet their clients’ needs over an extended period of time.” LIMRA is a worldwide research, consulting and performance improvement organisation that helps more than 800 insurance and financial services companies in 60 countries increase their marketing and distribution effectiveness,

The award is given to about 22,000 full time agents around the world. Their company has to be part of the programme and the agent has to write a certain minimum of policies for two consequent years and achieve a certain level of persistency for 13 months. There are awards for various achievements over different lengths of time up to 35 years.

The persistency level required for last year was 90 per cent. This, said Mr Sinha, shows very high awareness of the importance of persistency. The company has a Persistence Management Cell that tracks every policy sold through every channel, he added.

However long the service of an agent, it is still uncomfortable to get a 'no' from a prospect, he laughs. "When they rub shoulders with the best in the trade and find that they too are constantly learning to cope with 'failure' and how to perform better despite it, they are charged," he says.

The company started sponsoring the price of the air ticket for the agent to attend the MDRT conference. Later it found that many qualified, but did not become members as the fee was high. So HDFCSL decided to pay the registration fee so that the agent could buy educational and other material from the association which helps a lot. The company also pays the entire bill for the agent who attends the conference.

Mr P Srinivasan, a Coimbatore-based LIC agent in his seventies, has just returned from his 18th successive MDRT annual convention. He is one of just three or four agents in India to enjoy this distinction.

Does the excitement at the convention ever grow stale? "Will one ever get too



Mr Ramakrishna K Shetty - Zone Chair, India & Sri Lanka, MDRT

bored to attend the festival of one's temple? Won't it always be an elevating experience?" shoots back the veteran, who set up the Life Underwriters Guild of India (LUGI), which is accredited by MDRT to recommend Indian qualifiers for membership.

This awareness drive – of the benefits of associating with professional development bodies – seems to have stepped up with the entry of private sector companies who encourage agents in their career development and growth. Most companies have different levels of achievers' clubs that

foster the competitive spirit among agents and support professional education and skills development.

Once they have qualified for the MDRT, for example, many companies foot a part of or even the entire bill for attending the convention, helping with visa formalities and rewarding agents with what in effect is a major recognition in their professional life and among their peers.

Max New York Life, for example, hosts the agent from his doorstep and back.

LIC offers Corporate Club members (numbering about 56) who attend the convention, airfare as well as Rs 15,000 for membership fees.

Belonging to the MDRT is a thing to be proud of, for the membership represents less than 1 per cent of the world's financial services professionals who qualify through their successful sales performance.

**Additional reporting by
K Nitya Kalyani**

FLYING HIGH!

To motivate and encourage their agents, insurance companies are offering incentives by taking them on foreign trips.

Max New York Life is taking their top agents to Colombo this September, to attend their company's Executive Council Meeting, which happens every year in different countries. Their company agents have visited Thailand, Nepal and other countries as incentives. Last year, more than 200 agents across India attended the meet that was held in Goa.

To qualify for the incentive, the agent must have earned Rs 4,15,000 as commission, and written 40 paid cases between July 2005 and June 2006.

Shriram Life Insurance Company has planned a business conference in South Africa for agents who have done Rs 5 lakh premium. This will be at the offices of Sanlam, its foreign partner in the joint venture. Thirty-one agents have qualified for the trip based on their performance in the last quarter of 2005-06 after the company received its IRDA registration and commenced operations in October 2005.

Promoted by the Chennai-based Shriram Group of Companies, which is primarily in the business of chit funds and truck financing, the company has over 7,000 insurance agents, many culled out of the chit- and truck finance/deposit agency force of 65,000 of the group.

The Five Qualities of a Leader

Passion is critical

Nothing works without passion. And nothing works like passion.

Your success as the Leader of a sales team is based on how well you evoke passion among your team members. Passion has to be guided by a clear vision.

What feeds passion? The human urge to have needs met. Your team member will not develop a passion to sell insurance unless he sees it as a means to fulfill his own needs. Those may include the need to earn a livelihood, to find satisfaction in work and the need to acquire social standing and the respect of his peers and superiors.

Relationships are central

No man is an island. Life is about relationships, whether it is family, friends, clients, employers or employees.

The influence of a Leader grows with strong relationships.

