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REPORT OF THE
NATIONAL SEMINAR ON
"COOPERATIVE INSURANCE IN INDIA : PROBLEMS & PROSPECTS"
New Delhi (India). February 6-8, 1967

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Report of the National Seminar on

"COOPERATIVE INSURANCE IN INDIA - PROBLEMS AND PROSPECTS"

February 6-8, 1967. New Delhi

Rapporteur

Hans Dahlberg
Joint Director
ICA Education Centre, New Delhi

Organised jointly by

INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office & Edn Centre for S-E Asia
Post Box 639, 6 Canning Road, New Delhi-1

NATIONAL COOPERATIVE UNION
OF INDIA
72 Jorbagh, New Delhi-3.

INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office and Education Centre for South-East Asia
Post Box Number 639
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Report of the National Seminar on
"COOPERATIVE INSURANCE IN INDIA - PROBLEMS AND PROSPECTS"
February 6-8, 1967. New Delhi

RAPPORTEUR:

Hans Dahlberg
Joint Director, ICA

A national seminar on Cooperative Insurance was organised in New Delhi by the International Cooperative Alliance, Regional Office and Education Centre for South-East Asia, in collaboration with the National Cooperative Union of India. The Seminar was held from February 6 to 8, 1967 at the India International Centre, New Delhi. The delegates represented the cooperative insurance sector in India and the Government of India in the Ministry of Food, Agriculture, Community Development and Cooperation. The four member team of the ICA Reinsurance Bureau also participated. A list of delegates as also a copy of the programme are attached.

The various cooperative insurance societies were briefly presented. These were: The Cooperative Fire and General Insurance Society Limited, Madras; the Cooperative General Insurance Society Limited, Hyderabad; the Union Cooperative Insurance Society Limited, Bombay; the Societe Cooperative d' Assurances "La Prevoyance Sociale", Brussels, Belgium; the Nationwide Mutual Insurance Company, Columbus, United States; FOLKSAM, Stockholm, Sweden; and the Cooperative Insurance Society of England. Mention was made of their capital and surplus position, the

parliamentary and voting structure, the organisation of their field force and training facilities.

Cooperative general insurance in India is of a rather recent origin. The first one to be established in India was the Cooperative Fire and General Insurance Society Limited, Madras, in 1941. Today there are four cooperative general insurance societies transacting business and in addition another society has recently been established in Maharashtra. The principal aim for establishing the societies was to provide economical and efficient services to cooperatives and also to keep the cooperative premium within the Cooperative Movement itself. With the exception of the societies in Madras and Maharashtra, the other three societies are registered for undertaking operations on an all-India basis. The Orissa Cooperative General Insurance Society has, besides its head offices in Cuttack, two branches only. The Cooperative General Insurance Society, Hyderabad, and the Union Cooperative Insurance Society Limited, Bombay, are however operating on a national basis. Their field force consists of 6,000 and 12,000 agents respectively spread over the entire country. The total premium underwritten by the general insurance sector in India in 1964 amounted to 450 million Rupees out of which the cooperative general insurance sector was responsible for 15 million Rupees. Out of the latter amount, 75 per cent was handled by one society, the remaining 25 per cent being handled by the other three. All types of insurance policies are being underwritten by the cooperative insurance sector. Besides the most usual types of policies like fire, marine, accidents etc. certain experiments with new coverage have also been tried out, for example, cattle insurance.

It was found that the overwhelming majority of premium to cooperative insurance societies still originated from the cooperative sector, a situation which contrasted sharply with the cooperative insurance societies in Europe and the United States of America.

