

Outline of Presentation

1. Key Indicators of Indian Insurance Industry
2. Insurance Regulatory Framework
3. Insurance Statistics
4. Mechanism for monitoring of insurance sector
5. National insurance statistics framework and surveillance efforts
6. Strengths and weaknesses of the statistical programs and on issues pertaining to practical data limitations
7. The possible ways to tackle these limitations

Key Indicators of Indian Insurance Industry

	2000	2011
No. of players (life)	1	24
No. of players (non-life)	6	24
Insurance Penetration (premium as % of GDP)	2.32 1.77 (Life) 0.55 (Non-Life)	5.10 4.40 (Life) 0.70 (Non-Life)
Insurance Density (premium per capita in USD)	9.9 7.6 (Life) 2.3 (Non-Life)	64.4 55.7 (Life) 8.7 (Non-Life)
Joint Ventures	NIL	21 (life) 16 (Non-Life)
FDI (as on 31st March 2011 Mln. USD)	-----	1,122(Life) 213.7(Non-Life)

Indicators of Indian Life Insurance Industry

Parameters	FY 99-00	FY 08-09	FY 09-10	FY 10-11 (provisional)
Individual Agents (in Mln)	0.71	2.93	2.98	2.65
New Business Policies (In Mln)	16.9	50.9	53.2	48.1
In force Policies (In Mln)	101.4	296.0	304.0	325.4
Total Death Benefit paid(MIn USD)	NA	1200	1644	2014
Total Benefits paid (MIn USD)	NA	11,476	18,801	27,805

Source: IRDA, Life Insurance Council (FY 10-11)

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Indicators of Indian Non-Life Insurance Industry

Parameters	FY 2010-11
No. of Agents (Mln)	0.39
No. of Policies (Mln)	91.65
No. of Claims (Mln)	26.49
Net Incurred Claims (in Mln USD)	6100

Source : IRDA

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INTERNATIONAL COMPARISON OF INSURANCE PENETRATION (In Per Cent)						
Countries	2010			2009		
	Total	Life	Non-Life	Total	Life	Non-Life
Australia	5.9	3.1	2.8	6.4	3.4	3.0
Brazil	3.1	1.6	1.5	3.1	1.6	1.5
France	10.5	7.4	3.1	10.3	7.2	3.1
Germany	7.2	3.5	3.7	7.0	3.3	3.7
Russia	2.3	0.0	2.3	2.5	0.0	2.5
South Africa	14.8	12.0	2.8	12.9	10.0	2.9
Switzerland	9.9	5.5	4.4	9.8	5.4	4.5
United Kingdom	12.4	9.5	2.9	12.9	10.0	3.0
United States	8.0	3.5	4.5	8.0	3.5	4.5
Asian Countries						
Bangladesh	0.9	0.7	0.2	0.9	0.7	0.2
Hong Kong	11.4	10.1	1.4	11.0	9.6	1.4
India#	5.1	4.4	0.7	5.2	4.6	0.6
Japan	10.1	8.0	2.1	9.9	7.8	2.1
Malaysia	4.8	3.2	1.6	4.4	2.9	1.6
Pakistan	0.7	0.3	0.3	0.7	0.3	0.4
PR China	3.8	2.5	1.3	3.4	2.3	1.1
Singapore	6.1	4.6	1.6	6.8	5.1	1.7
South Korea	11.2	7.0	4.2	10.4	6.5	3.9
Sri Lanka	1.4	0.6	0.9	1.4	0.6	0.9
Taiwan	18.4	15.4	3.0	16.8	13.8	3.0
Thailand	4.3	2.6	1.7	4.0	2.4	1.6
World	6.9	4.0	2.9	7.0	4.0	3.0

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Growth of Insurance Sector (2010-11)

	Life	Non-Life
Total Premium Underwritten (2010-11) (in Mln USD)	57,177 9.85% growth (9.35%-LIC) (11.04%-Pvt. Players)	8,348 22.98% growth (21.84%-PSUs) (24.67%-Pvt. Players)
Market share of PSUs	69.78%	60.34%
Indian Ranking (global) (Swiss Re Data 2010-11)	9th	19th

Source: IRDA

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INSURANCE REGULATORY FRAMEWORK

Major Insurance Sector Legislations

- The Insurance Act 1938
- The Life Insurance Corporation Act 1956
- The General Insurance Business (Nationalization) Act 1972
- The Insurance Regulatory and Development Authority Act 1999
- The Actuaries Act 2006

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INSURANCE REGULATORY FRAMEWORK

Acts, Regulations & Circulars

- Insurance Act 1938
- IRDA Act 1999
- IRDA Protection of Policyholder's Interests 2002
- IRDA Micro Insurance Regulations 2005

Key Functions

- Regulation & Supervision
- Policyholder Protection
- Market Development
- Ensuring Market Conduct
- Issuing Circulars, Amendments, Guidelines

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INSURANCE STATISTICS

Insurance Statistics

Purpose

- Provide comparable statistics on insurance markets
- Understand growth and depth of insurance markets
- Design suitable policies based on the information collected
- Take pro-active regulatory steps

Insurance Statistics

- Historically, main features:
 - Premium volumes – direct and reinsurance
 - Gross net premiums, with breakdown by class of non-life
 - Gross commissions, operating expenses, and claims
 - Insurance activity by type of undertaking
 - Breakdown of financial assets, and investment return (%)
 - Breakdown by type of undertaking and domestic/foreign assets

