

**Presidential address at the 9th AGM of IBAI on
30th September 2010, at West End Hotel, Mumbai**

Ladies & Gentlemen,

A very Good Morning and a warm welcome to all of you to the 9th Annual General Meeting of IBAI.

It is more than 9 years since IBAI was formed. Brokers' licenses were first issued in 2003. Today, Licensed Brokers are around 280, of which 275 are our members. There are 235 Direct Brokers, 33 Composite Brokers and 6 Reinsurer Brokers, as our members as on date.

The past year has brought many challenges to Insurance Industry globally following International financial crisis. The Indian Insurance Industry however was not impacted much, thanks to series of measures taken by Govt. through strong regulatory mechanism.

Indian economy is continuing to show a steady growth in GDP at 8%. Monsoon has been good and pick up Industrial growth shows healthy trend. Sensex has once again touched 20,000 mark. Indian economy is now poised for achieving higher GDP growth.

During 2009-10 general Insurance business has shown significant growth rate of 16% and in the current year growth rate in general Insurance business shows a trend of 20% and Life Insurance business is showing a strong growth of 60% against 25% in 2009-10.

Growth in premium will be driven by Automobile & Health sectors.

In the last 4-5 years, the number of passenger cars has increased substantially. This trend is likely to continue due to strong growth in auto segment resulting from an increase in consumer income levels.

Health Insurance is expected to become the second largest general Insurance class of business. The increase is likely to be due to rising demand for better healthcare and initiative taken by State Govts. by financing premium for weaker

sections for providing health care. Development of customized products has also helped development. However unexpected increase in premiums may be an impediment.

It may be mentioned that dispute between Public Sector Insurance Companies and Hospitals has created lot of problems for Consumers since they cannot get cashless treatment facility from Hospitals of their choice. I am sure that as a representative of customer we as Brokers keep our clients well informed of the developments.

Our top priorities have to be on quality of service offered and building long term relationships for a sustainable future. We as professional Insurance Brokers recognized by IRDA amongst the distributional Channels have a pivotal role to play. The value of brokers lies to a great extent in their skills in structuring a customized solution for their client; it will take some time until this value proposition filters down to end customers.

As is well recognized, Insurance Industry has been playing pivotal role in strengthening the fundamentals of the country's economy by providing protection of assets. IBAI is taking lead in representing issues related to Insurance Brokers as preferred channels for selling commercial lines and complex products for commercial / service organizations.

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 is developed in a healthy direction. Broking intermediaries have been able to improve their market share from 20% to around 24% .

There is huge potential in the Indian Insurance Market and it is observed that the International Insurance and Reinsurance companies have been showing keen interest for establishing their presence in India. Since last AGM number of players in the market has gone up by five. 2 New General Insurance companies and 1 New Life Insurance company have been granted licenses by IRDA. Total number of General Insurance Companies and Life Insurance Companies has gone up to 24 and 23 respectively (47 in all). Besides, there are few applications for Life & General Insurance Companies, pending for consideration by IRDA. Some foreign Insurance broking firms are also scouting possibilities for setting up Joint ventures in India.

I would now like to dwell upon some of the long standing demands by IBAI during the year:

Refresher training for Brokers / Employees, through earning credit points.

IRDA has finally given recognition to IBAI for conducting Training courses and also agreed to give credit hours for attending programs in lieu of 25 hours mandatory refresher training provided such programs have approval of IRDA. We are now in the process of working out schedule of short duration training sessions /workshops in collaboration with Insurance Institute of India. It is our desire to provide the requisite training at half the present cost. We have also taken up with IRDA again to consider giving credit points for programs organized by CII, ASSOCHAM & FICCI. Their programs cover subjects related to insurance. Faculty for such programs is of high quality and invariably IRDA Chairman is associated with these programs.

Speedy renewal Licenses of Broker Members.

We have continually impressed upon Authority the need for speedy renewal of our members' licenses which have been pending for long, so as to alleviate the serious difficulties being faced especially by our Broker members writing direct Insurance business. We find the position has now vastly improved with only some cases pending where IRDA has found some irregularities and pending compliances. It will be our endeavor to assist our Members through taking up cases of delay in renewal licenses with IRDA. We request members to refer such problems to IBAI. We have been taking up their issues with IRDA. Unless the members draw the attention of IBAI, they cannot provide any help to the Members. IBAI is your Association and please try to take maximum advantage of our resources since we are keen to assist our Members.