In the presentation of the cooperative insurance movement in India, the following main points were made:

1. Due to the increasing diffusion of cooperative tasks away from the Government Agency in charge of coop. societies (e.g. Coop fisheries societies and the Director of Fisheries) the business accruing from the cooperative sector to cooperative insurance societies was likely to slacken.
2. The ways to ensure that commission from cooperative sources was kept within the cooperative sector were discussed and in this connection the merits of the individual acting as an agent as compared to a cooperative organisation were discussed.
3. Cooperative insurance societies were facing a serious problem as a result of the Reserve Bank of India's recent Banking Regulations Act under which banking institutions including the cooperative banks were finding it difficult to participate with more than a token contribution of 2% to the total share capital of a sister cooperative institution. What is more, if the contribution they had made was more than 2%, the same could be withdrawn by the cooperative banking institutions, thus posing a serious problem to the capital structure of the cooperative insurance societies.
4. Some attention was also given to the investment by cooperative insurance societies within the cooperative sector itself and several examples were cited to illustrate this practice both in the Indian and Western contexts.

5. The various forms in which commission was paid were also discussed, namely, the actual payment to the agent or, in the case of cooperatives, working the benefit into a lower premium structure. Different practices in this regard between the European societies, on the one hand, and the United States' Nationwide on the other, were noted.

Economic Size of a Cooperative Insurance Society

When discussing the economic size of an insurance enterprise, it was stated that no general rule could be applied in this regard. As an indication, it was mentioned that a great number of small mutual insurance companies exist in the field of cattle and fishermen's insurance which provided very good service to their member-policyholders. The development in the insurance world today is, however, towards larger units which trend indicates that mass coverage is the most economical. A large-sized insurance enterprise is financially much stronger than a small sized society. Such financial strength is helpful in meeting competition effectively; it allows for experimenting with new types of policies; makes it possible to employ qualified technicians and specialists to guide and advise on management affairs; permits the use of modern business machines; and, finally, makes it possible to underwrite larger risks. In addition, a large-sized enterprise operating over a large geographical area would automatically spread the risks economically which is the fundamental mechanism of insurance.

In this connection, the Seminar devoted its attention to what, in the Indian context, may be regarded as an economically viable unit. It was stressed that before a unit is established in a certain area, the need for careful investigation of the potential market, the

minimum business required etc., was of utmost importance. The Seminar suggested that this aspect be gone into further in relation to the recommendation of the Study Team of 1964.

The Cooperative Insurance in India and
the Life Insurance Corporation of India

Prior to 1956, the cooperative insurance societies were transacting all types of business on a restricted basis, the restriction being both in respect of the area covered as well as the type of business undertaken. This limitation in business was mainly on account of the small size of the cooperative insurance societies which had to operate with limited resources in competition with the insurance companies in the private sector. Cooperative insurance societies were able to expand their business on account of the development of cooperative industries and institutions during the Second and Third Five Year Plans and because of the effective services which they offered and still continue to provide. However, the year 1956 marked the entry in the general insurance business of the Life Insurance Corporation of India (LIC) through its subsidiary. Subsequently, in 1964, the LIC itself entered the general insurance field and this created difficulties for insurance cooperatives on account of the severe competition of the financially powerful LIC which also enjoyed the backing of the State.

It was reported at the Seminar that cooperative societies which had received directly or indirectly government assistance were asked by the government to place their business only with those cooperative insurance societies whose financial position had been examined and found to be sound by the Controller of Insurance. In the alternative, the business was to go to the LIC. According to cooperative insurers

the practical result of this policy will be that the bulk of the business might be placed with the LIC. The Seminar noted that there was, however, no objection in principle against cooperative organisations placing their business with cooperative insurance societies. A similar problem was faced by the cooperative banks when the State Bank of India was established. However, in the case of the State Bank and the cooperative banks subsequently, relations were properly established so that both types of institutions supplemented the activities of the other.

The business of the cooperative industries such as cooperative sugar and spinning mills which have come up mainly on account of the active and substantial government support, represents a sizeable proportion of the total cooperative premium. An earmarking of this business to the insurance cooperatives would contribute considerably towards their development.

The Seminar discussed the approach to be adopted for tackling the problems of the cooperative insurance sector arising out of the entry of the LIC in general insurance business. The seminar felt that as a long term objective, greater business efficiency should be developed by cooperative insurance societies. In this connection, the Seminar pointed out that successful insurance business could be built on three main factors, viz. (1) by operating for a large number of people; (2) by operating over a large geographical area; and (3) by having a large volume of premium income.

