



Summary

- ▶ **Assessing an Insurance Broker**
- ▶ **Clinical Trials Liability Insurance**
- ▶ **Risk Management Tips**
- ▶ **Market News**

Message from the Editor

Dear Readers,

It's celebration time for India Insure!

We recently crossed another milestone – our Fifth Anniversary on June 9, 2004 - the day we began the journey of building India Insure five years ago. Pioneering the concept of Insurance advisory services over the last 5 years and as an Insurance Broker for over a year has been an exhilarating experience. We are now one of the largest insurance service providers with a pan-India presence, a 75-member team, 6 branches, over 225 corporate customers and a premium portfolio of Rs.75 crores. This anniversary is a celebration of our clients' trust in us and their commitment to the broking concept.

At this juncture, let me promise that we shall continue to deliver path-breaking service to all our clients for all your risk management and insurance needs.

I wish to thank one and all for their support to India Insure and assure you of our total commitment to meet their Risk Management and Insurance Administration needs.

Finally, I thank all for the overwhelming response and feed back for the June issue of our Newsletter and hope to receive the same for this issue also.

Warm Regards


 Ramakrishna V
 Managing Director

Assessing an Insurance Broker

World over, various credit rating agencies like Standard & Poor, A M Best, etc have mechanisms in place for rating Insurance Companies. Over the years, with their experience, they have so perfected the rating process that it has become an acceptable standard across the Insurance Industry.

Despite this, curiously, there appears to be no effort in rating insurance broking companies anywhere in the world, and the Indian market is no exception. In the absence of rating by a professional rating agency, a corporate client needs a logical and scientific framework to rate Insurance brokers. In this article, we present such a framework to help

The attributes to be evaluated in Brokers at the time of appointment would be different from those to be assessed on an on-going basis as "broker on record". We have dwelt on the qualities to be evaluated initially, which may be rated on a five-point scale.

Once the assessment on the above criteria is done, any broker scoring more than 40 ("Good" on all factors) can be considered for outsourcing the insurance activities. A close look at the above attributes would reveal that they form part of any successful insurance broker in the world.

Although this exercise seems cumbersome, it is worth doing, at least

Sl. No.	Attribute	Rating (1~5) (1: Poor, 2: Below Average, 3: Average, 4: Good, 5:Best)
1	No of years experience in Insurance domain	
2	Premium managed last year	
3	Number of Corporate clients	
4	Quality of Technical Team – insurance experience, knowledge, etc	
5	Claims Handling – skills, past experience	
6	Bargaining strengths – with Insurers, TPAs, Surveyors	
7	Service Level commitments being provided	
8	Local or National presence	
9	Knowledge of Global markets for specialty covers	
10	Other soft skills – Presentation, Communication, Solution-seeking, Attitude towards customer	
Total of the score:		

corporates in their search for professional Insurance brokers.

Choosing an Insurance Broker is perhaps, in many ways, much more complex than choosing an Insurer. They would be the clients' ambassadors and handle the entire insurance portfolio, so that the client can concentrate on his core business. In mature markets, an Insurance Broker's level of involvement can be compared to that of an Internal Auditor, the Legal Counsel or even the family physician.

initially, so that future complications, which may arise because of wrong selection, can be avoided.

As a popular adage goes, "Learn or Perish", Insurance Brokers also should cultivate all the required qualities on their own, so that they can do justice to their profession and make the selection process easy for the clients. May we also hope that the rating agencies initiate the rating process of Brokers on the lines suggested above so that a degree of professionalism prevails in the market.

Clinical Trials Liability Insurance

Growing competition in the drugs and pharma industry drives companies to discover new solutions or cures to dreaded diseases or degenerative conditions. In this environment, the commercial advantages to the firm that produces the first approved drug for a disease that affects a large patient population can be enormous.

However, the process of introducing drugs to the market is well-regulated, for obvious reasons. Before a new drug can be introduced in any market, it must first be approved by a statutory agency like the Food and Drug Administration. In most instances, the agency will require a clinical trial to be performed to demonstrate both the reasonable safety and efficacy of the product under consideration. Stringent regulatory requirements and competitive pressures are motivating life science companies to sponsor clinical trials more often.

Trials often require large numbers of human participants to best evaluate the effectiveness and long-term safety of a drug or device. When all inclusions and exclusions criteria are met, an "informed consent form" is given to the participant. Informed consent is a written and signed agreement required for participation in a clinical trial. It provides the participant with key facts about a clinical trial, including the purpose and length of the study, required procedures, as well as possible risks and benefits.

