The British India General Insurance Company, Ltd,

Speech of the Chairman, Mr Framroze H Mehta, JP, at the Thirty-third Annual General Meeting of the Company held on 23rd July 1953 at Bombay.

Gentlemen,

I have great pleasure in welcoming you once again to this Thirty-third Annual General Meeting, and submitting the Directors' Report, Audited Accounts and Balance Sheet for the year ended 31st December, 1952. The Report and Statements of Account have been in your hands for some time and, with your permission, I take them as read.

Last year I referred to the Insurance Amendment Act and, since then, much useful work has been done by the Government Insurance Department Executive Committee and Tariff Committee to improve Insurance conditions both in the Life and General Departments. For the first time, an invitation was extended by the Executive Committee to meet the Delegation of the Advisory Board of Directors, to consider ways and means of improving the Trade and putting same on healthier lines. The Advisory Board of Directors met several times and discussed problems pertaining to General Insurance from various angles; useful suggestions were put forward, and from the trend of the discussions which ensued it seems that the Directors have realised the situation facing them. More such meetings between the Delegates of the Advisory Board of Directors and the Executive Committee will be held in the near future for frank and open discussions with a view to evolve schemes and formulas to create a healthy growth in the Insurance Market. Under the Act, greater responsibilities are thrown on the Directors to ensure that the affairs of the Company are being run on sound lines. While the Directors are ultimately responsible for successfully running the Company, the main functions of the Board of Directors arc to look after the interests of the Shareholders by whom they were elected, to control and invest the Funds of the Company, appoint suitable persons to manage the affairs of the Company and to have an over-all supervision.

Insurance underwriting is of an intricate nature and has such a wide scope that it can only be managed by those who have long experience of underwriting and who can devote their whole time to the various problems created from tune to time. It is not advisable to make Directors responsible to look into the day-to-day affairs of well-managed and smooth-running organisations.

While an over-all control from the authorities is necessary for improving the trade, which is of a national character, to put same on a healthy and sound looting, it is essential that freedom be allowed to the Insurers to evolve their own methods suitable to them. The working difficulties can only be judged by those experienced in the Insurance field, and each Insurer has his own set problem to face to develop the business suitable to him which cannot be worked out on a set pattern. From what was said by the Chairmen and Directors of Companies at the various meetings of the Advisory Board of Directors, there appears to be a great divergence of opinion on the subject. It is but natural that with such differences it is difficult to produce a suitable working scheme acceptable to all. If, however, Insurers extend to each other their active co-operation in trying to understand the difficulties facing others, and adopt a policy of ' live and let live ', I am sure a common understanding can be reached by evolving a scheme which may be acceptable to all and which would ensure a healthier trend in Insurance.

It is an accepted fact that Insurers lean to a very great extent on the interest-earning capacity of their Funds. Insurance Companies being credit institutions can, like banking institutions, render financial assistance to Industry, thus contributing to a great extent to the National Building Programme. It is, therefore, desirable that a certain amount of freedom be given to the Insurers in their Investment policy.

The biggest problem fating the Indian Insurer today is Expenses. With the steady increase in prices, the standard of living rising and the demands from the Staff Unions for higher salaries, Bonuses and Gratuities, coupled with the fall in direct premium income, the Insurers find it increasingly difficult to keep within the required Quantum of Expense. The scramble for Direct Business in India is, therefore, due to the anxiety of the Insurers to fall within the required quantum.

1952 saw a considerable drop in Gross Direct Indian Premium, especially in the Fire 'Department. The drop is mainly due to the country's economic condition, import restrictions and revision in rates in certain sections of the Tariff.

The Fire section is the mainstay of the General Department as shown by the accounts of various Companies. This Department had yielded a reasonable percentage of profit in the past on account of the claims ratio being within limit. However, the trend in 1952 and in the first half of [953 is towards an increase in the claims ratio, particularly in the first half of 1953 which is considered abnormal, and with the increasing claims ratio the profit-earning of this Department will be affected; hence the situation calls for the very careful consideration of the Underwriters. The majority of claims in this Department of Insurance are due to lack of reasonable care by the Insureds, especially Industrial concerns. A fire loss can be considered as a National waste, and while the Insurance Companies pay for the loss to restore the property, they can never restore the loss sustained by the .Nation.

With rapid Industrial development in India and congestion in big cities, increasing fire claims are evident, and it is therefore desirable that the Government Insurance Department, in conjunction with the Insurance Associations, should take a lead in educating the people, in Fire prevention and consequent waste.

Marine Insurance results since the last War have been good. However, the position is deteriorating rapidly, mainly due to the unhealthy rate war. In recent years the tendency has been towards cutting rates without considering the subsequent consequences, so much so that we are 'now, reaching an uneconomical level and, it no immediate improvement is made towards stabilising the same, it may lead towards a disaster. 'To-date results of the Marine Accounts clearly endorse the views expressed by me last year. It is time that the Tariff" Committee gave their serious consideration to this problem, taking into account the nature of the world market of the trade, and tried to remedy the present chaos created by uneconomical rate war.

For the first time, Indian Shipping Companies have placed their Hull 'Insurance business direct with Indian Companies. It is, indeed, a very great gesture, indicating their confidence in the stability of the Indian Insurers and their ability to conduct this class of business. Our thanks arc due to them for their confidence in us and we assure them that their interest will be well looked after with efficient service.

