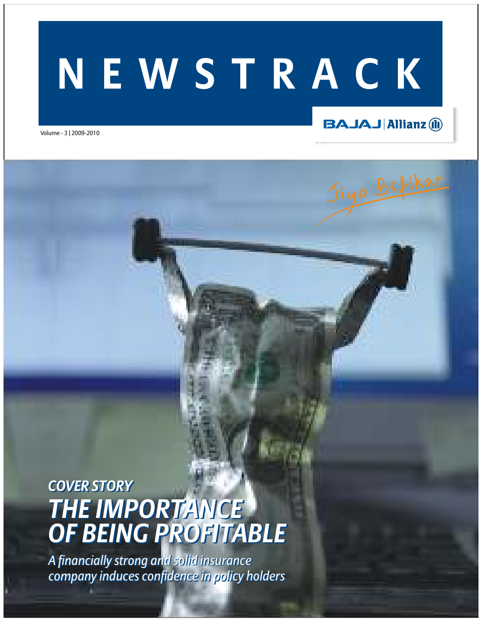
NEWSTRACK

Corporate Newsletter of Bajaj Allianz | September 2009

THE IMPORTANCE OF BEING PROFITABLE

A financially strong and solid insurance company induces confidence in policy holders



Front cover

The strength of money plays an important role in determining the faith of customers.

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Bajaj Allianz Newstrack, is a quarterly news magazine which provides current information on the life insurance and general insurance activities of Bajaj Allianz and also the industry. For further information on the articles appearing in this magazine, please contact

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Dear Friends,

Greetings!

Many of our readers would have missed some of the issues of our quarterly newsletter – Bajaj Allianz Newstrack. Well, it was because we took a deliberate break and were working hard behind the scenes on its revamp. Some of our readers have also been a witness to the metamorphosis of this newsletter, which primarily served as a platform to communicate with our key stakeholders, though the main purpose was to ensure transparency in our operations in addition to share the developments in the insurance industry.

Though the design has been changed, what has not changed is our commitment to transparency and endeavor to bring you all the information, packed in a crisp format. In the revamped issue, we have enlarged the scope by bringing you the latest not only in non-life but also life insurance space and how the changes in the market or elsewhere will impact you as a policyholder, investor or distributor.

Over the years, the insurance industry has witnessed a series of changes. There have been changes on the regulatory front, several new players entered the fray, clients have become more aware and discerning, new distribution channels have emerged. This has led to an increased interest in the sector from all stakeholders, and led us to the need to apprise our circle of influence on the developments in the industry.

In our quest for transparency, we have introduced some new features and retained some others. Our Special Feature in this issue talks about the importance of Insurance companies to be profitable, in affirming customers' faith; accompanied by our CFO's demystifying the nuances of the balance sheets of life and non-life insurance companies. One of our new features is a Product Review by an independent financial planner, Arnav Pandya. Another new feature is FUNDamental, wherein our CIO would discuss the performance and interpret the capital market developments. Our articles on the new Direct Tax Code and impact of the new IRDA guidelines on ULIP discuss how policyholders and investors would be impacted by these developments in the industry. We have retained sections like Claimstrack – the most popular feature which brings our claims settlement related statistics and now include our life insurance claims.

We intend to raise all relevant issues for the insurance industry. Hope you will like the revamped issue. We would like to hear from you and request you to share your suggestions or feedback, which will help us in improving the content of this magazine.

Please log on to http://www.bajajallianz.com/BagicNxt/Feedback.jsp. to submit your feedback.

Best regards,

Editorial Team

Insurance Industry - Need for Reality Check

Kamesh Goyal, Country Manager & CEO

The Private Sector Insurance Industry has in the first seven years seen a very high quantum of capital infusion amounting to almost Rs. 21,000 cr, which probably be the highest in any industry during its initial stages. Another important fact is that most of the capital has been brought in by the Indian JV partners which are listed entities. Such huge capital infusion on behalf of a large number of investors puts a huge onus on the Insurance Companies to deliver a good return on capital. Most analysts feel that big value has been created by the Insurance Companies. That is one story, played out in the last 5-6 years especially for the Life Insurance Companies.

This story has emerged based on several myths which in my view are clouding the shareholders' judgment. Analysts will not pay for these misconceptions but shareholders will! The myths are "the more you grow more the losses", every insurance company has created shareholder value & India being a highly under-penetrated insurance market there is a scope for a large number of players.

These myths got shaken a bit when the global economic environment turned hostile late last year and equity markets also crashed from the highs of January 2008. Though majority of the players faced de-growth, they still required capital infusion. Let us analyze these myths.

If one looks at the capital infused, in most cases it is 4-5 times the solvency norms required for life insurers. Thus capital has been brought in to fund losses, mainly caused due to new business strain. This means that for every Rs. 100 of new premium, a provision of certain percentage of premiums is required to fund first year losses. This depends on the way a product is designed. Certain companies sell products which have very high NB strain and the range can vary from 0% – 70%. If you see the table on page 11, you will notice that the premium to capital ratio varies widely. Even in these times when capital is scarce, shareholders don't seem to question the correlation between premium & capital.

Analysts often associate valuation with new business growth; critical factors like persistency, expense management etc. are ignored as insurers don't disclose this information. Embedded value (EV) or NBAP (New business achieved profit) is calculated based on presumptions which are not true. It is common knowledge that some high flying companies have close to nothing as EV due to very high expense over run. In this case ignorance really is bliss; everyone is happy with high valuations & is waiting for an opportunity to dump their shares to the public at a fairly high premium. In the end retail shareholders will suffer. The meaningless valuations have brought a degree of recklessness where insurers are spending more on products leading to expense over run & where business which is supposed to be essentially long-term in nature has actually become short term. Agents sell long term policies from three-year perspective, companies don't mind as new business grow well, so does the 'valuations'.

Every Life Insurer is valued at 3-4 times the capital invested. In a sector with unrestricted licensing, Companies have been making losses for over 7-8 years with no profitability in sight. I wonder how everyone will create Shareholders Value. We haven't seen this in any industry & Insurance will not be different.

The Private General Insurance sector that grew moderately at 15% in last 5 years had churned out profits in the third year itself. Even then in the last 5 years barring Bajaj Allianz no other Private Insurer has given an average RoE of 12% or more. There are two main areas of concern in this sector - Group Health and Commercial Vehicles Third Party(TP) Insurance - which is eating into the profits. Take for instance, in an estimated Group Health portfolio of Rs 3,500 crores, the losses are in the range of Rs 750-1000 crores annually. Similarly, in Motor TP Claims, losses are to the tune of Rs 700 - 750 crores annually with the industry size being Rs 3,000 crores. These two portfolios that constitute about 25% of the overall business, are contributing to 75% of the losses. If this wasn't enough, general insurers have found a new way to generate more losses ! The radical and baseless reduction in premium rates in other portfolios to the extent of 25% to 80% since 2007, is threatening the very survival of the industry. It is no surprise that most companies (including PSUs) saw a significant dip in profits in 2008 - 09 as compared to previous years. Capital Efficiency has taken a hit as a consequence of these trends as evident on page 9.