Recommendations of the Seminar

In order to increase the competitive efficiency of cooperative insurance societies, one of the delegates raised the question whether an attempt should be made to amalgamate the existing societies into a nationwide organisation or some arrangement for joint working should be evolved. The aspect of making appropriate representation to the government for allowing the cooperative societies to continue to insure with the insurance cooperatives was also discussed. In this connection the Seminar recommended that the insurance cooperative societies in India should constitute, under the auspices of the National Cooperative Union of India, an all-India Committee on Cooperative Insurance for the purpose of representing to the government the problems of insurance cooperatives vis-a-vis the LIC and the joint stock companies, and to discuss and to develop on a continuing basis a concerted programme of activities leading ultimately to the organisation of an All-India Federation of Cooperative Insurance Societies or the creation of a nationwide insurance cooperative organisation.

The Seminar recommended that the proposed all-India Committee should consider for immediate action the following points:-

1. To achieve mutual understanding among the cooperative general insurance societies for setting up commonly agreed upon branches in big cities, evolving mutually accepted premia rates, and arranging for a joint share of premium income.

2. To take up with the proper authorities the matter of raising the existing reserves for unexpired risks to 75% and the relaxation of expense ratio allowed under the insurance act.

The consensus of the Seminar was that a sizeable share of the insurance business of all Union and State Government undertakings and nationalised industries should be ear-marked to the cooperative general insurance societies to stimulate their growth.

For a progressive increase of premium earnings the cooperative insurance sector should lay increased emphasis on canvassing non-cooperative business, such as, from small industrialists and traders. This has vast potentialities.

The Department of Cooperation in the Government of India should persuade the cooperative institutions to place their insurance business with the cooperative general insurance societies. This would be in line with the new cooperative principle of "Cooperation among Cooperatives" accepted by the 23rd Congress of the International Cooperative Alliance. Conventions should be developed so that cooperative institutions would insure with cooperative insurance societies.

The ICA Reinsurance Bureau should help the Indian Cooperative Insurers by placing their reinsurance without insisting on reciprocity. It was explained by the representatives of the Bureau that the waiver of the reciprocity clause would not be practicable in the long run. However, they would consider making a symbolic gesture without any long-term commitment.

Encls: List of Participants
Programme of the Seminar.

INTERNATIONAL COOPERATIVE ALLIANCE
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Post Box Number 639, 6 Canning Road, New Delhi-1. India

National Seminar on
COOPERATIVE INSURANCE IN INDIA - PROBLEMS & PROSPECTS
February 6-8, 1967
New Delhi

P a r t i c i p a n t s

1. Indian Delegation

1. Dr P. Natesan, President
Cooperative Fire and General Insurance Society Ltd
Post Box 1249
32/33 Linghi Chetty Street, Madras-1
2. Mr Ram Bhatt
Cooperative General Insurance Society Limited
3-5-1096 Narayanguda, Post Box Number 212
Hyderabad-29. Andhra Pradesh
3. Mr A.S.R. Murthy, Chief Manager
Cooperative General Insurance Society Limited
3-5-1096 Narayanguda, Post Box Number 212
Hyderabad-29. Andhra Pradesh
4. Mr J.V. Desai, Manager
Union Cooperative Insurance Society Limited
Union Cooperative Insurance Building
23 Sir Phirozeshah Mehta Road, Fort,
Post Box Number 1027, BOMBAY.1
5. Dr D.D. Shah, Director
Union Cooperative Insurance Society Limited
23 Sir Phirozeshah Road, Box Number 1027
Fort, Bombay-1
6. Mrs Sutaria Kamalaben Ratanchand
Director
Union Cooperative Insurance Society Limited
23 Sir Phirozeshah Mehta Road, Post Box 1027
Fort, Bombay-1

