

### Message from MD&CEO's desk



Life never remains static. In our personal and business endeavours, we have ups and downs and our positive thinking takes us forward through difficult situations.

During the first half of the current fiscal year, the economic risks witnessed intensification due to slower economic growth and a sharp depreciation in the value of the rupee. As an optimist, I believe that this economic phase shall be short lived and the various measures being taken by the Government and the Central Bank will help in reversing the situation. Economic growth is cyclical where growth and de-growth follow each other. The present phase of de-growth is only the beginning of the next phase of growth. It is such difficult times that compel us to revisit our strategies, look at business through a different dimension, improve business processes for achieving cost efficiencies and finding newer markets and business constituents. This is also the time to prove ourselves to our customers; this may become a catalyst in winning over their trust into building long standing relationship with them.

Prudence demands that as an organisation we prepare ourselves and work with caution and conserve resources to face the probable effect of such a situation. On one side we need to have continued focus on enhancing business revenue through profitable business growth and on the other we shall have to control claims, acquisition costs and expenses of management.

As an insurer, we deal with intangible products and services. It is our people, their credibility and the trust that they build up with customers which is the foundation of our business. Their motivation and proactive approach are the drivers of "Good Company" which will help produce results by deepening trust and relationships with our customers, business partners, society and colleagues. I appeal to all the employees to embrace diversity and create an organization which all stakeholders should feel proud to be a part of.

I wish you and your family members a happy festive season ahead.

Warm Regards

Yogesh Lohiya

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## Editor's Thought



Good monsoon this year brings with it a ray of hope in the grim economic environment in the country. It is expected that we would have a bountiful crop output this Rabi season. This will not only help in containing food inflation but shall also bring in a sense of well being among the masses. At a time when purchasing power of urban masses is shrinking, more money flow in rural areas would be a target opportunity for economic activities. Most of the businesses have already started focusing on this segment for revenue and growth.

General Insurance industry may also take this as an opportunity to expand its rural base. Developing simple, un-complicated, low cost and mass selling products will be the key to success in penetrating this market segment. On the other hand, the key challenge shall be creating the necessary infrastructure for sales and service. This would require insurers to understand insurance needs of rural masses, spreading general insurance awareness, building up effective distribution channels operating with technology and innovative processes. Recent guidelines of IRDA on utilisation of Common Service Centres (CSC) to reach out to rural India by life and non-life insurers shall be a big enabler in this direction.

I take this opportunity to welcome the newly recruited officers in the IFFCO-TOKIO family. I expect that these young people, while pursuing their personal and professional goals, shall also become sources of new ideas and innovations, and this would go a long way in further strengthening the organization.

Our maiden issue of the newsletter has been well received. In our endeavour to make it more informative and meaningful we continue to look forward to our employees and business partners to send their contributions for inclusion in future issues.

With Best wishes for the festive season ahead.

K.K. Aggarwal



*Shri Yogesh Lohiya, presenting his views during Conference on "Role of NGOs in Distribution of Micro Insurance & Social Insurance with CSR Linkage" at PHD House, New Delhi*



*New premises of Hyderabad SBU inaugurated by Mr. Yogesh Lohiya*



*New premises of Raipur SBU inaugurated by Director Marketing- Mr. H.O. Suri*



*Mr. Yogesh Lohiya as "Guest of Honor" at the Inaugural function, of Indian National Suggestion Schemes Association (Northern India Chapter) also called INSSAN- NIC at Scope Convention Centre in New Delhi on 26th and 27th July 2013.*

## Company News

### Dr U.S Awasthi, Chairman EC visited IFFCO-TOKIO



*Dr. U.S Awasthi, Chairman EC addressing IFFCO-TOKIO Employees*

Chairman EC and MD IFFCO - Dr. U S Awasthi, along with JMD IFFCO Mr. Rakesh Kapur, visited IFFCO Tokio on 21<sup>st</sup> June 2013. His visit has always been a source of inspiration for all employees across the organization. After a brief interaction with Senior Management, Dr. Awasthi addressed all employees across the country through web conferencing. He talked of challenging economic situations and the fact that today's generation has seen lot of volatility and is mentally very strong. He also spoke of the fast pace of technology change and the unknown ripples that it would create.

