ART GALLERY FOR JANUARY

By Dick Goff

Well, here I am back from my two-year hiatus as curator of the ART Gallery while I was immersed in SIIA leadership duties. During that time my friend and colleague Allen Taft ably filled this space, and I hope you're not too disappointed to miss his smiling moustache.

But to business: a lot has happened in the ART world in a couple of years. Let's see, when I left off we were hoping for federal legislation to update the Liability Risk Retention Act (LRRA) to allow risk retention groups to insure members' commercial property and provide other advantages.

Let me take this phone call from SIIA's DC office; another recent technological advancement is that my PDA works while we're conversing here in print. That was Cliff Roberti letting me know he expects that the LRRA bill to be deliberated by the House any day now. So not so much has changed, after all.

Here's the biggest change: we passed into a new decade. Welcome to the "teens" and so long to the "oh-oh's." Of course, nobody succeeded in establishing a nickname for the first decade of this century, least of all the "oh-oh's." But I think it's apt: all through the decade we were ducking and saying "oh-oh, watch out!" It'll be interesting to see how journalists and historians identify the recently departed decade in retrospect.

While I was away from the Gallery SIIA had its first International Conference in Barcelona, and this month comes the second in Singapore. To me, self-insurance has always been an international pursuit. The first captives were established in Bermuda and now we do business in many countries and U.S. states.

While I was thinking about this I called my friend Brij Sharma, a SIIA member who manages the insurance services firm Tela-USA with operations in the U.S. and India from his headquarters in Baltimore. Here's what we talked about:

**Q. Brij, why Baltimore?**
**A.** It's a neat town. I walk from my home on one side of the harbor to my office on the other side. Where else can you do that except maybe Hong Kong?

**Q. I've never heard Baltimore compared to Hong Kong but that's not why I called. Tell me about self-insurance opportunities in India.**
**A.** Are you sure you have time? It's a big subject. It's safe to say that the Indian insurance market is potentially far larger than the U.S. market in numbers of employed individuals. The working population is expected to increase from

the current 600 million to 800 million in the next 15 years and per capita income will increase by three times. The insurance industry was liberalized in 2000 and total premium has increased from one billion dollars in 2001 to four and a half billion in 2008. Many familiar company names in life and general insurance now operate in India.

**Q. Brij, are you reading this off a cue card?**

**A.** It's a subject I often talk about. More to our interests, health insurance is the fastest growing sector, now with 21 percent of the total premium of general insurance with about a one-fifth share in the growing group market. But at present only three to four percent of the population is covered by some form of health insurance, so you can sense the growth opportunity over the next few years.

**Q. India has national health care, right?**

**A.** Public health and disease eradication are major concerns of the government, and there are many government-run health centers, clinics and hospitals that provide direct care with private and government-owned inpatient insurance. And so-called corporate or privately owned hospitals are emerging for people who want ready access to the highest quality care. Individual and group health insurance is useful in that environment.

**Q. Are there any barriers to self-insurance?**

**A.** There are no laws against self-insurance and in fact fund-management has been in existence for some time although not very successfully due to lack of infrastructure and poor management. The Insurance Regulatory and Development Authority (IRDA) is the regulator. The National Insurance Academy provides many educational services as a corollary to U.S.-style trade associations.

**Q. Does this mean that companies in the U.S. that now employ firms like yours for outsourced services could expand their management of self-insured benefits programs to India?**

**A.** Well, not overnight. Foreign companies enter partnerships with Indian companies as current regulations limit them to owning 26 percent of an insurance venture. There is movement by the government to increase the foreign share to 49 percent. U.S. companies that can take long strategic views about the Indian market should be rewarded.

**Q. As Jay Leno would say, you have earned your plug. What should we know about Tela-USA?**

**A.** Tela is among the Indian companies employing a high quality, committed and skilled labor force to provide services such as front-end paper to EDI conversions, PPO routing and claims adjudication to TPAs with processing savings of 30 to 50 percent. We have added higher value functions like provider contract management and database maintenance, enrollment and business rules configuration.

**Q. Thanks, Brij. Now, about that Baltimore-Hong Kong comparison…**
**A.** Hong Kong has Victoria Peak, we've got Federal Hill, right?

**Q. OK, you've got me there.**

*Dick Goff is managing member of The Taft Companies LLC, a captive insurance management firm and Bermuda broker at dick@taftcos.com. This month's Q&A guest Brij Sharma is reachable at bsharma@tela-usa.com.*