I wonder as to why valuations should not be correlated to profits. Some analysts have started looking at the valuation of General Insurers from a profit perspective; hope this shift is evident in Life Insurers as well. Going forward, the situation is going to be worse as more players are entering the fray, leading to increasing pressure in a highly competitive market. Historically when competition increases, margins go down and so do profits. Even then we see several new entrants.

The Insurance Industry plays an important role in the country's economy. When incidents like Mumbai floods or 26 / 11 happened, General Insurers came forward to facilitate putting things back on track. In the last one year, Life Insurers provided stability to the Stock Market, offered loans to Corporate Houses when Banks stopped lending. Should we be taking this industry more seriously and ensure it works on a sustainable business model or let things continue as they are at present?

Kamesh Goyal

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The Good and Bad of the Tax Code

Rishi Kapil, VP Finance & CRO, Bajaj Allianz Life Insurance
Vinod Kumar Jamar, AVP Finance & CRO, Bajaj Allianz General Insurance

Albert Einstein, one of the world's greatest scientists once remarked that "The hardest thing in the world to understand is income tax." But Pranab Mukherjee, Hon. Finance Minister announced the new Direct Tax Code, to simplify tax laws for individual taxpayers and corporates, which will replace the Income Tax Act of 1961.

Amongst others, the insurance industry will be one of the most affected by the new code. While the Direct Tax Code (DTC) has been opened for debate, Life Insurance Council (LIC) and General Insurance Council (GIC) have submitted their recommendations. Here is a summary of how the proposed Direct Tax Code would have a bearing on the insurance industry and you as a policyholder.

Removal of tax exemption would lead to discouraging investment in insurance

It has been seen that the main objective of customers buying insurance policies is to save tax. According to statistics from life insurance companies, 40% of the insurance purchases happen before the close of the financial year. The new tax code proposes to increase the maximum benefit given on insurance premium to Rs. 3,00,000/- but the maturity proceeds have been made taxable, which would reduce the tax exemptions almost to zero in long run. Experts feel this would be a disincentive for customers to invest in insurance policies.

Term plans made more attractive

Proceeds received from term plans or pure life insurance policies on death of the policyholder have been exempted from tax, making them a beneficial investment option.

Proceeds under most policies will be taxable

DTC proposes that sum received on death or maturity of policy will be exempt from tax only if premium paid for any of the years does not exceed 5% of the actual capital sum assured. This means that an annual premium of Rs. 10,000 will be exempted only if the sum assured exceeds Rs. 2 lakhs. As on date, there are very few policies which fulfil this condition.

Health and Property Insurance may become costlier

DTC proposes to tax the investment income of non-life insurance companies, which experts feel, may increase the premium rates on health and property insurance, as well as affect the profit margins of these companies.

In 2009-09, the non-life insurance industry collectively reported an underwriting loss of Rs. 4723 cores. But, they were able to recover these losses because of an investment income of Rs 5806 crores. As per the GIC, with the proposed tax on investment income, the tax on investment income would be a heavy burden and there may be no other way out but to raise rates.

Tax on assets

In addition to tax on investment, assets of insurance companies will also be taxable. According to DTC, they would have to pay a minimum alternate tax of 2% at the end of every financial year, on the basis of their gross asset value declared.

Treatment of gain from Mutual Funds

In case of income received on units of mutual funds (which are accorded a pass-thru status, vide clause 20 of Sixth Schedule), this has been exempt from tax. Thus the income distributed by Mutual Funds is not subject to tax in the hands of the investors. As against this, there is no provision which exempts periodic income earned by the policyholders from the insurance policy.

The profits realized on sale of mutual funds would be characterized as "capital gains" if the units are held as capital asset by the investors and it would be possible for the investors to claim indexation benefit. As against this as per the DTC provisions, the income from life insurance policy is proposed to be subjected to tax as "income from residuary sources" and hence the benefit of indexation would not be available to the policy holders.

In a nutshell

The sentiment of the insurance industry on DTC is cautious. While the insurance companies gear up for the overhaul in the tax structure, the Life Insurance Council and General Insurance Council are recommending some changes in the code.

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The Importance of being Profitable

Insurance companies offer security and protection to cover the financial loss of the insured and their dependents. To instill faith in their customers, it is important for insurance companies to be financially strong themselves.

An insurance company is in the business of offering Security and Service. Security means the ability of an insurer to pay claims when they arise (also called financial strength) as well as its willingness to pay claims (how hassle-free are its claim processes). While security and protection are aimed at covering the financial loss of the insured and their dependents, service is the manner in which policyholders and stakeholders are treated for ensuring that they are with the insurer for a long time. The policyholder is the most important stakeholder and at times the relationship goes beyond a mere shareholder. A policyholder insures one's life, health or asset with an insurer and in doing so puts their money (paid by way of premiums) and the future of their family at stake in the belief that the insurer will be around to fulfill the promises of protecting them and the family. In life insurance, for example, policyholders save for milestones like children, marriage, education, retirement, house etc. It is essential for these goals to be met so that the insurer has sufficient financial durability.

Insurance companies manage huge corpus of funds primarily through premiums collected from hundreds of thousands of customers. It is from this corpus that the claims and benefits are paid to the customers on occurrence of the insured event. A part of the corpus is then invested in approved instruments as per the guidelines, after setting aside the amount that may become payable in the immediate future.

In order to honour this obligation, insurers have to set aside an amount, which is a minimum excess on an insurer's assets over its liabilities set by regulator. It can be regarded as similar to capital adequacy requirements for banks and is commonly known as a minimum level of the solvency ratio. Profitability of the insurance company is another parameter by which the obligations can be met by an insurance company. It is these two parameters which reaffirms the customers' faith in an insurance company. Both these have a bearing on how the company performs by managing its growth and sustainability. The other important parameter is the use of capital employed. When a company manages it efficiently, then only it will be able to fulfill all the promises made to the

"The policyholder is the most important stakeholder and at times the relationship goes beyond a mere shareholder."

policyholder and can expect a swift and painless settlement.

This brings to the fore the crucial parameters – Solvency margin, profitability and capital employed, which play a vital role in reaffirming consumer's faith in an insurance company.

Solvency margin

Solvency margin is the excess of value of assets over the value of life insurance liabilities and other liabilities of policyholders' fund and shareholders' funds; in case of life insurers and the excess of value of assets over the value of liabilities with further adjustments for general insurance companies. Solvency Ratio means the ratio of the amount of Available Solvency Margin to the amount of Required Solvency Margin.