Insurance Statistics

- Reflected in published indicators:
 - Density (per capita) and penetration (per GDP)
 - Life versus non-life insurance share of business
 - Premiums per employee
 - Retention ratio and ratio of reinsurance accepted
 - Market shares of companies

MECHANISM FOR MONITORING OF INSURANCE SECTOR

Mechanism of monitoring of insurance sector (off-site/ on-site)

- A. Insurance Companies
- B. Insurance Agents
- C. Insurance Brokers
- D. Third Party Administrators
- E. Surveyors and Loss Assessors

Mechanism of monitoring of insurance sector – off-site – insurers

- A. Returns prescribed under various regulations –
 - a. Monthly
 - i. Premium Business Figures
 - b. Quarterly
 - i. State-wise and channel-wise premium and claims figures
 - ii. Ageing of claims
 - iii. Unaudited financial statements
 - iv. Solvency margin report
 - v. Equity shareholding pattern in insurance companies
 - vi. Investment returns
 - c. Half-Yearly
 - i. Facultative reinsurance statement
 - d. Annual
 - i. Appointed Actuary Report
 - ii. Financial Condition Report
 - iii. Audited Annual Statements
 - iv. Reinsurance

Mechanism of monitoring of insurance sector – off-site – insurers

- A. One-off specific statement on a particular issue
- B. Report on grievances – settled, outstanding
- C. Periodic Disclosures by insurers

Mechanism of monitoring of insurance sector – off-site – insurance intermediaries

- A. Insurance Agents (Corporate)
 - a. Annual Report by the Insurer
- B. Insurance Brokers
 - a. Audited Annual Statement of Accounts
 - b. Quarterly business figures
- C. Third Party Administrators
 - a. Audited Annual Statement of Accounts
 - b. Agreements between Insurers, TPAs & Service Providers
- D. Insurance Surveyors and Loss Assessors

Mechanism of monitoring of insurance sector – on-site

- A. On-site inspections of insurers and insurance intermediaries
 - a. general inspections
 - b. Market conduct inspections
 - c. Financial inspections
- B. Focused inspections of insurers and insurance intermediaries
- C. Investigation by a specialized agency or a person under the powers given to IRDA in the Insurance Act
- D. Appointment of Actuary to undertake actuarial investigations into the actuarial affairs of the company

NATIONAL INSURANCE STATISTICS FRAMEWORK

National Insurance Statistics Framework - Life

- A. Stipulation by IRDA under the File & Use system – Use mortality tables LIC - 94-96 for working out the risk cover premiums under life insurance policies
- B. IRDA has set-up Mortality and Morbidity Bureau to work on mortality and morbidity tables for the life insurance industry

National Insurance Statistics Framework – Non-Life

- A. Insurance Information Bureau (www.iib.gov.in) – For reliable, timely and accurate data collection, processing and disseminating IIB has been set-up by IRDA.
- B. Functions of IIB
 - A. advisory body for IRDA by providing necessary inputs for policy research and development activity.
 - B. single point official reference for the entire data requirement on insurance sector.
 - C. necessary decisions regarding processing and disseminating of the data will be done as per the policy laid down by the Bureau.
 - D. shall ensure that the data obtained, processed and disseminated shall not breach business confidentiality and that the dissemination of data is done in such a fashion that the competition in the sector is not affected by asymmetry of information.

National Insurance Statistics Framework – Non-Life

- A. Design and Development of Vehicle Insurance Status SMS System (VISS)
- B. Data Formats for general insurers
- C. Sample Transaction Level data on motor and health

**STRENGTHS AND WEAKNESS OF
STATISTICAL PROGRAMMES AND
ISSUES PERTAINING TO
PRACTICAL DATA LIMITATIONS**

Strengths and weaknesses of the statistical programmes

- Strengths of the statistical programmes
 - detailed statistics available for the insurance industry
 - premium tables worked out based on past claims experience and risk hazards in general insurance
- Weaknesses identified with framework
 - Timeliness
 - Lag
 - Important gaps
- Lack of refinement in classification of investment assets - e.g., public versus private-sector debt
- limited information on the reinsurance sector
- Lack of qualitative information
- Understanding drivers of change and market-specific factors

Issues pertaining to practical data limitations

- Limitations of aggregate insurance statistics
 - Timeliness
 - Differences in accounting methods and methodologies
 - Level of aggregation
 - Masking of individual firm exposures and performance
- Interconnections, risk concentrations
 - Impact of insurance industry structure on outcomes
- Lack of qualitative information
- Understanding drivers of change and market-specific factors
- Importance of qualitative supplements to questionnaire

POSSIBLE WAYS TO TACKLE LIMITATIONS ON DATA LIMITATIONS

Ways to tackle data limitations

- More refinement in the breakdown of life business and further breakdown of non-life business
- Breakdown of claims by classes of non-life insurance
 - Construction of industry segment loss ratios
 - Possible collection of other key variables by industry segment
 - Breakdown of financial assets by accounting classification
 - Structure of the insurance system
- Specific data on catastrophe loss claims
- Better measurement of costs of catastrophes

Further efforts

- Better integration and greater consistency with:
 - Other financial statistics frameworks (banking, capital markets, pensions)
- Coordination and consultations
 - Need for better coordination with other statistical bodies
 - Improve consultations to ensure a relevant, high-quality, and cost-effective framework responsive to user needs
 - Building a more robust, nationally accepted framework

THANK YOU