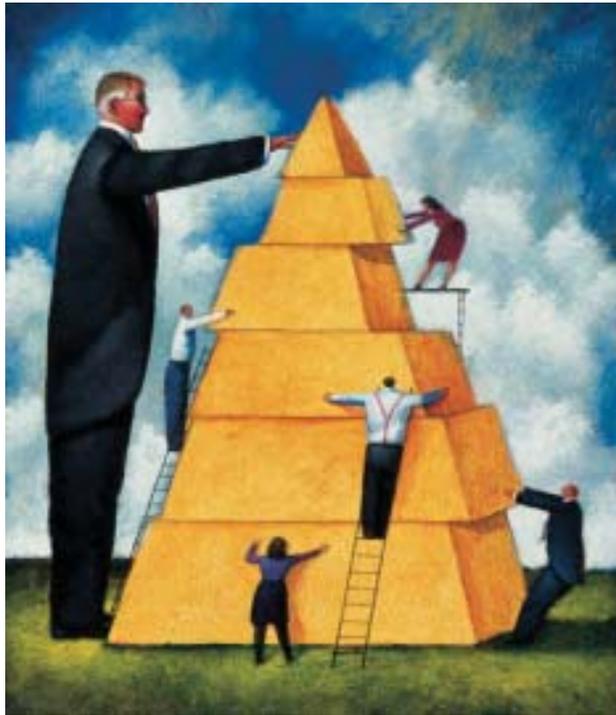
Empathy is the key to developing a strong and healthy relationship. Strong relationships between you and your agents, and also among your agents, put the team on a fast track, at the same time increasing your influence.

Appropriate and whole-hearted appreciation of people for their achievements and strengths will help the relationship grow and will result in fierce loyalty for the Leader. This is because they know that you care for them, love them, and appreciate them. This will be a crucial step to your success as a Leader.

Information is the lifeline

Today the world revolves around information. Reliable, quality information is the basis of action.

Effective information gathering is the most basic tool a Leader requires. It lights up the path, provides perspective, allows ideas to emerge and also acts as the tool to assess those ideas.



Information combined with emotion leads to action. Without information your agent will be lacking in the basis for executing what is needed to achieve goals.

Training is the foundation

Life is a constant learning experience. Training and development is a continuous journey you have to undertake as a Leader both on your own behalf and on behalf of your team members.

Continuous training and self development maintains high levels of self-confidence, reduces team member turnover and leads to increased efficiency and satisfaction levels.

It also helps align the agent to company mission, goals and policies.

Communication is key

To Inform, Inspire and Influence is the purpose of Communication.

Good communication is the very essence of Leadership. Conveying the objectives of the team and the methods to reach those objectives effectively is often the successful first step to a winning team.

In a modern organisation, communication requires sophistication. The Leader is not a transmitter of commands but a creator of motivational environments.

The Leader who can't communicate can't create the conditions that motivate. Even a genius who can't communicate is intellectually ineffective.

The team that can't communicate can't change, and the team that can't change is dead.



T E Narasimhan



Mr R Gopinath - CEO, Go Past Centre for Learning

Don't Sell the Policy

By T. E. Narasimhan

(see box "Going beyond"). The first session, appropriately titled "The Dawn," was a motivational one for agents. Over 400 agents and development officers gave up their weekends to listen to him with rapt attention and get recharged.

His messages are simple but forceful, like this one: The thing that holds back the agent is fear. That one moment of hesitation when going out to meet the customer on a sales call is the enemy. An attempt may fail, and that can hurt the ego and confidence. But not attempting is a sure path to failure, which will destroy the ego and confidence.

And that is what selling is all about – confidence and internal strength – says Mr Gopinath.

Agents and development officers seem

TECH-TALK

"Without technology I'd be bankrupt," says Mr Gopinath. "It saves me time. I am dependent on my laptop, and my mobile phone with its communicator suite is like oxygen to me.

Time is limited and to organise oneself is very important. That is where technology is incomparable.

to agree. He has quite some admirers among the sales force in the industry, specially in Life Insurance Corporation of India (LIC), where he started his career at the age of 22 as an Assistant

Tell your prospect about the need for insurance, and he will demand that you give him the policy! That is Mr R Gopinath's advice to the insurance agent.

Insurance is a need of life and can't be sold quickly. Agents should not push the product but use emotion as a tool to persuade the customer to pull it.

The first step is that the agent should gain a good understanding of the mission and purpose of insurance. Only then can he create confidence in the customer to buy it, he elaborates.

