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**INTERNATIONAL SEMINAR ON AWARENESS AND EDUCATION
RELATIVE TO RISKS AND INSURANCE ISSUES**

**Swissôtel, Istanbul
13 April 2007**

Importance of Sound Awareness and Education on Risks and Insurance issues

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(PowerPoint presentation)



Impact of Insurance education and awareness

Importance of Sound Awareness and Education on Risks and Insurance issues

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Istambul, Turkey

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बीमा विनियामक और विकास प्राधिकरण

INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY

Evolution of Indian Insurance Sector



- Social Security – Inscription in Vedas
- Insurance a self arranged system prior to 18th century
- '*Your Welfare is my responsibility*' drawn from Vedas – Mission of LIC, national life insurer since 1956
- 1st Life Insurer in India-Bombay Mutual Life Insurance Society -1870
- 1st Non Life Insurer in India-Tritan Insurance Co. Ltd – 1850

Indian Insurance Industry

- Insurance Act, 1938
- Nationalisation of Life Insurance Industry – Incorporation of LIC – 1956
- Nationalisation of General Insurance Business – GIBNA, 1972
- Opening up of Insurance Industry - IRDA Act, 1999
- Public Grievances (Ombudsman) Rules, 1998
- Regulations of IRDA
- De-tariffing of Non Life (P&C) industry – January, 2007

Opening up of Insurance Sector Expectations

- Increased Coverage of population - including rural
- Choice of better products – with informed decision
- Economy of operations
- Better returns
- Service Excellence

Regulator as Developer

- Shouldering the responsibility of developing nascent insurance market
- Striking a right balance between developing and regulating the industry
- Protection of Policy holders' Interests – Mission of IRDA
- Interests of policy holders prime objective while framing regulations

Regulatory role - consumer protection



- Insurance Advertisement and Disclosures regulations, 2000
- Protection of Policy holders' interests regulations, 2002
- Maintenance of Minimum Solvency Margins
- Introduction of cashless transactions – TPAs

Regulatory role - consumer protection



- Widening of Distribution Channels – Increased Insurance accessibility
- Regulatory norms for intermediaries
 - Licensing of Insurance (individual) Agents – 2000
 - Licensing of Corporate Agents – 2002
 - Insurance Brokers – 2002
- Entry of Banks under '*Bancassurance*' model
- Mandatory Training, Pre-recruitment exam before licensing
- Accreditation of Training Institutes – Upkeep of training standards for intermediaries

Regulatory role - consumer protection



- Monitoring of underwriting policy through File and Use
- Constitution of Grievances Redressal Cell
 - Indication of operational inadequacies – triggering regulatory intervention
- Committee to study existing grievances' mechanism to formulate uniform guidelines

Development Oriented Regulations

Spread of Insurance to all sections

Rural and Social Sector Obligations

- Rural Sector
 - Cultivators
 - Agri labourers
 - Rural assets
- Social Sector
 - Unorganised sector
 - BPL population
 - Persons with disabilities
 - Informal sector

Rural and Social Sector Obligations



- Life Insurers – 7,9,12,14,16 & 18% of total policies in first six years of operation as rural obligations
- General Insurers – 2,3 & 5% of total gross premium in I, II and subsequent years as rural obligations
- Five, Seven, Ten, Fifteen, Twenty and Twenty five thousand of lives as social sector obligations by all insurers in first six years of operation

Development Oriented Regulations

Spread of Insurance through Micro Insurance



- Micro Insurance Agency by agreement – A relaxation from pre licensing training/test
- Local Institutions as MI agents – Helps in spread of Insurance awareness
- Micro Insurance Products subject to File and Use procedure – Expected to be self supportive
- Issuance of documents in vernacular languages – to reach the targeted
- Simplicity of forms – Avoidance of technical jargons desired

Grievances Redressal Mechanism

Ombudsman



- Introduction of Insurance Ombudsman – 1998
- A quasi judicial mechanism – Empowering adjudication of disputes
- Adjudication limited to personal lines of business – A limit of Rs 2 millions contract value
- Award binding on Insurer

Insurance Education

- Lower level of insurance awareness
- Insurance not part of academic curricula
- Market dynamics weigh on insurance education
- Constitution of standalone Insurance academic institution of International standards
 - IIRM
 - IIRM International School of Actuarial Sciences
 - Distance Education programmes



