

## Key note address by Shri Bharat J. Boda, President IBAI, at the Asia Insurance Post Conference at Taj President, Mumbai on February 17, 2010

### Theme “Building world- class Insurance Industry in India”

Good morning Ladies & Gentlemen.

I am privileged to be present before you, thanks to Asia Insurance Post who has kindly extended invitation to me to address this distinguished gathering.

I am very much impressed with the theme chosen for today’s conference “**Building world-class Insurance Industry in India**” which I am sure will be deliberated in the presentations to follow during the day by eminent speakers.

Indian economy has recorded respectable growth of around 8% notwithstanding the global Financial Crisis mainly due to timely measures initiated by the Central Government through various Policy measures & stimulus packages and putting in place strong regulatory mechanism. Indian Insurance market is also continuing to show steady growth in business- both in life and general Insurance. During the past decade since opening-up General Insurance sector, business has posted consistent composite growth of around 13% per annum. The Insurance sector as a whole in India has seen unprecedented growth over last 5 years and has grown by around 34% annually. While Life Insurance has grown by a strong 45% General Insurance has grown at around 16% during the same period. It appears that in future the main growth in premium will be driven by Life, Health & Auto Insurance segments.

The contribution from Insurance to our country’s GDP has increased from around 1.8% in F.Y 2000 to 4.7% F.Y 2009 thanks to 4.1% share coming only from Life Insurance business with General insurance share remaining stagnant at 0.6%, which is mainly due to decline in premium rates, de-tariffing and global meltdown.

#### **Dream run of Insurance Industry over last decade**

Indicators		F.Y 99-00	F.Y 08-09
No. of players	Life Insurance	1	22
	Non- life Insurance	5	23
Premium Income	Life Insurance	Rs. 26,000 Crores	Rs. 2,20,000 Crores
	Non- life Insurance	Rs. 14,000 Crores	Rs.33,000 Crores
Penetration as a % Of GDP	Life Insurance	1.2%	4.1%
	Non-life Insurance	0.6%	0.6%

## Market size projections up to F.Y. 2020

Indicators		F.Y 2008	F.Y 2020
Premiums	Life Insurance	US \$49 billion	US\$.210-240 billion
	Non - Life	US \$ 7 billion	15% growth annually
Global rank	Life Insurance	#10	#6
	Non- Life	#35	#15

As per Sigma report 2008 Life Insurance market size by premiums will go up from US \$ 49 billion in 2008 to US \$ 210-240 billion by 2020. Similarly Non-life Insurance market size of US\$ 7billion in 2008 is projected to grow at a rate 15% annually over the years up to 2020.

The global rank of Life Insurance market is expected to go up to NO.6 from the present position of No.10.by the year 2020. Likewise, Non-life Insurance global rank is expected to go up to No. 15 by the year 2020 from the present rank of No. 35.

Since I belong to the Insurance Broking fraternity and being President of the Insurance Brokers Association of India, I may share with you some thoughts, on how professional Broking community as an important insurance intermediary will play its role in building a world class Insurance Industry in India.

As you are aware, in the developed countries, Insurance Brokers handle around 80% premiums of Insurance market. We are sure the Indian Insurance Brokers have a challenging and self satisfying task ahead to ensure that the insurance market both life and non-life are developed in a healthy direction. Broking intermediaries have been able to improve their market share up to around 27%.

We as professional Insurance Brokers recognised by IRDA, we perform several important functions:

A broker helps client reduce their *search costs*. This involves searching, verifying and monitoring information regarding availability of insurance. The broker assists the client in risk assessment, collection and presentation of relevant information to underwriters in order to obtain best terms for cover & premium.

A broker helps to bridge the gap between a professional dealing with technical aspects and a layperson. This helps the underwriter focus on the key aspects of the risks and thus reduce the resources spent in executing the transaction. In the process of collecting information from the client, the broker to an extent addresses the issue of asymmetric information.

In case of large commercial insurance buyers, the role of a broker is more of a facilitator since such buyers are quite knowledgeable and sophisticated in their information management as also understanding of risk management. It is here that the role of a broker becomes quite challenging since in order to win the trust of these buyers, he with his professional competence needs to be a step ahead and clearly demonstrate his value-added services.

Intermediation can essentially be said to be about bringing together the buyer and seller. This is especially evident in case of reinsurance placements. This is probably the oldest dimension of an intermediary function. The Broker plays most important role in cases where rates are determined by reinsurers. This leads to sometimes difficult negotiations with international underwriters on behalf of the Ceding Company. This process demands a great deal of co-ordination, structuring the risk in various acceptable segments and negotiations with multiple underwriters.

Brokers also provide risk exposure models for Cat risks which affect rating of such risks.

For preparing a world class Insurance Industry all the stake holders have to play their part. Insurance Companies have to be efficient in rendering their service to their clients (Customer service or you may say customer delight). Proper rating of risks is important and unhealthy competition should be avoided. Mis-selling of products should be avoided at all costs. Prompt delivery of documents should be receiving priority. Last but not the least prompt settlement of claims should be given top priority and to the satisfaction of the client. Insurance Companies have to stay healthy and transparent in their disclosures of their financial results.

Third party Administrators (TPA's) should play their role efficiently as an intermediary between the Insurance Company and the Insured and facilitate cash less service at the time of hospitalisation. They need to develop cordial relationship with doctors and hospital authorities for availing of the best facilities for claimants.

Surveyors should render prompt service in submitting their fair assessment reports on claims. Delay in settlement is the cause of not only heart burn with the clients but may adversely affect their business. They need to develop necessary expertise in handling claims of complicated nature.

Regulator on their part should act more as a facilitator, friend, philosopher and guide to all the stake holders, for promoting world class insurance industry in India. Over regulation is always detrimental to the development and progress of stake holders

Finally, what we need to do as an industry is to build efficiencies, reduce claims cost and cut our expenses through leveraging the services of professional Brokers with other industry stake holders' i.e: Insurance Companies and Clients for developing a vibrant and sustainable world class Indian insurance industry for a long period of time.

**Thank you.**