The Jupiter General Insurance- Co., Ltd.

Report of the Administrator, Dewan Rahadur R. Varadachari

THE Company's operations during the year resulted in a total premium of Rs 88.77 lakhs as against Rs 89.37 lakhs in the previous year. The reduction of half a lakh is negligible in the circumstances of the year. Of the total premium, a sum of Rs 48.9 lakhs was from the General Department as against Rs 48.51 lakhs in the previous year. But the underwriting profit of the General Branch during the year was the highest on record in recent years. It amounted to Rs 7,00,703 (inclusive of Rs 1,08,000 relating to an earlier year) as against Rs 3,12,605 in the previous year. This satisfactory result was arrived at by reducing the cost of procurement by all possible means, limiting the expenses to the absolute minimum permissible under the Act and cutting down extravagant expenses in a ruthless manner. Economy and conservation were the key-notes of the year and not expansion.

Coming to the details of the three sections which go up to make the General Department, the premium receipts in two of the Departments, *viz.*, Fire and Miscellaneous slightly exceeded those of the year 1950 while in the Marine Department there has been a fall. The Fire premiums amounted to Rs 28.33 lakhs as against Rs 27.04 lakhs in the previous year, and the account shows a profit of Rs 5,86,327 as against a profit of Rs 78.590 in the previous year. This works out to a profit rate of 20.69 per cent of the premium after meeting the. cost of claims, commission, taxes, etc., and after providing a reserve of 60 per cent of the premium for unexpired risks.

In the Marine Department, the net premium after deducting reinsurances and returns amounted to Rs 4,75,230 as against Rs 6,41,527 in the previous year. The net income of this Department was determined at Rs 81,920 as against Rs *2,19,800* in the previous year. The Marine Fund has been kept at Rs 8.5 lakhs which is equal to 178.86 per cent of the premium income and such a strong reserve has been considered necessary in the circumstances of the year.

In the Miscellaneous Department the net premium was Rs 15,81,890 which repesented an increase of nearly Rs 75,000 over the figure of the previous year. The Account has shown a profit of Rs 32,456 as against Rs 14,215 in the previous year, after keeping the Miscellaneous Fund at Rs 8 lakhs which is slightly over 50 per cent of the premium income.

Life Department

The new business completed during the year amounted to Rs 1,08.63,050 covering 3,223 policies as against Rs 1,86,89,664 covering 5,251 policies in the previous year, the annual premium receivable being Rs 5,76,490 as against Rs 9,10,999 in 1950. New Business is the life-blood of every well-run Life organisation and there should be a normal increase in the Life business from year to year, if the organisation is working satisfactorily. But my examination of the new business of this Company in the last few years has shown that there was a good deal of ' forced ' or " twisted ' business which resulted in very heavy lapses and I therefore preferred to adopt a cautious and conservative policy. There was a huge army of unremunerative employees in this Department besides many items of extravagant expenses. During the year the service of 21 organising officials and inspectors were dispensed with. The cost of the Life Department has been brought down from Rs 15,07,094 in the year 1950 to Rs 10,52,014, thus bringing about a reduction of Rs 4,55,080 ewer the figures of the previous year. This result is reflected in the reduction of the expense ratio during the year 1951 calculated under Rule 25(b) of the Insurance Rules to 17.8 per cent as against 24.4 per cent of the previous year. This is indeed a satisfactory achievement. The Statutory Actuarial Valuation is due as at the close of the year. I have provided an, Investment Reserve of Rs 7,36,417 in the Life Revenue Account and even after creating this Reserve, the Life Fund has increased during the year by Rs 16,32,416 and now stands at Rs 1,67,00,970, The total gross assurances in force at the end of the year amounted to above Rs 8,10,00,000 inclusive of bonuses.

The gross rate of interest earned on the mean Life Assurance Fund during the year was 3.5 per cent while the net yield was 2.9 per cent against 3.2 per cent and 2.7 per cent respectively of the previous year.