To put it simply, it indicates how solvent a company is, or how prepared it is to meet unforeseen exigencies. It is the extra capital that an insurance company is required to hold. As per the IRDA (Assets, Liabilities, and Solvency Margin of Insurers) Rules 2000, both life and general insurance companies need to maintain solvency margins.

Which brings to our next question - Why is the solvency margin needed? All insurance companies have to pay claims to policy holders. These could be current or future claims of policy holders. Insurers are expected to put aside a certain sum to cover these liabilities. These are also referred to as technical provisions. Insurance, however, is risky business and unforeseen events might occur sometimes, resulting in higher claims not anticipated earlier. For instance, calamities like the Mumbai floods, J&K earthquake, fire, accidents of a large magnitude, etc may impose an unbearable burden on the insurer.

In such circumstances, technical provisions though initially prudent, may prove insufficient for taking care of liabilities. If the liability is large, there is a possibility of the insurance company becoming insolvent. This would create an awkward situation for the insurance sector, regulator and also the government. The solvency margin is thus aimed at averting such a crisis. The purpose of the extra capital all insurers are required to keep as per the regulatory norms is to protect policy holders against unforeseen events.

Bajaj Allianz Life Insurance had a solvency margin of >250% and Bajaj Allianz General Insurance had a solvency margin of >160%, which is another testimony for the strong stability of the companies.

> "Solvency margin, profitability and capital employed play a vital role in reaffirming consumer's faith in an insurance company."

Profitability

Bajaj Allianz Life Insurance and Bajaj Allianz General Insurance have both made profits in FY 08-09. The table alongside gives the financial performance of Bajaj Allianz in H1 FY 09-10.

What does this mean for its customers? Profitability is a assurance for the customers about the financial soundness of their insurer and they can be reassured of paying their premiums regularly or reposing their faith in the company year after year. It goes without saying that a profitable company will have the desired financial solidity to meet all the promises made to the customer and be at their side whenever they needed the most.

Capital Efficiency

Careful utilisation of capital and prudent cost management is also a sine-qua non which determines the financial soundness of an insurer. The premium to capital ratio varies widely for various companies.

Capital is the lifeline for an insurance company to sustain its growth and ability to meet future requirements. Capital has become a scarce resource in these difficult times as there are players clamouring for access to cheap capital from any source either through IPO or raising the FDI stake. It is against this backdrop that the capital efficiency of Bajaj Allianz companies deserves recognition. Most of the capital brought in by companies is to fund their losses caused due to the new business strain.

Bajaj Allianz Life Insurance and Bajaj Allianz General Insurance did not infuse any capital in the year FY 08-09. Both the companies generated a good ROE for the respective companies.

Financial results of Bajaj Allianz

Life

In Rs. crores	H1 '09-'10 as on 30th Sept '09	H1 '08-'09 as on 30th Sept '08	FY '08-'09 as on 30th Mar '09
Gross Written Premium	1218	1416	2649
Profit before tax	84	52	150
Profit after tax	54	32	95

Non Life

In Rs. crores	H1 '09-'10 as on 30th Sept '09	H1 '08-'09 as on 30th Sept '08	FY '08-'09 as on 30th Mar '09
Gross Written Premium	4521	4324	10625
Total Surplus*	193	-27	45

*Shareholders + Policyholders

What makes a financially strong general insurer?

S Sreenivasan, CFO, Bajaj Allianz General Insurance

Profitability is an important tool for evaluating the financial management of a General Insurance company, but it is not the only measure

The financial strength of general insurers is based on a few simple principles
- Strong underwriting - selection and pricing
- Optimum retention
- Strong cash flow generation
- Prudent investment of cash flows
- Managing the profit mix for sustainability
- Sweating every rupee of capital brought in to generate premiums

Our industry has too often been seen through a single measure - viz. Gross Written Premium (GWP). Gaining market share was seen as a sort of overarching goal. However, post de-tariffication, we have seen that profitability of insurers has taken centre stage. It is possible for one to grow top-line and gain market share. But what is more difficult is to earn reasonable return on equity for shareholders while providing adequate security for policyholders. I will highlight a few measures of profitability which are important when looking at financial management of general insurers.

Earned premium growth

How is the earned premium growing? Earned premium is the amount of premium available to the company to meet claims, commissions and expenses but after deducting reinsurance costs and reserves for unexpired risks.

Retention

How much is the company retaining and what is a company's dependence on reinsurance commissions? The measures that can be used are Net Written Premium divided by Gross Written Premium and Reinsurance commissions as percentage of underwriting profits or PBT (Profits Before Tax). Insurers retain more on retail business and nearly two-thirds of all business is retail. Strong retention backed by good underwriting means higher cash flows for investment.

Profit mix

This is the mix of profits between sustainable profits and non-recurring profits. A general insurer's profits come from 3 sources viz - Underwriting or pure insurance profits; interest income from secure investments in bonds and fixed deposits; and capital gains of profit on sale of investments which is from sale activities in equity and bond markets. The capital gains portion is market dependent and companies which have a substantial portion of their profits from this source will find it difficult to sustain their profitability. A general rule of thumb is to see if, over 2 years, a company has had more than 25% of its PBT from such non-recurring sources. In the last 18 months or so, companies which depended heavily on equity market gains have had their profit models affected significantly. This is, perhaps, one of the most important measures from a CFOs perspective.

Free Cash Flow

This is the company's free cash flow generation, measured as change in cash and investments in a period. The contribution from shareholders and borrowings is deducted from this to get free cash flow i.e. new cash flow generated from the business.

S Sreenivasan

Combined Ratio

What is the company's combined ratio? The combined ratio is nothing but the sum of the company's claims, commissions and expenses as a percentage of net earned premiums. The combined ratio shows how much of the earned premium is used up in expenses and claims - a ratio below 100% is ideal as it means an underwriting profit. However, with no company making an underwriting profit in 2008-09, the ones which have lower than market combined ratios will score well on this count. If the combined ratio goes out of hand it can take several months or sometimes years before an insurer can retrieve the situation. Containing the combined ratio becomes the cornerstone of any strategy seeking to build a sustainable profit model.

Return on Equity

Return on equity is the measure of what the general insurer has been able to earn on the shareholders' funds.

Apart from this, one could look at some balance sheet based measures from a liquidity and solvency point of view.

Liquidity

The ratio of invested surplus to outstanding claims. This will indicate, how much liquidity the company has to meet its outstanding claims - ideally a ratio of 1.5 times is good and 2 and above is better. One could also look at invested surplus divided by outstanding claims plus one year's claims incurred.

Capital Efficiency

It goes without saying that the company which takes less capital for same amount of premium should have a higher return on equity. The Gross Premium divided by capital invested by shareholders gives an idea of how capital efficient the company is. Bajaj Allianz, for example, has a capital efficiency of nearly 9.5 times as compared to the market average for the private sector of 3-4 times.

Reserving

Insurance reserves (outstanding claims, unexpired risks reserves and other such insurance reserves) divided by net earned premium. Usually a ratio above 100% is good.