Insurance Awareness Programmes

- Programmes in Radio and Television – In 11 regional languages
- Publicity campaign in de tariffed scenario
- Efforts to standardise policy documents, proposal forms, sales literatures
- Press Releases



Role of Insurers

- Simplified policy wordings – Avoidance of information asymmetry
- Updated web portals – premium calculator, rates and conditions
- 24 hours toll free call numbers
- Implementation of advanced Technologies



Role of Insurers

- Grievances Redressal cells – Constitution of committees with an independent director
- Claims review committees
- Introduction of on-line payments
- Representatives of consumer activists, policy holders in the board



Increased Public participation

- Seminars by voluntary organisations
- Works shops on health insurance, Micro Insurance
- Consumers' organisations
- Notices under Right to Information Act

State of Indian Insurance Market

- Coverage of Insurable population
 - Estimated Premium Income over \$ 31.8 bn
 - Potential Size of over 350 million people

- Current Indian Market 0.9% of \$3425.71Bn Global Insurance Market

- Expected Growth Rate – 125% in 10 Yrs

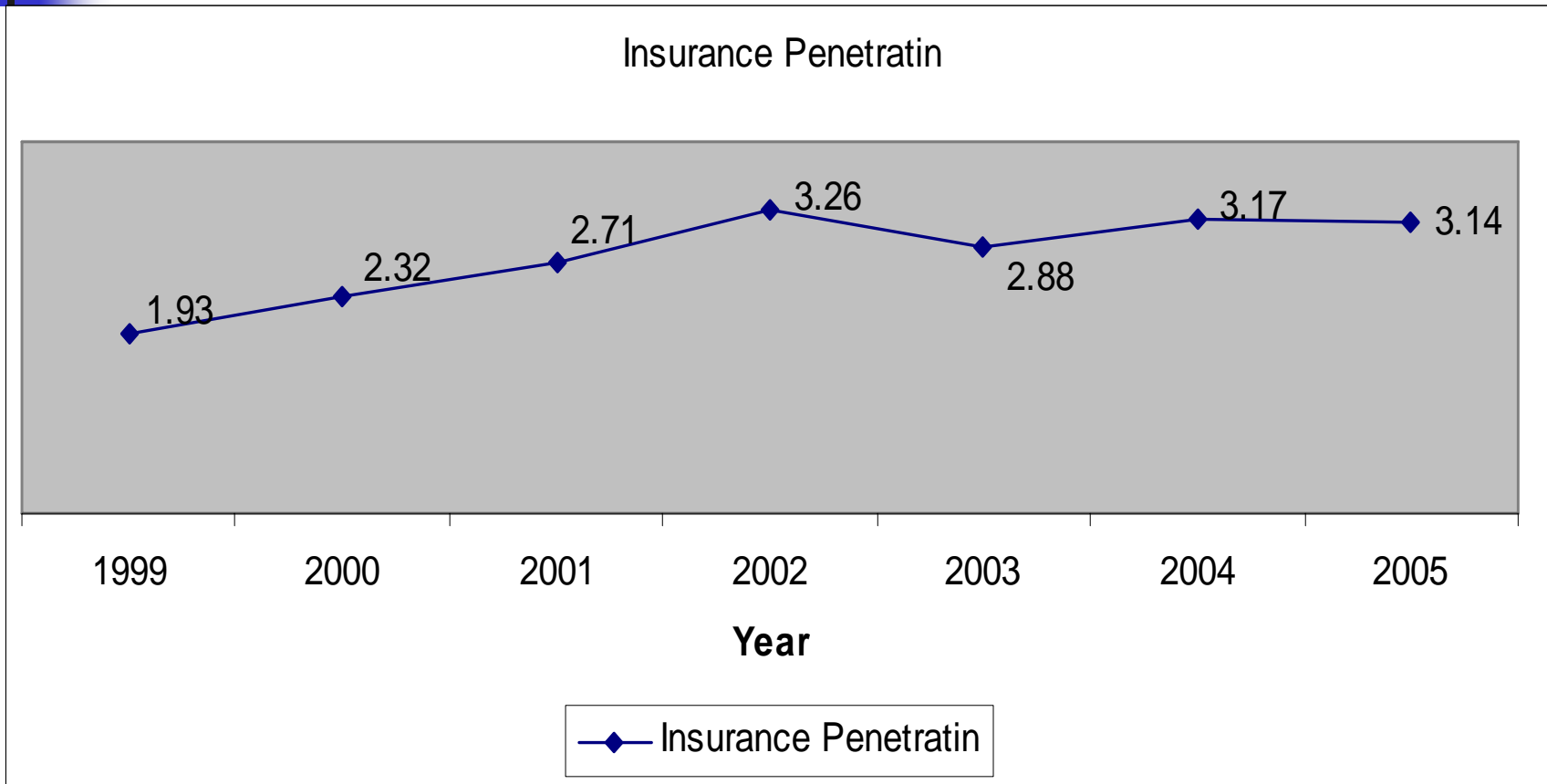
- Absolute number of people without protection – Remain High