Mr Gopinath spoke to *Premium* the day his training company, Go Past Centre for Learning Pvt Ltd, was launched

GOING BEYOND

"We are the runway for our clients to take-off to their destinations," says Mr Gopinath about his company, Go Past Centre for Learning Pvt. Ltd., a training institution for insurance and financial services professionals, specially for those in sales. Promoted with friends, Mr J Parasuraman and Mr B J Stanis, who are based in Singapore, Go Past seeks to sharpen skills and shape attitudes through training, coaching and consulting. It is also involved in 'enhancing the leadership qualities and capabilities of our clients and helping them achieve global standards through training.'

"My dream is to start a training institution of global standards and make it the best in the world," says Mr Gopinath. His role model? Dr Stephen R Covey, whose productivity and personal growth training company, FranklinCovey, commands worldwide respect.

Go Past is now offering open and in-house sessions for sales skills development and motivation and will train agents for the Certified Financial Planner (CFP) course in the future. It has ventured into the audio visual format also, its first release being a productivity video entitled *Life is a One Time Opportunity*, on a compact disk (CD).

Administrative Officer (AAO) in the 1984 batch of direct recruit officers.

He was posted to various locations in India, where he handled administration, business development and training. It was the last one that caught his imagination the most. He used every opportunity to talk to development officers and agents to train and motivate them to perform better and developed it as a hobby he was passionate about.

As the Indian insurance industry was liberalised, in 2002, Mr Gopinath was travelling to Sri Lanka to set up LIC's subsidiary there, moving it to the eighth position in terms of market share from the 13th and deploying about 1,700 agents. Of course, he was conducting motivational seminars and building up the psyche of insurance sales people there, too!

When the Indian industry shaped up the way it has, he saw the opportunity to play a key role in training and motivating the sales force across the industry. Bidding goodbye to LIC, he set up Go Past.

The opportunity is here and the time is now, he says. "The industry is

AGENT MATTERS

"Agents are the key to this business' future," says Mr Gopinath. And business development and motivational training is a good combination to get the agent going. This is more so for the young ones who are trying to find their feet in the profession, and, as often as not, getting discouraged.

changing rapidly and insurance agents need to get equipped to face these changes."

There is also another challenge. Customers are better informed now. To match their growing awareness levels, agents need to get educated (in insurance) a lot.

Since the Indian market has traditionally seen life insurance also as a savings instrument, life agents should be constantly updated on changes in the investment scenario.

Helping the customer discover his needs and suggesting a good product mix to fulfill those needs will be the key to selling insurance in the future, he says. So an agent will have to learn the principles of financial planning on a broader level too.

Keeping them trained and all charged up is his mission in life now!

"Youngsters have the energy that is so essential for taking off to great heights. But this energy evaporates in the absence of ambitious goals and knowledge," he says.

His two pronged recommendation: Young people should set demanding goals and invest in enhancing their knowledge and skills on a regular and consistent basis.

He has a weightier message for them, more than aspiring to mere professional success. "Listen to your conscience when in a dilemma. Do not resort to any activity that disturbs your conscience."

"Success without morality can lead to hell on earth."

BRAILLE FOR AGENTS

Mr Vinod Sahgal, Managing Director, Bajaj Capital Insurance Broking Ltd, wants to create training material in Braille for insurance agents to enable the visually impaired to take up the profession.

Insurance selling is a good professional opportunity for the visually impaired, he told *Premium*. "I would like to spearhead any movement to get the industry to move in the direction of harnessing the energies and intelligence of these people, and to get the industry, the Council and the Regulator to bless the endeavour and contribute towards a corpus for it," he added.

He is looking for like-minded people who will join him or help him in this undertaking. So if you have any experience or ideas, or would just like to lend a hand, your inputs are most welcome. "If someone has already started working on such an idea I would be delighted to join hands with them," Mr Sahgal said.

Battling Bereavement



Losing a loved one can be the most difficult time in a person's life. That is the exact time when an insurance agent can bring comfort to the family by just performing the service that is his or her duty.

Apart from the details and business aspects of settling the claims, dealing with the bereaved requires great sensitivity, empathy and tact. Here are a few pointers on how to handle the situation that we found on the web site of *Cholamandalam MS General Insurance Company*.

Helping the bereaved

Meeting people who have suffered a loss is not an easy task. One has to find the right things to say.

Do we talk about the deceased, or do we avoid evoking memories of them?

How do we offer consolation for one of the deepest sorrows in life – losing someone you love?