Free Cash Flow to Net Profits

If the free cash flow is more than net profits on a consistent basis, it is likely that the insurer is prudent in reserving and inherent strength is better. If, on the other hand, the free cash flows are less than net profits, then it is likely that the insurer is dipping into reserves to meet profit goals.

Statutory Solvency Ratio

The statutory solvency ratio is another parameter to be considered which can impact an insurer.

In the ultimate analysis, insurance business is about security and service. General insurance, in particular, is subject to significant volatility as there are large claims like catastrophes which happen once in a few years. In a market where price competition is intense and the price of risk is falling, being profitable with a reasonable return on equity and containing the combined ratio are sine qua non for survival.

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Profits of Private General Insurers

(in Rs. million)

Company	Underwriting Profit / Loss		Net Profit / Loss	
	2008 - 09	2007 - 08	2008 - 09	2007 - 08
Bajaj Allianz	(720)	(310)	950	1060
Cholamandalam MS	(330)	(160)	70	70
HDFC Ergo	(530)	(340)	(260)	(170)
ICICI Lombard	(3220)	(860)	240	1030
IFFCO - Tokio	(980)	(620)	30	70
Reliance	(990)	(2740)	(530)	(1660)
Royal Sundaram	(660)	(430)	60	50
Tata AIG	(80)	(240)	40	160

Source : News Reports

Capital Efficiency* - Private General Insurers

(In Rs. million)

Insurers	GWP Apr '08 – Mar '09	Capital as at 31st Mar '09	GWP to Capital ratio (Apr '08 – Mar '09)
ICICI lombard	37492	14737	2.54
Bajaj Allianz	28662	2768	10.35
Reliance	20753	7971	2.6
Iffco-Tokkio	15155	4012	3.78
Royal Sundaram	8713	2100	4.15

Source : News Reports

*GWP / Capital ratio read as 'number of times'

Accounting in Life Insurance companies

Rajesh Viswanathan, CFO, Bajaj Allianz Life Insurance

The Accounting function of life insurance companies is quite different from that of other companies. In the present scenario, finalization of accounts of an insurance company involves a lot of complexities, which are unique in nature. Similarly, reading and interpreting the accounts of a life insurance company can be equally challenging.

The financial statements of a life insurance company are prepared in accordance with the accounting standards issued by The Institute of Chartered Accountants of India (ICAI) to the extent applicable, the Insurance Act, 1938 and Insurance Regulatory and Development Authority Act, 1999.

The major reasons for the accounting of life insurance companies to be different from other companies are:

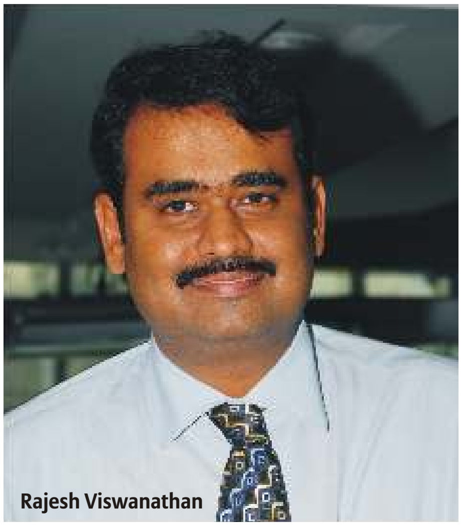
- The concept of Policyholders' Fund and Shareholders' Fund
- Ascertainment of actuarial liability in respect of insurance policies issued by the company
- The unit linked business and the related investment valuations involved in the same
- Segmental reporting in respect of all the funds maintained by the company
- As per IRDA Regulations, every life insurance company is required to report segment results separately for Participating, Non-Participating, Pension, Annuity business and Unit Linked business (Group, Individual – Life and Individual Pension). The IRDA rules also specify the disclosure requirements, general instructions for preparation of financial statements, and also contents of the Management Report.

Major points to be used for analyzing the Revenue Account:

- There is currently a lot of focus on growth of new business premiums. What is additionally and equally important is the growth in Gross Written Premiums (GWP) and ensure that renewal premiums are collected as and when due to ensure that persistency of policies or conservation ratio is high. Persistency, in common parlance, means the renewal premium collected of what was due. These are currently not disclosed by insurance companies. However, one can calculate the conservation ratio which is current year renewal premiums divided by previous year's GWP (without single premium) from the financial statements.
- Over the long term, as the proportion of renewal premiums to total GWP increase the commission ratio (commission divided by GWP) is bound to decrease. Similarly, when operating expenses stabilize after the initial high costs on setting up distribution network, the operating expenses ratio as a percentage to GWP would also keep declining.
- As discussed earlier life insurance companies in India report high losses in initial years of business due to 'new business strain'. As companies mature

and the percentage contribution of renewal premium in the total premium increases, companies should start reporting accounting profits.

- It is also imperative to have a decent yield on the investment portfolio as this is a direct contributor to the total income of the company. While calculating yield investment, income of unit linked funds needs to be excluded as this belongs to the policyholders. For accounting purposes, this income is included in investment income and the same figure is also included in expenses under 'reserves'.
- It is important to check the contribution of investment income to the overall surplus in the revenue account. This is more pertinent if income from investments is on account of profit on sale of investments as this may not always be a sustainable income stream.
- Participating Business, commonly known as "par" business, is to account for the typical endowment (risk + savings) business. These policies "participate" in the profits earned by the company from these policies. The Company usually declares "bonus" on these policies which will be eventually paid out to policyholders. The distribution of surplus under this type of business has to follow the 90:10 route which means that the shareholder is entitled to only 10% of the surplus with 90% of the surplus for the policyholder.
- Non participating business is where pure risk cover policies, health, group life business, guaranteed products are accounted for. Any surplus on this type of business belongs only to the shareholder.
- Unit linked business currently forms the major portion of business for almost all private life insurers. Under the unit linked policies, the policyholder is granted 'units' of a fund which he/she chooses (could range from equity, index, debt, liquid, etc.). Any profit or loss on fund performance directly goes to the policyholder. What the life insurance company gets under these policies are



Rajesh Viswanathan

'charges' like initial allocation charge (to meet the acquisition costs incurred), fund management charge (which is normally a percentage of the fund value), Policy Administration Charges (usually a flat amount per month), cost of Insurance (charge levied to cover the life of the policyholder), etc. Surplus in the revenue account on unit linked business belongs only to the shareholder.

Major points in a life insurance company balance sheet:

- Policy liabilities and funds for future appropriation should be backed up mainly by policyholder investments and other specifically identified assets.
- Unit Linked liabilities are backed up by unit linked investments.
- Solvency ratio is declared annually by companies and has to be higher than the statutory requirement of 150%.

> "As companies mature and the percentage contribution of renewal premium in the total premium increases, companies should start reporting accounting profits."