Clinical trials follow strict requirements (protocols) of how a study is carried out. Protocols may require a treatment to be examined alone or compared with a placebo (sugar pill) or a treatment that is already known. Or, a trial may be designed to show how an already known treatment can be used in a new way. Protocols also describe who may participate in the trial, the schedule of tests, procedures, medications and dosages, and the length of the study.

While a trial is in progress, participants are regularly seen by doctors and research staff who monitor the participants' health and closely follow the safety and effectiveness of the treatment.

Phases under Clinical Trials:

Subsequent to positive pre-clinical trials conducted in laboratory on animals, researchers develop a clinical trial protocol (plan) for testing on people, in phases:

- **Phase I** determines the safety of a treatment that showed positive results in laboratory and animal studies. Drug metabolism and safety are tested in a small group (20-80) of patients or healthy volunteers.
- **Phase II** tests the effectiveness (efficacy) of a drug or procedure on a disease or condition in a larger group of 100-300 patients.
- **Phase III** tests a drug or procedure among 1,000-3,000 participants. Its risks and benefits are evaluated and compared with standard, proven treatments.
- **Phase IV** tests a newly approved drug or procedure for optimal use or efficacy in the treatment of another disease or condition.

Clinical Trials Liability Insurance:

Conventional Products Liability Insurance does not normally include the liability due to an unproven, unregulated product in its testing stages. These potential liabilities have created the need for a separate Clinical Trials Liability Insurance.

To obtain this insurance, a detailed questionnaire has to be filled in. The basic criteria of underwriting are:

1. The preliminary Permission from the statutory authorities to be obtained prior to commencement of the trials.
2. Clinical Trials to be held strictly in accordance with established conventions like Geneva Convention and World Medical Association - Declaration of Helsinki, etc.

Basis of Rating:

Clinical Trials insurance is very complex and the premium rating may not lend itself to being explained in simple terms. However, factors like the technology employed in the drug or medicine, the area of operation of trials, the indemnity limits opted, the protocol chosen, the general claims experience of this particular class of drugs locally and elsewhere, the size of research subjects are some of the criteria on which the rating may depend.

The Cover:

Besides the overall limit of any one accident and any one period, the policy may specify detailed sub-limits like per Research Subject for Clinical Trials, Professional Indemnity Insurance for Principal Investigators and number of Research Subjects per location, etc.

The Policy indemnifies the insured against all sums that the Insured shall become liable to pay as damages or compensation and claimants' costs and expenses in respect of any claim made by Research Subjects for bodily injury caused by an occurrence during clinical trials.

Exceptions under the policy:

The usual exceptions are war and war like perils, radioactive and nuclear perils, diseases like AIDS, etc which are typical exceptions for any insurance policy. Besides, mental injury, mental anguish, shock of Subjects is out of coverage of these policies.

Conditions of Compensation to Subjects

The prerequisite for the compensation to be paid is proof beyond doubt that the injury or aggravation of the existing condition was caused by the administration to or use by the Research Subject of any drug or product involved in the Trial or was directly attributable to participation in Trial.

Compensation would also be given to the Research Subject who may not be receiving the drug or product under Trial but there is an injury or aggravation of the existing condition because of withholding of treatment, which he was undergoing or caused by the administration of a placebo.

Although the Research Subject was warned of the risk before the trial and he has signed an "informed consent" agreeing to participate in the Trial voluntarily, in case of injury from a foreseeable adverse reaction, compensation would normally be paid. However, compensation will not be paid for the failure of a drug or product under Trial to perform its intended purpose.

In case of negligence proved on part of the Research Subject, the compensation may either be denied or reduced depending on the circumstances.

Risk Management Tips

Tips on Preventing Electrical Hazards

Electrical accidents appear to be caused by a combination of three factors - unsafe equipment and/or installation, workplaces made unsafe by the environment and unsafe work practices. There are various ways of protecting property and people from hazards caused by electricity. These include: *insulation, guarding, grounding, etc.*

Insulation

An insulator is any material with high resistance to electric current. Insulators - such as glass, mica, rubber, and plastic - are put on conductors to prevent shock, fires and short circuits. Prior to connecting electric equipment with a power source, insulation and presence of exposed wires may be checked. The insulation of flexible cords, such as extension cords, is particularly vulnerable to damage.

It is a statutory requirement that circuit conductors (the material through which current flows) be insulated to prevent people from coming into accidental contact with the current. Also, the insulation should be suitable for the voltage and existing conditions, such as temperature, moisture, oil, gasoline, or corrosive fumes. All these factors must be evaluated before the proper choice of insulation can be made.