His visit brings a lot of cheer among employees and this visit too was a source of joy - pay revision was announced for all Employees/trainees and outsourced persons including support staff. MD IFFCO inaugurated the crèche facility at the 2nd floor of Corporate Office to support young mothers in pursuing professional aspirations while keeping a work-life balance. Dr Awasthi stressed the importance of gender equality and sensitivity and cited examples of strength of women from Indian History.

Dr. Awasthi also launched the inaugural issue of "Communique" - the print media magazine of IFFCO Tokio.

MD and CEO Mr Lohiya in his note welcoming our beloved Chairman EC and JMD IFFCO, also lauded the efforts and support of employees for the profitable Balance Sheet last year. In his address, Mr Lohiya said, "Let us strive for long term achievements and meet aspirations of stakeholders". Sharing Company path for the future, he said, "Let us strive for a balanced quality portfolio, spread of risk and a strong Balance Sheet". He shared his thought of involving grass-root people in strategic decision making and ensuring that all employees undergo at least one training this year.

### Mr Tad Uehara, Managing Executive Officer, TOKIO Marine Holdings visited IFFCO-TOKIO



*Mr. Yogesh Lohiya, welcoming Mr. Tad Uehara, Managing Executive Officer, Tokio Marine Holdings*

Mr. Tad Uehara, Tokio Marine Holdings, in charge of overseas operations visited IFFCO Tokio on 3<sup>rd</sup> July 2013. In his meeting with Senior Management, Mr. Uehara presented the TM vision on overseas operations especially for Asian countries. He also briefed on 'Good Company' concept envisaged and being introduced by TMH. MD IFFCO Tokio, Mr. Lohiya also made a presentation on journey of ITGI and touched upon our future plans.

### Mr A.K. Roy, CMD GIC Re visited IFFCO-TOKIO



*Mr. A.K. Roy, CMD GIC Re addressing Senior Management IFFCO-TOKIO*

Mr. Ashok Kumar Roy, Chairman-cum-Managing Director, GIC Re was extended a warm welcome at IFFCO Tokio Corporate Office Gurgaon on 13<sup>th</sup> June 2013. GIC has been IFFCO Tokio's leading reinsurer in reinsurance programs. The MD & CEO and Senior Management participated in discussions and Mr Parag Gupta EVP - Commercial Underwriting and Claims shared a presentation on Company's Underwriting philosophy. In his address, Mr. Roy stressed upon the need of Underwriting at Lat(itude) Long(itude) basis to have a better accumulation control.

## IT Enhancements

### Claim Tracker Service

The IT-Web Technologies team has launched "Claim Tracker" service on the Company Website [www.iffcotokio.co.in](http://www.iffcotokio.co.in). This will enable customers to track settlement status of their Motor claims online through website. Similar claims tracking service is proposed to be introduced for other retail claims in future.

### Mobility Application

IT team has developed a mobile application for issuance of retail policies and issuing premium collection acknowledgements to customer through smart phones. The application, aimed to support direct selling teams and business partners, will enable them to connect to the policy issuance system of the Company on real-time basis and help in increasing Company penetration in "B" & "C" class cities and rural areas.

Our Chairman, Shri K.Srinivasa Gowda along with Shri Yogesh Lohiya, MD and CEO launched this application on 1<sup>st</sup> August, 2013 at Corporate Office.



Mr. K. Srinivasa Gowda, Chairman & Mr. Yogesh Lohiya with "Mobility Application" Team

## Highlights:

1 IFFCO Tokio achieved Gross Written Premium of ₹1496 Crores in H1.

2 Company settled a single fire claim for ₹123 Crores, within an impressive short time span.

3 Company launched mobile application for the agents to sell General Insurance.

## ISO/IEC 27001 Certification

Information is critical to the operations and perhaps even to the survival of an organization. In order to manage and protect valuable information assets, the Company engaged BSI Group to carry out ISO/IEC 27001 audit and has bagged the ISO/IEC 27001 certificate which was presented to MD & CEO on 5<sup>th</sup> June 2013 by Mr Venkataram Arabolu, Managing Director, BSI Group India Pvt. Ltd.

ISO/IEC 27001 is the only auditable international standard which defines the requirements for an Information Security Management System (ISMS). The standard is designed to ensure the selection of adequate and proportionate security controls.