- **Appointment of Sub – brokers / Referrals to penetrate large potential market.**
- **Claims servicing on standalone basis, permitting brokers to assist in the matter of claims where business is not placed by the Broker.**
- **Relaxation in limits under professional indemnity policies and for fixing a lower limit per any one accident as compared to any one year.**
- **Commission on Motor Third Party business.**

I am happy to report that IRDA in their website has listed IBAI as a Self Regulatory Organisation (SRO).

IBAI delegation during their meeting with the Committee for Intermediaries appointed by IRDA in early April, has strongly recommended that the remuneration to the broker should be negotiable and it should depend on market forces.

IBAI has taken up with General Insurance Corporation of India, Managers of 'Terrorism Insurance Pool' and General Insurance Council, for considering payment of brokerage on Terrorism risks. This will give them an opportunity for using the existing distribution channel of Brokers to educate clients about the risk and provide assistance in the purchase of the insurance. We understand that some of the Pool members were not in favour of the proposal. We have again written to all the CEOs' of all non-life Insurance Companies to support our suggestion. The matter has also been taken up again with General Insurance Council.

IBAI has received grievance from Members regarding non- acceptance and non release of Brokerage by Insurance Companies to Broking Firms whose renewal of Licenses is pending. The matter has been taken up through General & Life Insurance Councils with the Insurance Companies. We also had discussions with Executive Directors of two major Life Insurance companies who have agreed to accept business during the process of renewal of license.

Similarly, brokerage not being paid by General Insurance Companies / Health Insurance Companies, on premium paid on line towards renewal premium. Some Insurance Companies have given option to clients to make online payment. In case insured pays premium online then it is being booked by Insurance companies under their direct sale and code number of broking firm is deleted. We have taken up this matter with **General Insurance Council** and Insurance Companies concerned and they have agreed to look into and address the issue.

Brokers contribution in reducing cost of transaction.

As brokers we need to help clients in reducing 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. In the process of collecting information from the client, the broker to an extent addresses the issue of asymmetric information.

Coordination with Clients, Insurance Consultants / Risk Managers.

In case of large commercial insurance buyers, the role of a broker is more of a facilitator since such clients have insurance consultants on their staff. 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.

Reinsurance driven covers.

The Broker also plays most important role in cases where rates are determined by reinsurers for complicated & large risks. 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.

Having deliberated largely on general insurance side, I now would like to dwell upon the importance of developing the Life Insurance Broking skills also. As per latest figures available, the penetration in life Insurance business has grown from 1% to 4.5% of the GDP as compared to Non-Life business which has stagnated at 0.6% of GDP. With this unprecedented growth in the business during the last couple of years, you will agree that brokers have more scope and important professional role to play in marketing of Life Insurance products. There is large scope for selling traditional & group Life Insurance policies to small and medium enterprises and large corporate to whom we are already providing general insurance services. The product focus is seen to be now shifting from Unit linked to Traditional Insurance products. We as professional brokers have to upgrade our technical skills and come out with winning ideas and successful campaigns to build a sound insurance sector, which will offer all clients affordable and efficiently delivered services so that the Insurance Industry achieves a sustainable growth in future.

There has been no progress in the case of Service Tax on Brokerage earned on domestic business placed with overseas reinsurers. Appeal admitted in Madras High Court is still to be listed for hearing.

As I have been always saying, I would stress that Product innovations and negotiations with the Insurance companies for obtaining the best terms for the clients is the key mantra to success.

I would also urge upon our broker members to encourage their marketing staff to acquire professional qualification in Insurance such as Licentiate, Associateship and Fellowship from Insurance Institutes of India and as well as qualification in Risk Management. There are a number of institutions of higher learning in the country which offer Insurance subjects as part of their MBA program and also exclusive Insurance program at university level.

Before concluding, I would like to thank all of you for sparing the time to attend the AGM and also for your valuable support to the activities of IBAI. It is needless to say that IBAI is your Association and let us all work together to promote its activities and enhance image of the Brokers in the country.

I would urge upon all of you to please help us with your valuable contribution to promote and strengthen the activities of IBAI which obviously would help to further promote the institution of brokers with all stakeholders.

I would also like to thank all my colleagues on the Board of IBAI and Managers in the Secretariat for their unstinted support & co-operation during the year.

Thank you.

Bharat J. Boda
PRESIDENT