Insulation is often colour-coded. All the users are to be trained and educated in identifying these colour codes.

Guarding

Live parts of electric equipment must be guarded against accidental contact. Guarding of live parts may be accomplished by:

- Location in a room, box or similar enclosure accessible only to qualified persons
- Use of permanent, substantial partitions or screens to exclude unqualified persons
- Location on a suitable balcony, gallery, or platform elevated and arranged to exclude unqualified persons

Entrances to rooms and other guarded locations containing exposed live parts must be marked with conspicuous warning signs forbidding unqualified persons to enter.

Grounding

Grounding is crucial for protecting employees from electric shock. By "grounding" a tool or electrical system, a low-resistance path to the earth is intentionally created. When properly done, this path offers sufficiently low resistance and has sufficient current carrying capacity to prevent the buildup of voltages that may result in a personnel hazard. This does not guarantee that no one will receive a shock, be injured, or be killed. It will, however, substantially reduce the possibility of such accidents - especially when used in combination with other safety measures.

To offer enhanced protection to the workers themselves, an additional ground, called the "equipment ground," must be furnished by providing another path from the tool or machine through which the current can flow to the ground. This additional ground safeguards the electric equipment operator in the event that a malfunction causes the metal frame of the tool to become accidentally energized. The resulting heavy surge of current will then activate the circuit protection devices and open the circuit.

In Lighter Vein

A mere mention of Product Liability gives shivers and nightmares to product manufacturers. It may not be possible for them to predict from which area and angle, a liability claim may arise. To circumvent any problem, they are very particular with the labels indicating warnings on the usage of their product. Sometimes, this approach can lead to some very amusing warnings - some of which are presented for your pleasure.

(WARNING: India Insure is not responsible for any possible adverse consequences of reading this page)

- On a disposable razor: "Do not use this product during an earthquake."
- On a rock garden: "Eating rocks may lead to broken teeth."
- On a hair dryer: "Do not use while sleeping."
- On a piano: "Harmful or fatal if swallowed."
- On a cardboard windshield sun shade: "Warning: Do not drive with sun shield in place."
- On an iron: "Do not iron clothes while being worn."
- On work gloves: "For best results, do not leave at crime scene."
- On a carpenter's router: "This product not intended for use as a dentist's drill."
- On a blender: "Not for use as an aquarium."
- On a stroller: "Always remove child from stroller before folding."

MARKET NEWS (excerpts from various sources)

Domestic

- ▶ The Boston Group (TBG), in collaboration with IIIF, has launched the online course for insurance sales professionals, through their dedicated finance portal.
- ▶ Insurance renewals for the energy sector are expected to become cheaper with the retreat in reinsurance premiums worldwide. Among the likely beneficiaries of this reduced reinsurance premiums are large independent power producers in the country.
- ▶ According to sources, public sector general insurers' proposals for recapitalising by tapping the domestic equity markets have been put on the back burner and would have to entirely depend on internal resource generation to improve their capital or support from the budget. .
- ▶ Oil and Natural Gas Corporation (ONGC) is planning a set-up of its own to take care of its insurance needs. ONGC's reasoning is that anyway it ends up shelling out millions every year to insurance companies. Instead, it could set aside money in an insurance reserve, which would then act as cover for its assets. If there are no claims, the company can write back money from the reserve.
- ▶ The Law Commission Chairman, Justice M. J. Rao, presented the report on revision of insurance laws to the Law Minister, Mr H. R. Bharadwaj. The Report incorporates an amalgamation of the Insurance Act, 1938 and the Insurance Regulatory and Development Authority Act, 1999.

Overseas

- ▶ According to a recent poll conducted by ISO, Seventy-eight percent of U.S. insurance companies identify cost reduction in claims-handling processes as their most important goal for 2004. Key areas identified by the companies surveyed are reducing costs (42 percent), improving claims-handling efficiency (25 percent) and reducing fraud (10 percent).
- ▶ On June 22, 2004, four members of the House of Representatives of United States introduced a bill extending the Terrorism Risk Insurance Act (TRIA), which would provide a two-year extension on the federal back-stop. At present, there is no private market alternative to TRIA as terrorism coverage remains an uninsurable risk.
- ▶ In Australia, the general insurance industry is moving to raise standards by developing a new code of practice. The Insurance Council of Australia says the draft code aims to lift standards beyond the requirements of the Federal Government's new regulatory regime. It covers the issue and renewal of policies, claims handling, responses to catastrophes, disputes

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