Invest ments

The most important event in the year is the increase in the Bank Rate from 3 to 3½ per cent in November. This naturally depreciated the value of the investments held in Government securities, but I am one of those who consider that the change in the value of the assets consequent upon the change in the general level of interest rate is not in itself a matter for alarm to any Life Office. On the other hand, the increase in interest income in the future will be of advantage to life policyholders. As a matter of fact the total sum invested since July 1951 up to date in Government securities or in other first-class investments or kept on Call account amounts to Rs 25 lakhs. I have had all the investments checked and revalued in consultation with the auditors, as a result of which I have provided in the accounts of the year for an Investment Reserve of Rs 7,36,417 in the Life Department and Rs 3,92,500 in the Profit and Loss Account of the General Department or Rs 11/28,917 in all. The reserve provided by me out of the accounts of 1950 m the Life and General Departments was Rs 9,74,299, while the reserves of all the earlier years were Rs 8,51,893 apart from the General Reserve of Rs 2,91,548. Altogether the total reserves available to the Company amount to over Rs 32 lakhs and this strong reserve position coupled with the trading results of the year will convince anybody that the Company has been brought to a sound and safe condition.

Income-Tax

This subject is a hardy annual which finds a reference in the report of almost every Insurance Company. So far as the 'Jupiter' is concerned, the trouble is not on the Life, side, but on the General Insurance side and it centres round the percentage of reserves created for unexpired risks in the Fire, Marine and General Departments. The trouble can be imagined when

I say that the tax liability on the profits of the Company for the year 1940 has not yet been finally determined. It was only two weeks back that orders were received from the Income-tax Appellate Tribunal endorsing the. action of the Company in creating reserves to the extent it did on business considerations, but I am not sure if we have heard the last of the story. I do not wish to be understood as complaining against the Income-tax Officials who, I can testify fix in personal knowledge are doing their duties to the best of their lights. I only refer to the want of clarity on the subject which leads to inordinate delay and confusion. On one side there is the rule of thumb method of the Department allowing a maximum of 50 per cent as reserves under Fire and Miscellaneous Departments and 100 per cent under Marine Insurance on account of unexpired risks, while on the other side there is the claim on behalf of the Insurance Companies that the Board of Directors are the best judges in the matter and that the Income-tax Department has no right to interfere on a question which has to be decided on business principles by businessmen, To my mind, the real solution lies midway between the two extremes. While the majority of the management of Insurance Companies probably decide the question in a fair and reasonable way, there is certainly the likelihood of abuses creeping in if their discretion is left unfettered. On the other hand the average Income-tax official is not equipped to decide the adequacy or otherwise of the reserves in these technical lines of the Insurance business. The correct way should be to pose the question whether by creating bigger reserves the Company has accumulated or is accumulating funds with the idea of issuing bonus shares to the shareholders or increasing its dividend from year to year or allot a large bonus to Life policyholders in the case of composite companies. If these factors are absent, the matter must be simple of solution and the Income-tax Department should not by their attitude reduce the reserves which are required to strengthen any Company's standing, in the Insurance world. As a matter of fact, but for the reserves created over a long period of years, in this particular company, it would not have been able to stand the stress and strain to which it has been subjected in recent years. Where any such point is in dispute, it seems to me that the matter should he disposed of by the Income-tax Department only after a reference to the Controller of Insurance. I do hope that in the Income-tax Amending Rill, which is on the anvil, a satisfactory solution to some of the long pending points in regard to the assessment of Insurance Companies will be found.

The total assets of the Company as on 31st December 1951 amounting to Rs 3,10,14,735 were held as under:

	Rs
1. Government Securities	1,33,57,309
2. Municipal and Improvement Trust Bonds ..	21,95,920
3. Shares and Debentures	35,88,165
4. Policy Loans	16,47,587
5. Loans on Mortgages ..	17,91,761
6. Buildings and Land ..	24,39,886
7. Cash and Bank Balances	14,85,750
8. Other Assets	45,08,357
Total ..	3,10,14,735