

**Presidential address at the 10th AGM of IBAI on
20th September 2011 at West End Hotel, Mumbai**

Ladies & Gentlemen,

A very Good Morning and a warm welcome to all of you to the 10th Annual General Meeting of IBAI.

It is more than a decade since IBAI was formed. IBAI is the only IRDA recognized Association and all the Brokers are required to be member of the Association. Until now, Brokers form a small part of the distribution system in India. Total Licensed Brokers are around 281, of which 269 are members of IBAI. There are 230 Direct Brokers, 33 Composite Brokers and 6 Reinsurer Brokers. We understand that many Corporate Agents are turning Brokers and a number of applications are pending with IRDA for issue of new licenses.

With the global economic growth slowing down, growth levels in India are likely to be impacted. Nevertheless, as we know, the fundamentals of the Indian economy remain strong. Whilst the country does face road blocks in the short term, the medium to long term prospects for India are very bright. These have a direct bearing on Insurance Industry's growth and performance.

During 2010-11 general Insurance business has shown significant growth rate of 25% and in the current year growth rate in general Insurance business shows a trend of 20%. Life Insurance business growth decelerated to 15% from 25% in 2009-10 which was mainly due to sweeping regulatory changes with regard to ULIP's last year.

Insurance penetration and Market potential

It is a known fact that the general Insurance penetration in India is amongst the lowest in the world at 0.60%. However, Life Insurance penetration is higher 4.10% and compares well with US (4.0%), Malaysia (3.20%) and China (1.70%) as per the published data available.

The low penetration in general insurance is primarily because of lesser marketing of retail insurance products. It is estimated that about 80% of the two wheelers plying on the roads are not insured, over 90% of the population is not covered under health insurance and 99% homes are uninsured. This is in contradiction to the fact that Indian economy has witnessed healthy growth in overall GDP in the recent years and with rising income levels, the country today boasts of a rapidly growing middle income group which is upwards of 60 million households and growing. Further, the disposable income and availability of organized credit has resulted in auto sector and white goods sector growing rapidly. It is said that "Indian economy will become a \$5.6 trillion economy by fiscal year 2020 from the \$1.73 trillion in fiscal 2010-11,"

Growth in General Insurance premium will be driven by retail insurance product segment.

There is also growing demand for liability covers such as Directors' and Officers' Liability policies, errors and omissions policy, Professional Indemnity policy etc. since SEBI has made it mandatory for domestic listed companies and Mutual Funds to have these policies.

Life Insurance business has now been showing signs of consolidation in new business following regulatory changes brought in with regard to ULIPs last year. The focus now seems to be on long-term contractual savings and protection covers. With rising income levels of middle class house hold and large untapped market there is huge potential for the Insurance market.

Preferred Provider Network (PPN) by Public Sector Insurance Companies

It is known that Public Sector Insurance Companies have introduced a system of Preferred Provider Network (PPN) of Hospitals for cashless services which has created lot of problems for Consumers since they cannot get cashless treatment facility from Hospitals of their choice. The Central Information Commission has now passed an order to all Insurance Companies to disclose the names of Hospitals that are not part of PPN for cashless services. I am sure that as a representative of customer we as Brokers do need to keep our clients well informed of these developments.

Customer Service

In every service industry, customer is the king and customer service is the hallmark of a successful professional. This is true of insurance industry in general and insurance brokers in particular because the product which we sell and distribute is intangible. With the growing complexity of insurance market and greater need to provide customer services, it is imperative that the customer receives the various services and value add a broker brings in the placement and management of the risk.

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 clients. It will take some time until this value proposition filters down to end customers. When a professional and prompt service is given at the time of claim settlement, client values this service rendered by broker even more. Subsequently Client relies on Broker for all guidance.

Insurance Brokers as preferred Channels

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%.

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

- **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.**
- **Brokerage on Insurance Covers like Third Party for Motor and Terrorism.**
- **Claims consultancy 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.**
- **Bancassurance.**

Following our demands on the issue of Claims consultancy to be allowed on a standalone basis, IRDA has sent us a note on same inviting our comments. Association's views on various issues have been sent to IRDA for consideration.

Similarly, on the recommendations in the report of Committee on 'Bancassurance' that Banks be allowed to represent Two Life and Two Non-Life Insurance Companies in the matter of selling of Insurance products, IRDA has been requested to look into submissions made by us and involve IBAI in the process of consultations before any decision is taken.

IBAI has once again taken up with IRDA, General Insurance Corporation of India, Managers of 'Terrorism Insurance Pool' and General Insurance Council, for considering payment of brokerage on Terrorism risks. This will definitely help the existing distribution channel of Brokers to educate clients about the risk and provide assistance in the purchase of this cover.

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.

Our longstanding demand for giving recognition to IBAI for conducting training programmes for our members and also giving credit hours for attending the programme in lieu of 25 hours mandatory refresher training has been favorably considered by IRDA. IBAI has now been approved as accredited institute to impart training to Broker Members.

IBAI is associating with Insurance Institute of India for arranging training programmes which will be useful to members to enhance their technical knowledge and at the same time earn credit points to the extent of 25 hours and do away with mandatory renewal training. It is our hope that members will patronize and support these programmes by deputing their marketing Officials on regular basis and make this initiative a success.

Regulatory Compliances

During the year, one of the most important concerns IBAI has been engaged in for a while now has been how our brokers can meet the often complex and bewildering issues relating to compliance and indeed how we as a group engage with the Regulator on a more general level. This is an issue of which IBAI Board is seized off and has worked all the year around in all the major cities and centers sharing knowledge on compliance with our broker members through workshops. These workshops, we propose, to organize on a continuous basis and we are sure, the same will result in smoothening the process and flow of renewal of licenses at the IRDA's office.

With a view to promote IBAI as a vibrant and visible Organization and for conducting its operations as Self-Regulatory Organisation (SRO), a concept paper has been developed by IBAI, giving detailed inputs regarding operational requirements and procedures. As per Clause 3 (a) of Schedule III to the IRDA Insurance Brokers Regulation, 2002 we are required to enter into a Memorandum of understanding with IRDA.

Association has submitted concept paper for being recognized as Self Regulatory Organisation and is looking forward to receive IRDA's formal approval. Once the in principal approval is received a final MOU to be signed between IRDA and IBAI will be drawn up and placed before the General Body Meeting of the Members for approval.

Finally, I would now like to brief you about the IBAI Annual Membership Fee which was last revised in the year 2004 and there has been no revision thereafter despite considerable increase in expenditure over the past seven years.

The Association's activities have increased manifold over the period. IBAI is associating with Insurance Institute of India to organize technical programs for benefit of members. For implementation of these initiatives substantial additional cost would be involved. Association also needs to build up funds for purchase of its own premises in the long run. Although Association has been receiving generous support from Insurance companies, this cannot be expected at all times and be solely dependent on the same.

Association's Secretariat which was earlier manned by only one Official has been strengthened by inducting one more Official and two staff members. In order to meet the ever increasing expenditure and also keeping in mind anticipated future increase in expenses partly contributed by inflation, it is considered necessary to revise the annual subscription to meet the increased expenses.

I sincerely hope you all will appreciate the need for increasing annual membership fee and would extend your whole-hearted support to the proposal put up by the IBAI Board of Directors.

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 & cooperation during the year.

Thank you.

Bharat J. Boda

President