Make and maintain contact

Contacting the bereaved person as soon as you hear the news is important. This can be through a letter. However, the best way is to meet them in person. Maintain the contact for an extended period of time, pay visits every once in a while, talk to them or send letters. They will value this support immensely, since people take as long as six months to a year to come to terms with reality after losing a loved one.

Try to include the bereaved in group events and get-togethers. Do not assume that they will not be interested in attending functions or participating in group activities.

Listen well

Talking about the deceased can prove cathartic. Let the bereaved talk and in

the process feel healed. One should not get embarrassed or feel uncomfortable if some tears happen to be shed. Be responsive to the situation.

Many people don't talk about the person who has died, worrying that it may bring on another wave of grief. Speak well of them. Remember and share your happy moments with them. Talk honestly. If you will miss him or her, don't be afraid to say it.

Offer practical help

Ask them if you can arrange for food or extra servants to tide over the phase, or if finances are adequate. Take care of their children or the elderly while the immediate family of the deceased adjusts to their new way of life.

Helping children

Do not avoid telling children about death. If you are close to the family, offer to explain to the children. Help them adjust to living without their parent or sibling. Offer help sincerely, with earnestness, and its resonance shall be felt by the family.

Business figures – May 2006 (See page 2 for highlights)

Life First Year Premium for and up to May 2006				Non-Life Premium for and up to May 2006			
Insurer	Premium		Growth%	Insurer	Premium		Growth %
	Up to May 06	Up to May 05			Up to May 06	Up to May 05	
Bajaj Allianz	375.54	97.15	287	Royal Sundaram	112.02	82.80	35.29
ING Vysya	67.00	11.47	484	Tata AIG	170.99	128.12	33.46
Reliance Life	84.79	14.79	473	Reliance General	110.14	40.63	171.11
SBI Life	151.43	46.00	229	IFFCO-Tokio	241.07	165.74	45.45
Tata AIG	79.39	53.52	48	ICICI Lombard	589.52	320.16	84.13
HDFC Standard	141.02	77.90	81	Bajaj Allianz	325.29	228.55	42.33
ICICI Prudential	438.25	205.53	113	HDFC Chubb	30.68	25.43	20.64
Birla Sunlife	87.43	47.12	86	Cholamandalam	58.67	57.46	2.11
Aviva	90.31	29.78	203	New India	976.22	846.17	15.37
KM OM	50.00	21.10	137	National	662.05	640.71	3.33
Max New York	88.66	35.64	149	United India	709.54	660.81	7.37
Met Life	26.58	10.08	164	Oriental	731.08	680.51	7.43
Sahara Life	1.74	.42	317	Private Sector	1,638.39	1,048.89	56.20
Shriram Life	3.72			Public Sector	3,078.89	2,828.20	8.86
Private Sector	1,685.85	650.49	159	Total	4,717.28	3,877.09	21.67
LIC	4,183.05	2,027.27	106	Specialised Institutions			
Total	5,868.89	2,677.76	119	ECGC	76.70	87.17	-12.01
				Star Health	.04		

Note: Up to the month premium is net of cancellations.



From Soft Toys to San Diego

By T E Narasimhan

From selling soft toys to pedestrians on the roads of Chennai to the Million Dollar Round Table (MDRT) Annual Meet in San Diego is certainly a thrilling journey. Mr K C K Manivannan, Agent Advisor of Max New York Life Insurance Company, did just that, and in his first full year of working selling insurance too!

Ten years ago, Mr Manivannan found the future hopeless. His farmer father borrowed Rs 20,000 to put him through teacher's training, but a change in government rules destroyed his plans. The disillusionment and discouragement of his family drove him to Chennai, into a series of low-paid jobs.

One of the better jobs was selling soft toys door-to-door. Trying and testing selling techniques, Mr Manivannan set up temporary shop on the sides of roads with slow moving traffic, selling stuffed animals and other knick-knacks. In spite of the hostile weather and frequent traffic diversions, it worked well for him and, soon, he was the proud owner of a motorbike.

"I made a lot of money and lost it, too," he says. It was clear that selling dolls for a few rupees' margin would not take him very far. After one more job that was fairly successful, in May 2004, out of curiosity, he accompanied a friend attending an interview to become an

insurance agent. Destiny intervened, and it was Mr Manivannan who became an agent!

Barely 18 months later, life, for the soon-to-be father, is bringing him all that he dreamt of. Mr Manivannan covered 100 individual lives and 250 through the Corporate Employees Insurance Programme (group insurance) in the calendar year 2005 and qualified for MDRT.

