GENARAL INSURANCE PRIVATISATION: SOME GENERAL THOUGHTS

*By Sundararajan Parthasarathy**

I have been associated with the insurance industry for over three decades, half of which has been outside India. So, I assume that my views would be balanced since I have worked for an equal length of time in the public as well as private sectors and besides, I have had the opportunity to work with reasonable competence both on the technical and marketing fronts. However, I am not just going to grab and flaunt Aristotle's golden mean of the academician and quote Sir Roger de Coverley, saying that much can be said on both sides.

Service Industry

First of all, everyone knows that insurance, like banking and hotelier's, is a service industry and if this service to the customers, the insured in our instance, is not satisfactory at all times, something is wrong with the functioning of the industry. And for rendering service to policyholders, all the employees, not merely the so-called managers should whole-heartedly work to achieve that common purpose. If at any time during their employment in the insurance industry, some employees are going to forget their duties to policyholders for whatever reason, they have no right to continue on their jobs. This is recognized in the private sector all over the world. This is not readily accepted by all public sector employees, some of whom are

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obsessed with notions of iniquities or wrongful acts of a few managers and recurrent wage- disputes. When I first came across the title of a book Wage Grumbles by D.H. Robertson some forty years ago, I was not sure I completely understood it. Now, I know it too well.

Essentials of Service

Let me try to break down the service into several identifiable elements. I am not going to reel off theories or concepts from textbooks. Rather, from my own experience and understanding, I would think that a most satisfactory service to policyholders should, inter-alia, include the following.

- A professional analysis of the risks involved and a quick response to the proposal or application for insurance in one of the following ways:
  - acceptance of the proposal as it is,
  - acceptance with modification of coverage,
  - acceptance with deductible,
  - acceptance with warranties, or
  - rejection of the proposal

Mind you, the acceptance or rejection must be scientific and not intuitive. And "quick" here means not as soon as possible, but sooner than required by the proposer/ applicant.

- Comprehensive and useful recommendations on risk management to the insured so that on the one hand there remain few perils uninsured or self-insured and the costs incurred in the risk management exercise are minimal and on the other, the most economical, reasonable and competitive premiums are paid to the insurer, and at the same time, there is complete conformity with statutory requirements on risk management as per prevailing industrial legislation concerning safety.
- Issue of policies, certificates, endorsements, invoices, receipts, and statements of accounts receivable and/or reconciliation without any delay whatsoever, In these times of ATM's and EDI's, where every customer moves on the fast lane, delayed documentation becomes inexcusable. Every employee, officer or no, should guarantee that strikes or no strikes, there will be no let-up in service to policyholders. If they do this, they may even win the sympathy of the public.
- Seeking and confirming renewal of policies sufficiently in advance of their expiry dates so as to allow adequate consideration of the possible need for changes in sum insured, items of property covered, perils to be retained, excluded or added, revised rates to be charged for renewal and any other issues raised by the insured, the surveyor, auditors or the general management of the insurer.
- Availability at all times during the tenure of the policy for tendering any needed advice to the insured relating to coverage and to carry out risk inspection and follow-up action as may be warranted.

- If a claim arises under the policy, arrangement of surveys and loss adjusting without apparent and undue delays and fair and quick settlement of agreed claims. It is here that the length of the red tape should be cut to zero. We do not need bottomless Joes, who after sitting on a claim file for a month make a cryptic recommendation, "Pay if payable". A xerox machine could have given it in less than a second. Adequate claim settlement authority should be delegated to unit heads as a matter of course.

- Tendering correct advice and taking speedy recovery action with the complete and willing cooperation of the insured in any law suit against negligent third parties responsible for loss or damage to insured's property, covered and/or admitted under the policy.

- Considering ex-gratia settlement of an otherwise inadmissible claim, if warranted by business relations and generally good moral hazard. However, accountability must never be lost sight of. It is worth spending one more second every time you add one more cipher to the figure to the right of the decimal on the cheque.

All the aforementioned aspects of service to the policyholders seem so straightforward that one might ask where would arise any hitch in practice.

The Right Measures

First of all, this must be incorporated into the corporate plan and objectives and meticulously implemented at the relevant stages of the marketing, underwriting, claims and accounting/ auditing operations.

If at the time of recruitment and selection, we shortlist only such candidates as have shown verifiable inclination to render service to clients, much headache can be avoided later in having to deal with impossible misfits in a service industry. In the U.S., no insurer would ever employ a person who has failed in the aptitude test. Besides, training both at induction and later as part of continuing education, must be visibly orientated towards the service aspect.