- Net worth of the insurer is also a very important attribute as is common among other than insurance companies too.
- The Return On Equity (ROE) in case of life insurance companies will attain importance once companies break even and start making consistent profits.
- Capital requirement of life insurance companies are on the higher side with the regulator mandating a requirement of 150% of the required solvency. This results in frequent capital infusion during the growth phase of the companies. As companies mature and renewal premiums share to total premiums increase, the capital requirements are also generally moderate.
- Capital efficiency of the insurer which is GWP divided by the share capital (including share premium, if any). A higher ratio denotes better and efficient utilization of capital in the business.

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Capital Efficiency* - Private Life Insurers

(In Rs. million)

Insurers	GWP Apr '08 – Mar '09	Capital as at 31st Mar '09	GWP to Capital ratio (Apr '08 – Mar '09)
ICICI Prudential	153560	47800	3.21
SBI Life	72120	10050	7.18
Bajaj Allianz	106250	12110	8.77
Reliance Life	49150	27400	1.79
Birla Sun life	45776	20000	2.29
HDFC Std Life	55650	18433	3.02

Source : IRDA Annual Report, Business Standard 6th May 2009, websites and Press Releases of respective companies

*GWP / Capital ratio read as 'number of times'

Impact of IRDA Guidelines on ULIP

Anil Singh, Appointed Actuary, Bajaj Allianz Life Insurance

Cap on charges may have an impact on policyholders' benefits

Unit Linked Insurance Plans (ULIPs) have been the most favored plan with consumers who have been seeking life protection as well as good returns on investments. ULIP plans by construct are complicated for customers to understand. The calculations of charges and NAV make the product complicated and thus, the overall perception for the product is considered as complicated and difficult to understand. But in a real sense, ULIPs are very easy to sell. They are very transparent, flexible and help customers reap benefits of stock markets. That is why for most of the insurers, ULIP constitutes over 70% of the life insurance portfolio.

In order to make ULIPs more understandable to customers, the regulator stepped in and in the first phase, made it mandatory for all policy documents to include a customer centric benefit illustration. These were incorporated to ensure that the customer had a clear understanding of the product before making an investment decision. Also, IRDA has laid down various charges for the management of these products, which are deducted either from the contributions or the fund.

In the second phase to bring in more transparency and enhance clarity and ensure the charges are reasonable, IRDA recently announced a new circular which puts a mandatory cap on all charges, put together. These charges are distributed across the policy term, so as to impart flexibility for the insurer.

Let's take a look at some suggestions made in the recent circular and its implications.

Fund Management Charge restricted to 1.35% per annum

Under many of the existing equity funds offered by insurance companies, Fund Management Charge (FMC) is up to 1.75% per annum. The new circular mandates that such charges will be brought down to 1.35%, irrespective of the duration of the policy, resulting in higher benefits to the policyholders.

Maximum IRR spread of 3% for policy term upto 10 years and 2.25% for policy terms of more than 10 years.

To encourage long term investments and enable higher returns, cap on charges will be based on difference between gross yields and net yields (Net yield is defined as the rate of return on investment after subtracting all charges and taxes). For policies of tenure of 10 years or less, the difference between gross yields of 10% and net yields cannot exceed 3%. If tenure is greater than 10 years, the difference cannot exceed 2.25%.

This means that if a company earns 10% per annum over the term of the policy, the net yield to the policyholders (excluding mortality and rider charges) at maturity should be 7% per annum if policy term is 10 years or less, and 7.75% per annum if policy term is more than 10 years.

If you look at the maturity value particularly under shorter term policies, the net yield to the customers are much lower because of high allocation charges. After these restrictions, charges (particularly, allocation charges) would go down and maturity value and net yield to the customer would go up.

> "ULIPs are very easy to sell, transparent, flexible and help customers reap benefits of stock markets...for most insurers they constitute over 70% of the life insurance portfolio."

No surrender charge from 5th policy year

If an investor stops a plan before completion of the term, he needs to pay a part of the accumulated money, as charges for stopping the premiums. This is called Surrender Charges. The new IRDA circular bars insurance companies from levying a surrender charge on ULIPs after five years. This will put in more money in the hands of the investor.

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Claimstrack

A quarterly review of claims handled

Life

Claims Settlement July - September '09

	Claims Outstanding as on 1st July '09	Claims intimated	Claims settled	Claims repudiated	Claims Outstanding as on 30th Sept '09
Death	1522	5053	3334	244	2997
Riders	34	119	46	45	62
Health care	1	16	8	2	7
Total number	1557	5188	3388	291	3066
Total amount	340,300,000	838,989,931	554,257,066	71,864,614	553,168,251

Claims Settlement Ratio 91.92%

Cases referred to Consumer Forum & Ombudsman July to September '09

Total no. for Cases received	No. of cases settled	Bajaj Allianz Won	Bajaj Allianz Lost
110	44	19	25

Non Life

Claims Paid Analysis - Ageing July to September '09

Line of Business	Count of Claims				Total no. of claims paid	Total amount paid in Rs
	0-30 days	31-90 days	91-180 days	> 180 days		
Motor (Excluding TP)	67,771	12,290	3,554	1,339	84,954	1,605,984,147
Property & Engineering	561	728	384	356	2029	55,407,757
Health	19020	365	139	131	19655	424,684,344
Miscellaneous and others	5,976	1540	853	1675	10044	738,696,009
Total	93,328	14,923	4,930	3,501	116,682	2,824,772,257

Claims paid within 90 days 93%

Claims Settlement Record September '08 - September '09

Line of Business	Outstanding as on 30th Sept '08	Registered from Sept '08-Sept '09	Paid from Sept '08 - Sept '09	Outstanding as on 30th Sept '09
Motor (OD)	18,355	378,895	381162	16,088
Motor (TP)	24,624	29,000	13688	39,936
Property & Engineering	2906	9028	9618	2316
Health	6842	104708	103797	7753
Miscellaneous and others	8163	46146	47563	6746
Total	60,890	567,777	555828	72,839

Claims Settlement Ratio 94%

Cases referred to Consumer Forum & Ombudsman As on 30th September '09

Total no. for Cases received	No. of cases settled	Bajaj Allianz Won	Bajaj Allianz Lost
3942	2067	1250	817

Market Outlook

Sashi Krishnan, CIO Bajaj Allianz Life Insurance

Although the economy has started to show signs of improvement, it brings with it a few concerns. In this scenario, for investors who are not keen on taking on higher risk but desire to participate in the upside of an equity investment, the Asset Allocation Fund is an ideal vehicle.

At the macro level, there are signs that the economy has begun to turn around. The GDP growth for the first quarter of FY 2010 was in line with expectations at 6.1%. Growth for 2009-2010 is expected to be between 6.25% and 6.75%. Both factory output and the services sector are expected to grow at around 8%, while agriculture will show negative growth. The Index of Industrial Production in August 2009 was 10.4% higher as compared to the level in August 2008. The cumulative industrial growth for the period April-August 2009 stands at 5.8%, indicating a sharp recovery.