Just back from his maiden MDRT annual convention, Mr Manivannan effusively told *Premium* what a learning experience it was to be among the top performers, and how he bought handfuls of motivational tapes and books to take him further to his goals.

Already, he has helped his family construct a house back in his village, and now he is looking at buying a Chevrolet Optra. He dreams of a Merc!

He was not an instant hit at selling insurance, though. His first year with Max New York Life ended in a fiasco, with just Rs 17,000 in income for him.

Dejected and toying with the idea of quitting after a poor appraisal, his trainer pulled him out of his misery. He pointed out that he had crashed because he ignored the company's proven selling methodology. Mr Manivannan himself knew that he was carrying emotional baggage from

his earlier job. That drove home a valuable lesson, and he applied himself meticulously to working with the company method through the next year. The results are now out for all to see.

What precisely got him there? "Goal-setting," is his simple answer. "I decided I was going to qualify for MDRT and I worked towards it."

On the personal front, selling life insurance and adding to social security reflect his own youthful aspirations to give back to society. "I am giving back something to the country, and I am protecting human life." Being able to set his own pace, and the potential for unlimited earnings, have their attraction, too!

Even though Chennai is his base, he gets business from everywhere. He has customers across India, and even around the world, in countries like Italy, France and the US.

It is no wonder that technology is his best friend. "I service my customers around the world because of the wonder of e-mail," he says. He routinely uses his laptop to generate solutions and quotes for customers.

He is one step closer to honing his leadership skills too. His company has allowed him to create a team of agents that he can direct, and he's loving every bit of his new role as well.

World Class, Not Old Class



He operates from a heritage bungalow embodying the old-world charm of Pondicherry. Mr G Jaishankar, Development Officer of LIC, bought this bungalow to train his team of 250 agents and motivate them to adopt his mantra: “To insure the income of a person.”

Mr Jaishankar, 42, joined LIC as an agent in 1988, and shortly after that became a development officer. He now earns more than Rs 28 lakh per annum and brought in Rs 62 crore in sum assured for his company last year.

His current aim? To create 100 Million Dollar Round Table (MDRT) agents. “That will be my happiest day!” he says.

MDRT is an ever-present thought among his team members. Not surprising, since money stood for success and was his initial motive in joining the profession. But the turning point to success was a training programme he attended at the College of Insurance and Financial Planning at Hyderabad in 1996. After that, he earned more and so did any agent who came under his influence!

And they are not necessarily winners when they come to him. “When I recruit an ordinary person, he/she

typically earns around Rs 2,000 per month. After taking up the agency, they start earning 15 to 20 times that, or even more,” he says.

In fact, one of his agents, Mr M Ramesh Kumar, who operates out of Chennai, has qualified for the Million Dollar Round Table (MDRT) seven years in succession!

Happiness to him is changing others’ lives. “When I give claim cheques to policyholders, I get immense job satisfaction.”

So what is his success strategy? “Recruit for attitude and train for skills,” he says simply. Added to that is his own system of going on calls with his agents. Developed over the last 18 years, these have helped him the most.

IT infrastructure, he says, is the key to his success. In his experience, investments made on infrastructure will bring back revenue in multiples.

“For instance we use laptops and portable printers even when on calls. Based on customer needs, we can give them software-generated quotations on the spot!” He has invested in computers and LCD projectors for his team to be able to work and make presentations well.

“I use technology to the maximum to provide best services to the policyholder and agents.”

BOOKS THAT INSPIRED HIM

Reading books created breakthroughs for me, says Mr Jaishankar. His favourite is “How I Raised Myself from Failure to Success in Selling” by Frank Bettger. MDRT’s tapes and videos have always helped immensely, he says.



His advice to agents: “Before selling an insurance product, the agent should understand the concept of insurance, the needs of the customer and be up-to-date in his information.”

“If they don’t train themselves to be world class, they become old class,” he thunders.

Training is all the more important today, when the industry is growing by leaps and bounds. The salesman should change in response to the environment.

The list is long: “They should have a strong philosophy, they should have the patience and perseverance to make things happen, be positive, should have strong instincts and should concentrate on training, training, training themselves.”

Talking of persistence makes him recall where it all started – his mother, who was his first marketing guru!

When he was a little boy, the family had a vegetable shop. His mother would give him a quota of vegetables to sell by the end of the day. So he would just sit there and sell every last potato and tomato!

T E Narasimhan

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