MD, BSI Group Presents ISO/IEC 27001 Certificate to MD & CEO

## A new batch of Management Trainees Joins IFFCO-TOKIO

A group of 35 young and enthusiastic Management Trainees joined the Company in July, 2013. The group has undergone a 3 week Induction program at Corporate Office. We welcome them in IFFCO Tokio family.

In addition to the various training activities, a workshop/training on Trade Credit, Liability and Speciality lines (18<sup>th</sup> and 19<sup>th</sup> July 2013) was inaugurated by our MD & CEO.



MD with Management Trainees - 2013

## IRDA News

### IRDA has allowed Banks to become Insurance Brokers

In a move to allow banks to sell insurance products of more than one Company, IRDA has allowed banks to become insurance brokers. However for this bank would require to seek prior approval of Reserve Bank of India. So far banks are allowed to operate as corporate agents and sell insurance products of one insurance company.

### Common Service Centres enrolled as agent to sell Insurance

One of the key challenges in increasing insurance penetration into rural market has been creating access and infrastructure for sales and service. With the objective to facilitate insurers to reach out to rural masses, IRDA vide order No IRDA/D/Dist/GDL/ MISC/178/09/2013 dated 3<sup>rd</sup> September, 2013 issued guidelines to permit both Life and Non Life Insurers in India to market retail insurance policies and services through M/S CSC e-Governance Services India Ltd (CSC-SPV) and its common Service Centres network.

At present CSC-SPV has a network of more than 1.20 lakh common service centres and is rendering e-Governance Services to the masses. These centres may become catalyst in spreading insurance awareness as well as making insurance services available at the door step of rural masses.

### Agriculture Insurance Company of India allowed to use agent network of other non-life insurers

IRDA, in recognition of Agriculture Insurance as the necessity of Rural India and business of Agriculture Insurance Company (AIC) not being in conflict with the interest of other non life companies, has vide order dated IRDA/DIST/GDL/MISC/183/09/2013 dated 11<sup>th</sup> September, 2013 permitted AIC to distribute its products by utilising the services of agents and corporate agents of other non life companies. Agents and Corporate Agents wanting to offer services to AIC would have to submit a 'No Objection Certificate' from their parent general insurer and enrol themselves with AIC.

### Insurance Repository Services launched by Hon'ble Union Finance Minister, Shri P. Chidambaram

Hon'ble Union Finance Minister Shri P. Chidambaram launched the Insurance Repository System (IR) on 16th September, 2013 in a function held at Hyderabad.

IR system, aimed to improve the services to policy holders is a pioneer initiative taken by IRDA and first of its kind in the world. This initiative will eliminate the need of paper policy and associated risks of storage and loss and provide convenience and safety to the customer.

IRDA has licensed five entities to act as insurance repositories. Under the scheme, opening of a repository account will be free of cost to the account holder and IRs

will be paid directly by the insurers for the services rendered. As a part of the initiative, IRDA has set up iTrex, an Insurance Transaction Exchange to facilitate data interchange between the repositories and insurance companies.

Miss Sreeja Akula daughter of Mr. Praveen Kumar Akula who is presently employed at Secunderabad office of IFFCO TOKIO GIC has made her parents and the country proud. Miss Sreeja won Gold Medal in her maiden international tournament, "South Asian Junior Table Tennis Championship" held in July 2013 in Delhi. One Silver and one Bronze medal in the recently concluded ITTF International Table Tennis tournaments held in Guatamala, and El Salvador (Central America).



Ms. Sreeja Akula with her medal at EL Salvador

Ayush Gupta son of Mr. Parag Gupta posted in Corporate Office, has been lauded and recognized for discovery of an Asteroid alongwith a co-student Balachandra Routhu. The discovery has been confirmed by the International Scientific Community and the Asteroid has provisionally been named as 2013 PR. The Asteroid, which is located in main belt between Mars and Jupiter, is now waiting to be placed in the world's official minor body catalogue maintained by the International Astronomical Union (Paris). Ayush Gupta and Balachandra Routhu, both class 10 students of Ryan International School, Sohna Road, Gurgaon made the discovery in July as part of the All India Asteroids Search Campaign (AIASC) by SPACE Foundation held in collaboration with the International Astronomical Search Collaboration (IASC).