Domestic consumption has turned reasonably buoyant. Improved consumer confidence coupled with low borrowing rates has seen consumer spending increase. There has been a strong recovery in car and two wheeler sales. The festival season has also seen a pick up in retail sales as well as sales of electronics and white goods. The only area where the pick up is yet to manifest is in home sales.

A deficient monsoon will impact the kharif crop somewhat, and farm output could be down 2% this year. However, with a late revival in the monsoon, the prospects of the rabi crop are good. The overall food grain production is therefore not expected to be too bad and should be at around 220 million tones. It is heartening to note that in spite of the less than normal agricultural prospects, rural incomes have not taken a big hit because of higher support prices for agro commodities as well as government support through the National Rural Employment Guarantee Scheme.

Domestic consumption has turned reasonably buoyant. Improved consumer confidence coupled with low borrowing rates has seen consumer spending increase.

We are seeing incipient signs of the investment cycle turning positive. While there is still not much investment happening in the manufacturing sector, there seems to be a significant pick up in investments in infrastructure. A lot of capital is being raised for investment in the power, port and roads sectors through the capital markets as well as from banks.

Against all this good news there are a couple of areas of concern. Inflation has moved out of negative territory and is moving up sharply. Inflation can be expected to move up to 8% by March 2010, because of the base effect as well as higher food and commodity prices. Rising inflation could lead to monetary tightening and a consequent hike in interest rates. However, policy makers will stick to an accommodative monetary policy for as long as they can. The burgeoning fiscal deficit is another concern area. While fiscal consolidation is imperative and the government needs to bring back the fiscal gap to FRBM targets, it does not appear to have a strategy to achieve this. The third risk is a potential reversal in the global recovery, leading to a slowdown in capital inflows.

Though the bond markets saw a short rally over the last few days, the long term outlook is a little less sanguine. While there have been no surprises in the governments second half borrowing calendar, markets are still skeptical as to whether the government will be able to contain its borrowing at the indicated levels. The rise in inflation will test RBI's tolerance limits very soon leading it to move away from its accommodative monetary stance. While the immediate trigger for yields to soften may come from the RBI allowing a hike in the held-to-maturity limits for banks, thereby increasing demand for government bonds, there may not be much else to cheer the market.

We are seeing incipient signs of the investment cycle turning positive. While there is still not much investment happening in the manufacturing sector, there seems to be a significant pick up in investments in infrastructure. A lot of capital is being raised for investment in the power, port and roads sectors through the capital markets as well as from banks.

The equity markets have had a dream run since April this year, gaining more than 70%. This is the result of a heady cocktail of large portfolio flows into the Indian equity market, strong economic data and improving corporate earnings. India has been one of the best performing markets in the world next only to China, Indonesia and a few other markets. FII's have invested close to US$14 billion in India in this calendar year, albeit quite a bit through the QIP route. Valuations are now on the rich side with the forward price to earning ratio of the BSE Sensex higher than its 15 year average of 16 times. It would be prudent to be a little cautious at this stage.

For investors who are not keen on taking on higher risk but desire to participate in the upside that an equity investment offers, the Asset Allocation Fund is an ideal vehicle.

The primary determinant of risk and return in a portfolio is asset allocation. Portfolio returns are not determined by market timing or security selection but mainly by asset allocation decisions. Very often, small investors do not have adequate knowledge or access to information to make an informed decision regarding asset allocation. It is because of this that we offer investors an option of an Asset Allocation Fund. In our Asset Allocation Fund, we give investors the benefit of superior asset allocation, that enables the fund to lower risk and improve return by spreading the investment across a variety of asset classes that behave differently during market cycles. Small investors then benefit from strategies that take advantage of the movement of asset prices resulting from changing financial and economic conditions.

Currently the asset allocation fund is invested to the extent of 36% in equity and 64% in debt securities. We have reduced our equity exposure, given our cautious view on the markets because of the stretched valuations. Our long term outlook for equities, however, remains positive. The Indian growth story still remains intact as it is mainly driven by domestic consumption. We now observe that a number of macro indicators have turned for the better and corporate earnings have surprised positively – all of which is good for the equity markets. We expect interest rates to remain soft for some time, give RBI's accommodative monetary stance, liquidity in the system and low inflation. Bond markets should therefore remain stable.

The Asset Allocation Fund has outperformed its benchmark, the CRISIL Balanced Fund Index, over the one year period (as on 30th September, 2009) by 158 basis points.

This out performance has been achieved through a dynamic asset allocation strategy and by judicious stock selection.

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Asset Profile

Asset Class	Asset Allocation Fund	Cash Funds	Debt Funds	Equity Funds Large Cap	Equity - Mid Cap	Index Fund	Ethical Fund
Shares	50.4%	0.0%	0.0%	94.2%	95.2%	99.2%	94.9%
Money Market Instruments	12.2%	61.2%	13.3%	4.1%	3.0%	0.8%	0.0%
Mutual Fund Units	2.5%	0.0%	0.0%	0.9%	1.8%	0.0%	0.0%
Fixed Deposits	4.0%	38.8%	13.2%	0.5%	0.0%	0.0%	0.0%
Treasury Bills	0.4%	0.0%	0.0%	0.1%	0.0%	0.0%	5.1%
Corporate Bonds	28.3%	0.0%	70.8%	0.0%	0.0%	0.0%	0.0%
Central Government Securities	1.9%	0.0%	2.7%	0.0%	0.0%	0.0%	0.0%
Warrants	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%
State Government Securities	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Fund Performance

Fund Names	Absolute Return				CAGR Return	
	1 Month	3 Month	6 Month	1 Year	2 Year	3 Year
Pure Equity Fund	8.0%	24.3%	68.4%	54.5%	17.2%	19.1%
Pure Stock Fund	6.5%	21.9%	63.8%	50.0%	17.5%	19.9%
Pure Stock Pension Fund	7.7%	25.7%	76.2%	55.7%		
CNX NSE Nifty Index	9.0%	18.5%	68.3%	29.7%	0.6%	12.3%

Delighting the Customer through CCU

Pawan Mahajan, AVP, Customer Care Unit

Mr. Suresh Kapoor was driving at 10pm on National Highway to Delhi, when the glare from headlights of a car coming in the opposite direction blinds him for a split second, causing him to swerve off the road and bang into a tree. Stranded on the busy highway, he calls up the Bajaj Allianz 24x7 customer helpline (1-800-209-5858). The call centre executive notes down his car and policy details, and issues a claim number, which is also sent to him via SMS. An intimation is also sent to the closest branch for further processing. In a matter of 1-2 hours, a towing van reaches the site of the accident to tow the car to the nearest service station and transport Mr. Suresh Kapoor to his destination.