2. National Cooperative Union of India

7. Mr P.R. Parachure, Joint Director
National Cooperative Union of India
72 Jorbagh, New Delhi-3.

3. ICA RE-Insurance Bureau

8. Mr Reymond Lemaire, Chairman, ICA Reinsurance Bureau
(Societe Coop. d'Assurances "La Prevoyance Sociale"
P.S. Buildings, 151 rue Royale, Brussels. Belgium)
9. Mr Don Johnson, Member, ICA Reinsurance Bureau
(Vice President, International Programmes
Nationwide Mutual Insurance Company, 246 North High Street
Columbus 16. Ohio. USA)
10. Mr Knut Lindberg, Member ICA Reinsurance Bureau
(General Manager, FOLKSAM International
Stockholm 20. Sweden)
11. Mr H.H. Knighton, Secretary
ICA Reinsurance Bureau
Miller Street, Manchester-4 UK

4. Government of India (Ministry of Food Agriculture Community Development and Cooperation)

12. Mr K.S. Chandrasekharan, Commissioner, Cooperation
Ministry of Food Agriculture Community Development
and Cooperation, Krishi Bhavan, New Delhi-1
13. Mr Hira Prasad, Under Secretary, Cooperation
Ministry of Food Agriculture Community Development
and Cooperation, Krishi Bhavan, New Delhi-1
14. Mr R. Vengu, Under Secretary, Cooperation
Ministry of Food Agriculture Community Development
and Cooperation, Krishi Bhavan, New Delhi-1

5. International Cooperative Alliance

15. Dr S.K. Saxena, Regional Officer
International Cooperative Alliance
Regional Office & Education Centre for South-East Asia
Post Box 639, 6 Canning Road, New Delhi-1
 16. Mr Hans Dahlberg, Joint Director
International Cooperative Alliance
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National Seminar on

COOPERATIVE INSURANCE IN INDIA : PROBLEMS & PROSPECTS

(Venue: India International Centre, 40 Lodi Estate, New Delhi-3)

P r o g r a m m e

MONDAY, February 6, 1967

- 09.30 - 10.30 Inauguration.
1. Survey of Cooperative Insurance in India, with special reference to problems.
- 10.30 - 11.00 Tea break.
- 11.00 - 12.00 Cooperative Insurance in Retrospect.
Introduced by: Dr P. Natesan, President
Cooperative Fire and General
Insurance Society Limited, Madras
- 12.00 - 13.00 Presentation of various insurance societies -
Present position.
- Lunch break.
- 14.00 - 15.30 Presentation of various insurance societies -
Present position. (Continued)
- 15.30 - 16.00 Tea break.
- 16.00 - 17.00 Economic Size and results of cooperative insurance
Sector.
Introduced by: Mr Hans Dahlberg, Joint Director
International Cooperative Alliance
New Delhi
- Discussion.

TUESDAY, February 7

- 09.30 - 10.30 2. Cooperative Insurance Sector and the Life Insurance
Corporation of India.
Introduced by: Mr J.V. Desai, General Manager
Union Cooperative Insurance Society
Limited, Bombay
- 10.30 - 11.00 Tea Break.

- 11.00 - 12.00 Discussion.
Lunch break.
- 14.00 - 15.00 3. Progress and Future: How to Accelerate Cooperative Insurance Business.
Introduced by: Mr Madhava Rao Anvari, Mg. Director Cooperative General Insurance Society Limited, Hyderabad
- 15.00 - 15.30 Tea Break.
- 15.30 - 16.30 Discussion.

WEDNESDAY, February 8

- 09.30 - 10.00 4. Indian Insurance Market and the ICA Reinsurance Bureau.
Introduced by: Mr A.S.R. Murthy, Chief Manager Cooperative General Insurance Society Limited, Hyderabad.
- 10.00 - 10.30 Introduced by: Representative of the ICA Reinsurance Bureau.
- 10.30 - 11.00 Tea Break.
- 11.00 - 12.30 Discussion.
Lunch break.
- 14.30 - 15.30 Action programme
- 15.30 - 16.00 Tea break.
- 16.00 - 17.00 Action programme and conclusion.
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