Ayush Gupta and Balachandra Routhu, being felicitated by Ryan group CEO Ryan Pinto and school authorities

## Insurance Penetration

### Increasing Penetration of Insurance-Issues

By KK Aggarwal

General insurance for the year 2012-13 is a ₹69000 cr business in terms of annual premium with a growth rate of 19% over the last year. Growth has been driven both by the increase in the value of underlying assets with rising GDP and personal incomes, as well as by change in premium rates. Despite the fact that general insurance business has been growing at a

healthy CAGR of 20 per cent annually between 2009-10 and 2012-13, its penetration level is just 0.71 per cent of India's GDP against world average of 2.14 per cent.

The penetration of general insurance in India remains low on account of low consumer preference, largely untapped rural markets and constrained distribution channels. The following chart will give indications of density and penetration of general insurance in India.

	Life		Non - Life		Industry	
	Life Density (\$)	Life Penetration (%)	Non Life Density (\$)	Non Life Penetration (%)	Industry Density (\$)	Industry Penetration (%)
2001	9.1	2.15	2.4	0.56	11.5	2.71
2002	11.7	2.59	3.0	0.67	14.7	3.26
2003	12.9	2.26	3.5	0.62	16.4	2.88
2004	15.7	2.53	4.0	0.64	19.7	3.17
2005	18.3	2.53	4.4	0.61	22.7	3.14
2006	33.2	4.10	5.2	0.60	38.4	4.80
2007	40.4	4.00	6.2	0.60	46.6	4.70
2008	41.2	4.00	6.2	0.60	47.4	4.60
2009	47.7	4.60	6.7	0.60	54.3	5.20
2010	55.7	4.40	8.7	0.71	64.4	5.10

Even though Indian Market in general, both rural and urban is under penetrated, the multi-faceted challenge of rural market where more than 70 percent of our population lives, holds the key for insurance penetration. Providing insurance to the majority of the Indian population which lives in rural areas, scattered over a wide dissection of geographical, socio-cultural and linguistic landscape still continues to be a major challenge for insurance companies. It is also true that most of the insurance companies are focusing only on meeting the regulatory requirement from rural areas. Some of the constraints in increasing the rural customer base being faced by general insurance industry is the lack of reach beyond the cities, development of suitable products commensurate with the needs of the rural market, policy and claims servicing issues, lack of insurance agents fulfilling the regulatory requirements, low average ticket size and

commission rates. The challenge of under-penetration is more daunting because of low literacy levels, poor infrastructure and a nascent and urban centric industry. The importance of having deep penetration of insurance services in rural sector need not be overstated to achieve higher penetration of insurance.

There is a need for enabling environment for the insurance industry to increase their focus on rural India by way of flexibility in various regulatory requirements which so far are similar for rural and urban business. This will also become a reality when all stakeholders join hands.

### Improving the industry image with the General public:

The prospect and development of any industry is largely dependent on the image it carries within the

society. For long the role of Insurance industry in the Indian economy has been undermined. The positive contribution being made by the industry in terms of protecting wealth of the country, freeing the society from worries of loss events, contribution to exchequer directly or indirectly, employment generation, long-term funding contribution in economic infrastructure, help in stabilising the money market and financial system, requires to be highlighted. It only seems to hog the limelight for all the wrong reasons like misconduct, delayed policy services, denial of claims etc, which seems to catch the fancy of the media with lightning speed. Instances of negative factors in relation to overall business volume are minuscule and do not represent the correct image.

Effective building of the constructive and positive image of the Industry is the role which the Insurer, Regulator and Government have to play jointly. We have already seen demonstration of such cohesive and joint action of reaching to rural masses through RSBY scheme. Some action has already been taken at the initiative of the Regulator and the GI Council but more needs to be done. Overbearing attitude of various stakeholders requires containment without losing sight of corrective measures. Positive role function of the Industry as a whole for increased penetration is de-rigueur.

#### **Increasing Public awareness:**

There is a major challenge for insurance companies to increase the awareness level among urban as well as rural population so that they may view insurance policies as a risk management tool. Increasing urbanisation has given birth to new emerging risks which need to be brought to the notice of people with suitable risk mitigation products. On the other hand rural households have addressed their risk protection in various forms; for example the joint family investing in gold, land and water assets. Most insurance policies that rural customers are familiar with have been sponsored or subsidised by the Government. The legacy of this past is that rural people do not fully see insurance as a risk sharing mechanism through contribution in premium. There is a need for sufficient investment by both industry and the government to bring about a change in the perception of insurance as a risk mitigation instrument and enhance the awareness level on various insurance products and how they work in principle.