This was one of the 9000 calls received at the Bajaj Allianz multi-lingual call centre in a day and how the team goes that extra mile in servicing the customers. The team also handles product inquiries, claim registration, grievance handling and various other services.

The unit, known as CCU (Customer Care Unit), functions as a single touch-point for customers to register a policy servicing request, claim, request for product information or make a complaint. The CCU handles these queries and grievances with a benchmark for turn-around-time (TAT) and maintains a track record of each interaction in an in-house developed software called I-Track. I-Track is equipped with various automations, search engines and alerts as well as sends the request to the relevant team. The approx. 200 member team handles calls pertaining to both Life and General Insurance customers.

The calls received can be categorized as:

- Policy servicing request / endorsements
- Product enquiries
- Claims Registration
- Grievances
- Pre-Authorization requests of health insurance

Handling Complaints

Customers can log a complaint or grievance through phone at the toll free numbers (1-800-209-5858)or mail (customercare@bajajallianz.co.in)or letter or fax.

In addition to this, customer complaints received through IRDA or Ombudsman or Consumer Forum/Legal are also registered, tracked and resolved at the CCU.

Most of the calls, other than general enquiries, are issues related to claim settlements and can be solved by the tele-executive the first stage itself. When a claim has been registered, an intimation is sent to the customer through an SMS or email. At the same time, the relevant department (health, travel, motor, life claims, finance etc.) or branch office is also alerted.

Calls which require technical assistance are forwarded to the Resolution and Grievance teams through I-Track, on the basis of the level of technicality. The non-technical calls are solved by the Resolution Team; while the Grievance Team handles technical queries which are responded to within an average turn-around-time of 5 days.

> The Resolution team conducts root-cause analysis on all grievances to reduce the number of grievances received in future.

Further, 'grievance calls' are analyzed to understand the root of the problem, ensuring such complaints are not repeated and the numbers of grievances are reduced.

Analysis of over 1 lakh calls handled (Apr to Sep '09)

Categories	Percentage	Avg TAT in Days
General Enquiry	43.6%	0*
Claim Related	20.6%	0
Renewal Related	11.5%	0
Product Enquiry	1.1%	0
Policy Servicing	6.3%	1
Policy Not Received	2.8%	2
Others	14.3%	1

*Avg TAT of 0 indicates query solved at first stage

The Resolution and Grievance Team ensures that all regulatory instructions pertaining to IRDA have been strictly followed.

Customer Feedback

Feedback is an important tool that helps to evaluate the business and service and helps to identify different measures that need to be taken to improve product, people and process. Regular feedback is taken from both Internal and External customers.

Customer Ratings for Sept '09

Category	Percentage
Highly Satisfied	54.08%
Satisfied	22.03%

Going forward, focus areas for CCU are as below:

- Every call made to the call center should be answered in 3 seconds / rings.
- Ensure resolution of 95% cases on the very first intimation from the customer. Currently, the resolution rate is at 80%.
- Immediate resolution on grievances and complaints; 90% of the cases to be resolved within a turn-around-time not exceeding 1 day.

These measures will help the CCU to further improve their customer care standards and achieve **'Customer Delight'.**

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Customer Service, Few Clicks Away

Thomas Varghese, Head - Projects & IT
Niranjan Vaidya, Team Head - R&D

Imagine you are traveling to Bangkok for a family vacation within a few hours but just realized that having travel insurance could ensure that there is nothing to spoil a perfect holiday or shopping spree amidst the swine flu scare? Or imagine a scenario where you are planning to go on a weekend long drive but your car insurance is expiring midst of the journey and you don't have time to visit the insurance office? The Sensex with its penchant for volatility dents your investments in ULIP plan and hence needs to make a switch from equity fund to asset allocation fund to minimize the damage. Need to chat with an insurance expert regarding the nuances of ULIP plan or a home insurance?

Click and you can have it. Yes, all this can be done at your fingertips with just through a few clicks on the Bajaj Allianz Customer Portal. Bajaj Allianz's Customer Portal (available on the website www.bajajallianzlife.co.in or www.bajajallianz.co.in) addresses the needs of our tech-savvy customers by bringing you the convenience of carrying out simple and routine transactions of your insurance policy or queries while sitting at home or office. The online portals have several advantages and are elaborated as below:

Time and Money Advantage

The customer can access the portal anywhere with a live Internet connection. Thereby, he saves time, no hassle of queuing up at offices and no need to take off-hours from work just for an insurance policy.

Independence

The portal has been designed keeping in mind customers of different age groups, income groups and the level of comfort with the internet. All features of the portal are user-friendly and self explanatory, allowing the customer to procure a new policy or renew an existing policy without depending on an Insurance Consultant or anybody else for the same.

What you can do on the Customer Portal?

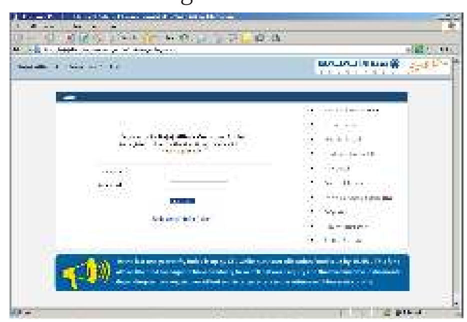
- Get information on various policies like features, calculating premium etc.
- Buy a policy
- Renew an existing policy
- Live chat with our experts

Round the clock availability

The portal is available 24x7x 365 days, thus providing the customer with round-the-clock support. The Customer Care team is connected through a countrywide network and irrespective of where the customer is located or the hardware he uses, an internet connection is all he needs.

Insurance experts at the click

Customers can discuss policy features and details with our in-house experts through the live chat facility or through a call. Simply by clicking the 'Call Now' button, they can ask a Customer Service Executive to call them and get their doubts clarified.



Instant Pay and Receipt

The portal gives the customer an option to pay for a policy online and take a printout of the receipt. Alternatively, he can initiate the sales process on the portal, which concludes successfully at a stage where a representative closes the policy sale and delivers the receipt of the same at the customer's doorstep.

One of the biggest concerns that customers have while purchasing services or products online is security. To ensure our customers are not exposed to any malicious online activity, Bajaj Allianz online payment gateways are PCI Compliant and Verisign secured.

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Bajaj Allianz Invest Plus

Arnav Pandya

A review of the product by an independent financial expert

Bajaj Allianz Invest Plus is a non linked endowment insurance plan that provides for guaranteed investment returns that are declared each year in advance.

Buying aspects

There is ease of premium payments for the Invest Plus scheme as the minimum regular figure (including service tax) has been kept at Rs 12,000 annually, Rs 6,000 half yearly, Rs 3,000 quarterly and Rs 1,500 for a monthly installment. Mutual funds start with a minimum amount of Rs 5,000-10,000 so the figure is comparable. This is easily affordable for a lay investor, making it accessible for a large number of people.