Insurance Penetration

(% of Premium to GDP)

Market	2003	2004	2005
World	8.06	7.99	7.52
Asia	7.51	7.37	6.83
India	2.88	3.17	3.14

Steadfast growth of Industry (raising penetration levels)

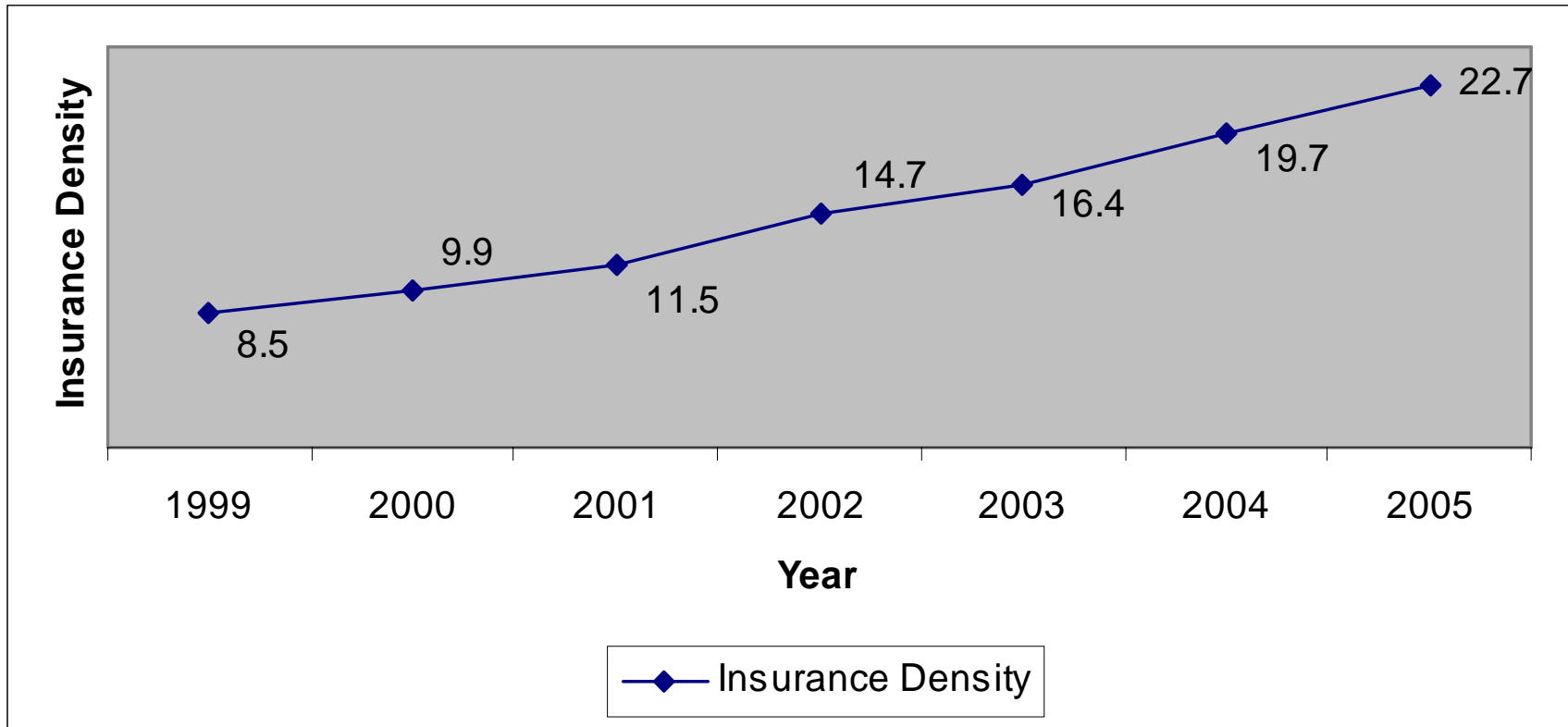


Insurance Density

(% of Premium to Total Population)