The Miscellaneous Section continued to be unsatisfactory, mainly due to heavy material losses in the Private and Commercial Vehicle Section. Private Motorcar rates are increased from the beginning of 1953, but it is doubtful whether the increase is sufficient to keep pace with the increasing claims' costs. From the trend of claims received in 1953, it is evident that before long a further revision will be necessary, not only for Private Cars but for the whole Motor Section.

Personal Accident and Aviation business throughout the world is unprofitable. This is mainly due to the ridiculously low rate prevailing in the market and unless a revision in rates is forthcoming, this class will continue to show a loss.

The economic conditions of the country have remained unsettled, and there has been a consistent drop in the Investment Market. In 1946 the book value of our Investments was below the Market Value to the tune of Rs 14,26,000, representing a gain of 16.50 on our Investments then. Since then, this gain on our Investments was wiped off and instead our Investments show a depreciation amounting to roughly Rs 10,37,000, for which adequate Reserve has been provided, by creating a further Reserve of Rs 3,39,995 in the current year.

GENERAL DEPARTMENT

The accounts produced show a decrease in premium income. The total Gross Premium income was Rs 1,03,66,721 as against Rs 1,09,68,000 last year.' The Net Premium Income for the year 1952 was Rs 57,74,464 compared with Rs 64,80,558 for the previous year —*ie,* a drop of Rs 7,06,094. The Paid and Outstanding Losses give us a ratio of 40.14 per cent as against 34.61 per cent in the previous year.

Although our Claims' experience in all three Departments is within limit, considering the. trend for increased claims and to meet with any abnormal losses, your Directors considered it advisable to build up a strong Reserve position and, accordingly, the percentage of Reserve in all three Departments has now been increased.

The Reserve for Unexpired Risks together with the additional Reserve created amounts to Rs 33,67,609, *ie,* 58.32 per cent, against 54.65 per cent last year—a strain of 3.67 per cent.

The Gross Profit as shown in the Profit and Loss Account was Rs 8,10,974, which works out at 14.04 per cent of the Net Premium Income, compared with 11.36 per cent last year. The Total Fund now stands at Rs 66,43,700.

FIRE DEPARTMENT

The Gross Premium Income was Rs 64,05,798 as compared with Rs 67,04,000. The Net Premium Income amounted to Rs 34,29,550, and showed a drop of Rs 5,26,049. Claims Paid and Outstanding cost us 32.13 per cent compared with 26.94 per cent last year. The ratio of Commission and Expenses and Taxes was 55.07 per cent as against 51.47 per cent in 1951.

The Profit transferred to the Profit and Loss Account was Rs 6,54,223 (19-07 per cent) of the Net Premium Income as against 14.09 per cent for the preceding year. The Reserve now stands at 52.40 per cent as compared with 50 per cent last year.

MARINE DEPARTMENT

The Gross Premium Income was Rs 15,33,730 against Rs 15,91,000 in 1951, but the Net Premium Income was increased by Rs 61,093 and now stands at Rs 5,62,172.

Due to continuous pruning of this account and without indulging in any uneconomical rate cutting, it was possible to bring down the Loss Ratio from 62.58 per cent last year to 58.99 per cent in the current year.

After providing a Reserve at 105 per cent against 100 per cent to the previous year, which, together with the increase in Net Premium Income, absorbs an additional amount of Rs 89,202, Rs 3,057 was transferred to the Profit and Loss Account.

ACCIDENT DEPARTMENT

The working of the Miscellaneous Insurance Department shows a decrease in the Premium Income of Rs 2,141,138. There is a rise in the Claims Ratio, mainly due to the drop in Premium Income, which now stands at 49.62 per cent compared with 42.66 per cent previously.

Your Directors have once again considered it advisable to strengthen the Reserve position in this Department, and accordingly increased the Reserve, to 55 per cent as compared with 52.5 per cent last year.

The Profit transferred to the Profit and Loss Account, after providing the above Reserve, was Rs 56,221.

LIFE DEPARTMENT

The Interest yields in these Departments were slightly higher than last year, and rose from 3.59 per cent to 3.84 per cent in the Closed Account, and from 2.43 per cent to 2.96 per cent in the Current Account.

Closed Account. This being a running-off account, no comment is necessary.

Current Account. The completed New Business for the period under review was Rs 67,96,000 as compared with Rs 57,78,000, *ie,* an increase of Rs 10,18,000. Efforts are being continued to bring down, the Expense Ratio and the same now stands at 43.57 per cent as compared with 44.98 per cent. The Death Claims amount was lower than last year, the figures being Rs 46,185 in 1952 against Rs 54,910 in 1951, and fall well within expected claims. There was a great improvement in the Lapse Ratio which now stands at 19. 37 per cent compared with 33.68 per cent last year. Further efforts are being continued to bring down *the* Lapse Ratio within a reasonable figure. After transferring Rs 15,000 from the Profit and Loss Account, the Life Funds show, at a figure of Rs 12,08,512, an increase of Rs 4,51,114 over the previous year.

PROFIT .AND LOSS ACCOUNT

After crediting Rs 1,73,255 as Interest, and transferring the Profits from the Fire, Marine and Accident Revenue Accounts, the total of the Account amounts to Rs 8,87,883. Rs 8,774 and Rs 15,000 were transferred to the Life Closed Account and Life Current Account respectively. Rs 58,008, Rs 6,230 and Rs 3,370 were debited as Expenses not charged to other Accounts, Donations and Exchange Adjustments respectively. The amount transferred to the Profit and Loss Appropriation Account was Rs 7,95,974.