Premium payment is also convenient and easy to match with the cash flow as all the options ranging from the monthly to the annual payment are available. There is no maximum regular premium payment limit so the policyholder can increase the figure without any restrictions depending upon the requirement and affordability.

There are four choices for the policy term with the periods being 10, 15, 20 and 25 years. The policy can be bought by a person from age 7 years to 60 years, though the coverage continues upto 70 years. The amount of insurance cover can be chosen at 5, 10, 15 or 20 times the premium subject to the maximum policy term times the premium. For example, if the policy period is 15 years then the number of times cover cannot be 20 times as this will exceed the policy period. All these factors provide maximum period and amount of coverage resulting in convenience on the buying front

Flexibility

Invest Plus has a provision for additional premium contribution with a minimum amount of Rs 5,000. Each additional payment will have a three year lock in and no additional premium can be paid in the last three policy years. Additional premiums will be multiplied by a specified factor and kept separately as Additional Accrued Maturity Value (AAMV). The benefit is that the multiplication factor is 100% or more for policies where the remaining period is 8 years or more.

On the lower side, there is a provision for the reduction in the premium but this figure should not fall below the minimum premium fixed. This should also not be less than the life insurance and the rider premium to be paid on the policy. This means that if there is a policy with an annual premium (including service tax) of Rs 30,000 then it cannot be reduced to less than Rs 12,000. The policyholder has to keep in mind that availability of most benefits and features are dependent upon the premiums being paid regularly and on time.

Since this is a traditional and not a unit linked product there is only one investment option present on the policy and the funds will be invested as per the necessary regulatory guidelines in force. Normal unit linked products have 4-5 investment options. There is however flexibility in creating an overall structure through the use of rider benefits. These actually consist of six riders which are aggregated under four heads - Comprehensive accident protection rider, critical illness benefit rider, hospital cash benefit rider and the family income rider. The total number and variety of riders are adequate to cover most requirements of the policyholders.

Funds can be raised using the policy in several ways increasing flexibility after three years regular premium has been paid. This is in the form of a surrender facility, part surrender (only for the AAMV) and the option to take a loan upto 85% of the surrender value of the Accrued Maturity Value.

Complexity

The details involving the payout are vital for the policyholder. The regular premiums have a deduction for the cost of the life cover and premium for additional riders chosen. Out of the remaining amount, 95% will be credited to the account of the policyholder known as Accrued Maturity Value (AMV). The guaranteed investment return declared each year will be added to this account but is credited on a monthly basis. So, there is a proportionate benefit available through the year. There is also a loyalty benefit that is available from the 11th year onwards which is equal to 10% of the net premium (premium after deducting life cover charges) received after that period.

The death benefit is equal to the sum assured plus the value in the Accrued Maturity Value (AMV) and Additional Accrued Maturity Value (AAMV) accumulated as on the date of receipt of intimation of death. This working is very clear and simple to understand. In case of survival, the Accrued Maturity Value (AMV) plus a proportion of the total life insurance premium paid (50 to 100% rising with policy term) will be paid, but this will be at least equal to the Guaranteed Maturity Value. The Additional Accrued Maturity Value (AAMV) will also be paid. Some confusion might arise here as the guaranteed maturity value has got nothing to do with the guaranteed investment return declared each year but is equal to the total regular premiums paid till maturity excluding rider premiums, extra premium and service tax.

Ease of tracking

The tracking of the investment will have to be done by knowing the value of the investment at different points of time. The Guaranteed Investment Return is announced each year so this will be clearly known. Each investor will also know the amount transferred to the AMV. There are tables with figures specified for the additional premium factor for multiplication with the additional premium paid, surrender penalty, premium discontinuation penalty, percentage of premium refunded. This makes the tracking of any working of the investment transparent and easy for the policyholder.

Cost

On the cost front, the actual premium for life cover is deducted up-front each year. If the policyholder survives till maturity, then this would be refunded (ranging from 50 to 100%), so in the final analysis the cost impact could be partial or nil.

Another cost is the 5% reduction of the premium before allocation to the AMV account for all premium payments. This cost is slightly higher than what an investor will face in several other instruments like a mutual fund. As compared to other insurance products (unit linked) the results will be mixed as it depends on the exact structure of a particular product. Costs for similar traditional policies are not usually available separately. This cost factor can be an important point for consideration for several potential policyholders and this would need exact calculations with alternative options to determine the final position.

Overall rating

★ ★ ★ ★ ☆

The reviewer is a Certified Financial Planner and a columnist with leading publications in India. He has professional qualifications as a Chartered Accountant and a MBA from IIM Bangalore with specialisation in Finance. His columns have appeared in The Economic Times, Times of India, Hindustan Times and Business Standard. He has nearly a decade of experience in the financial planning field covering activities like training, creating study material, preparing practical user guides and conducting seminars.

★ *Not recommended*
★ ★ *Invest with caution*
★ ★ ★ *Average investment*
★ ★ ★ ★ *Good investment*
★ ★ ★ ★ ★ *Must invest*

Events & News

To
The Bajaj Alliance General Insurance Company,
Mumbai-400 029.

Ref:- Claim No.OC-10-901-6608 – 00 00 00106 pertaining to
Late Lt.Col. M.S.Reddy.

***

I acknowledge the receipt of Cheque No.461523, dated 29-09-2009 of Standard Chartered Bank for the Insurance amount released through Bajaj Alliance General Insurance Company Ltd., for an amount of Rs.100.00 lakhs (Rupees One hundred lakhs only) towards the full and final settlement of claim under Policy No.OG-10-1901-6608-00000401 in respect of Late Lt. Col. M.S. Reddy.

In this regard **I convey my sincere appreciation** for all the immediate steps taken and the amount is released within a span of one month after the helicopter crash. **I feel really this is an unbelievable and unforgettable task done in a short span by the Federation of Indian Pilots in association with Bajaj Alliance General Insurance Company Ltd.,** and this sort of immediate action **will really boost morally for all the pilots in the country** to register for insurance through the Federation.

I thank one and all in the Federation for having extended the help in the matter.

Thanking you,

Date:09-10-2009

Yours faithfully,

K.Reddy

(SMT. M.KIRAN REDDY)
W/o Late Lt. Col.M.S.Reddy
H.No.2-1-559/A/2,
Nallkunta, Hyderabad-44.

Appreciation letter from Mrs. Kiran Reddy, wife of Late Lt. Col MS Reddy, a co-pilot on the ill-fated helicopter carrying late Mr. YS Reddy, Andhra Pradesh Chief Minister. The claim was settled in less than a month of the accident.

Pooja Chopra, Miss World nominee and 1st runner-up for Pantaloon Femina Miss India, distributed relief material like blankets, food packets etc. to the flood affected people of Kurnool, Andhra Pradesh on behalf of Bajaj Allianz. In addition to this claim cheques of motor insurance claimants were also distributed. Over 2000 blankets were distributed and a total of 70 motor claims worth Rs. 10 lakhs were settled.