#### **Long period insurance coverage:**

General Insurance mostly is a yearly policy except in

few situations. Small ticket size of the premium is a major constraint in promoting insurance coverage to individuals. The administrative costs of documentation makes it expensive for the risk carriers, while the small remuneration makes the agents shy away from persistent sale efforts. Long period insurance for motor and other retail products of smaller ticket size could be a potential solution. But the long term policies also bring with them the actuarial challenges and unpredictable inflationary trends. Further a huge increase in the small ticket premium itself may be a barrier in bringing more people within the fold. A possible via media could be to start with policies of up to three years duration

#### **Development of unconventional Distribution Network:**

India being a vast country and considering the low penetration of insurance, there is a need to look beyond conventional channel of agents / brokers to harness the potential. In rural markets development, acquiring appropriate agents considering mandatory requirements on qualifications is extremely difficult. In a situation where achieving higher penetration is the most important task for the industry, too much focus on channel regulation may impact the channel innovations and growth.

The whole approach requires an out of the box thinking for creation and testing of new channel viz: travel agents, shop owners, medical shops, web aggregators, news paper vendors, petrol pump owners and many more without carrying a fear of failure. While it is necessary to protect the policy holder against mis-selling, rigorous regulations and control of the distribution mechanism may kill the initiative itself. The control regulations of channels may be built later on successful channels if it is found that there is large scale mis-selling detrimental to the policy holder. Even in these cases strict penalties on the insurance companies is likely to be more effective than the "control" of channels.

#### **Conclusion**

The key to improve penetration will require innovative thinking by all the stakeholders. The regulator needs to acknowledge the differential requirements of rural India, its delivery mechanisms which is cost effective and emphasizing the role of insurance to address the traditional mindset by building appropriate public image. The Insurers needs to constantly evolve the value proposition where insurance products become a 'pull' product from 'push' product and government to act as an enabling agent in converting insurance product from esoteric to common product of risk management by the masses.

## Awards

IFFCO-TOKIO has been awarded as **"Best Non-Urban Coverage - Private Sector"** and **"Most Socially Responsible Insurer"** in the event **"Indian Insurance Awards 2103"** organised by Fintelekt in Mumbai on 21st June, 2013. **Best Non-Urban Coverage - Private Sector** award recognises an insurance company focused on and exceeding its commitments to the non-urban Indian market, and in the process pushing the frontiers by creating newer markets for insurance offerings for both, the company and other players to partake of. The company should have demonstrated excellence in reach, business volumes, focused product offerings and innovative business models and partnerships to service non-urban India. **Most Socially Responsible Insurer award** seeks to honour a company that has contributed to furthering the cause of making insurance more accessible and affordable to various customer segments in the country. The company should have made an impact in better educating consumers about insurance, or run a successful social responsibility campaign, or worked to increase awareness among specific user groups which are as yet un-served or under-served.

## Corporate Social Responsibility

### Contribution for Uttarakhand catastrophe

Devastating floods in Uttarakhand on 16<sup>th</sup> June, 2013 have resulted in massive loss of lives and damage to property in the State. To support the victims and their families financially at this time of need, employees of IFFCO Tokio, in addition to the contribution made by the Company, contributed one day's salary for the cause of the victims. This contribution was made through IFFCO KISAN SEVA TRUST.

### Blood Donation Camp organised by Ahmedabad Office:



*Mr S P Singh-SMM (IFFCO) inaugurated the event with Mr. Milan Sanghvi-R.M(IFFCO-TOKIO) .*



*Mr Dhaval Modi, Mr Ramratan Malani and Mr Sankalpat, employees at Ahmedabad SBU -51 donating blood*

In its continued endeavour our Ahmedabad Regional Office organised blood donation camps at 21 locations across Gujarat on 27th July, 2013. This event was conducted for the 10th time at Surat office and 2nd time at all offices Pan - Gujarat. In the event, our employees, business partners and customers participated with lot of enthusiasm and 900 units of blood were donated.



*Mr Faruk Vohra, employee of Gujarat - RO, donating blood*

**Editorial Board:** K K Aggarwal, R Kannan, Ramesh Kumar, Arun Mehrotra, Pushpa Hariharan and C B Verma

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*Muskurate Raho*

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