Competitive pay package and a healthy work atmosphere conduce to high employee morale and productivity. Standard bonus obtaining elsewhere in similar occupations in comparable situations must be provided without needless discrimination between different categories of worker; if not, any glaring contrasts will lead to frustration and heartburning among loyal employees. Although the salary is supposed to be confidential, a leak always occurs at the source itself.

Special increments and promotions must be based purely on better performance and not on seniority. Periodical rewards for excellence in work act as incentives from instant recognition of superior merit or talent an employee has shown.

Passing of professional examinations must

be rewarded by means of

1. Full reimbursement of the cost of books and other fees such as for registration, examination and membership of the Insurance Institutes,
2. awarding of out-of-turn increment and
3. consideration of promotion at the next earliest opportunity

Individual talents and aptitudes must be assessed regularly by a proven system of management tests, using scientific and acceptable criteria and employees should only be fitted into well-suited positions so that there is never a square peg in a round hole.

Code of Conduct

While the foregoing set of positive steps would promote all-round productivity, the office must have a manual of unambiguous standing instructions and a code of conduct circulated to all the employees. Any violations of these rules and procedures should be dealt with firmly and quickly so that indiscipline is punished then and there and not allowed to spread like cancer.

The Profit Side And Structural Steps

This, in short, is the ideal office set up for operational efficiency. But in the running of an insurance company, the bottom line of profit should not be overlooked. For achieving this essential organizational objective, many steps and measures are necessary.

I shall briefly mention here the more important ones as they have occurred to me:

1. Fulfillment of statutory solvency margin, apart from maintaining other paid-up capital requirements.
2. A wise investment policy subject to constant audit and review.
3. Review of underwriting claims and reinsurance policies and follow-up action.
4. Review of agency commission and brokerage for the various classes of insurance, based on loss experience in individual accounts and follow-up action.
5. A balanced marketing mix, avoiding unproductive distribution channels and expenditure on dubious promotions,
6. Adoption of the latest information technology, use of MIS, expert systems for rating and development of in-house application software for all operations,
7. Appointment of loss control representatives at the Branch as well as Divisional levels. They are called LCR's in the U.S.
8. Triennial rotation of key executives to prevent formation of vested interests and prevalence of corruption,
9. Review of the performance of intermediaries such as Agents and Brokers and retention of only reputable ones, based on standing and the quality of business procured and
10. Blacklisting of delinquent agents, brokers and surveyors.

Where Does The Public Sector Stand Now?

Well. The policyholders are the best judges. If the public sector has failed in even one aspect of service discussed above, no one has a right to oppose privatization. But at the same time, should any private sector company not deliver the goods, neither should they be allowed to continue their operations.

It is here that I am obliged to hold that the largely reputed insurance companies in the West are all so well organized on all the fronts that they would be better able to achieve their corporate objectives while rendering most satisfactory service to policy holders.

If the private sector behaves well, it will open the eyes of the public sector custodians to their own weaknesses and drawbacks and failures and the public will have an opportunity to remove all theoretical and ideology-based misapprehensions from their minds.

The Clear Choice

Internet working has converted the world into accessible websites and in this context, isolation is doomed to failure. Time is running out. What the Prundential in UK or CIGNA in U.S. or MunichRe in Germany can do, an Indian private company can also do. Incidentally, that will stop the braindrain too. Privatise before more and more talented, knowledgeable and committed insurance executives are lured away to distant lands. Besides, doesn't the Indian consumer have a right to receive the best service afforded to his counterpart abroad?

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Please send your manuscript to Mr. Sundararajan Parthasarathy, Director, Insurance Research Center and the Managing Editor.

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DEPARTMENT OF INDUSTRIAL MANAGEMENT NEWS

On July 17, 1998, Ajarn Phothiphong Banluewong, a part-time lecturer of the Department of Industrial Management, arranged a field trip for the students taking the Business Logistics Management subject to the factories of the SANYO Universal Electric Public Company Limited located in Kabinburi Industrial Estate, Prachinburi Province and in Chachoengsao Province.

On the same occasion, Prof. Chukiat Pramoolpol, the Dean of the Faculty of Risk Management and Industrial Services, Ajarn Piyawan P. Charoensri, the department chairperson, and Ajarn Kittiphan Taparugssanagorn also joined the trip.

There were 21 students who went on the tour. Such tours are now sought to be arranged on a regular basis at the faculty.

The photographs taken on the occasion are published in the following pages.





Speakers from the faculty.



Academic at the meeting.


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