Market	2003	2004	2005
World	469.6	511.5	518.5
Asia	183.4	194.3	197.9
India	16.4	19.7	22.7

Steadfast growth of Industry (raising density levels)



Financial Savings of Household Sector

(% to GDP)

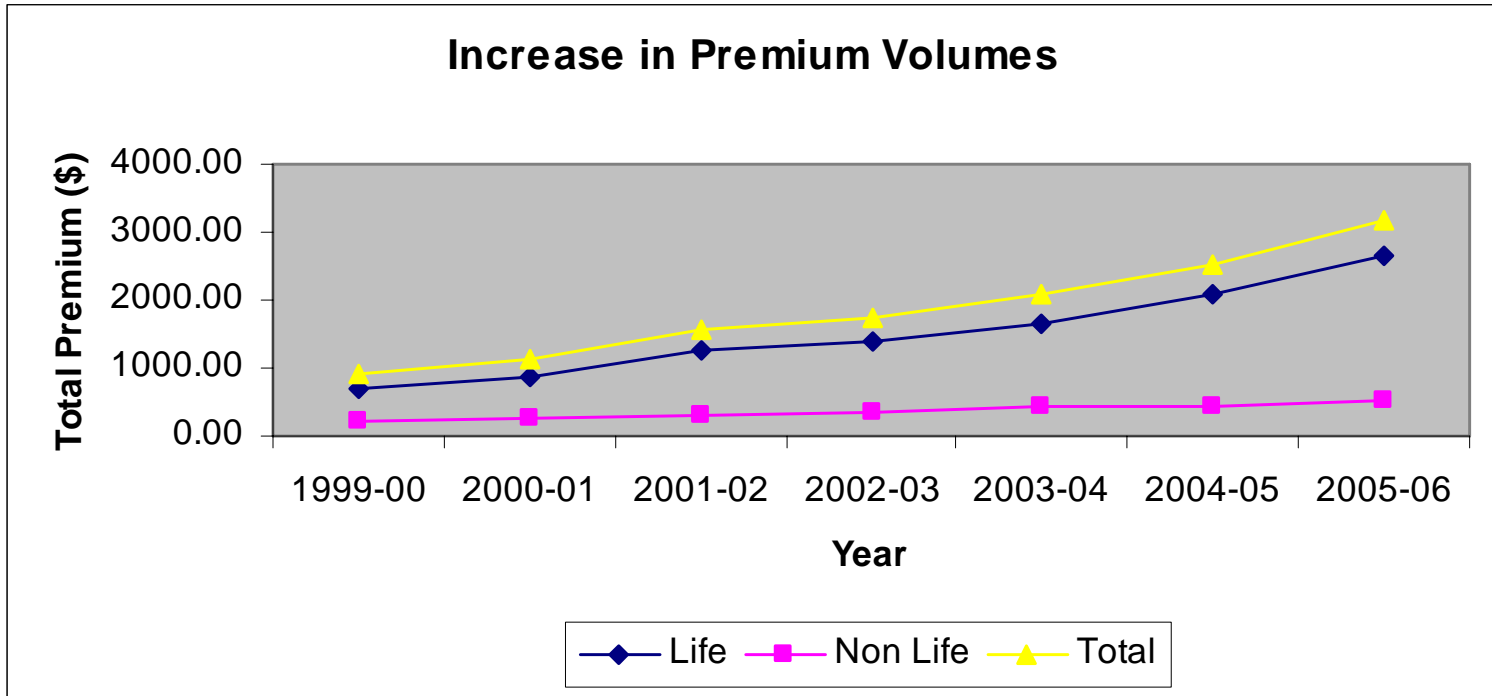
Item	2003-04	2004-05	2005-06
Bank Deposits	37.4	36.4	46.7
Shares & Debenture	0.1	1.1	4.9
Insurance Funds	13.7	16.0	14.2

Booming Insurance Industry

Premium Growth	2003-04	2004-05	2005-06
Life India	18.91%	24.31%	27.78%
Non Life India	11.16%	12.09%	15.61%
Global	11.71%	9.70%	4.90%

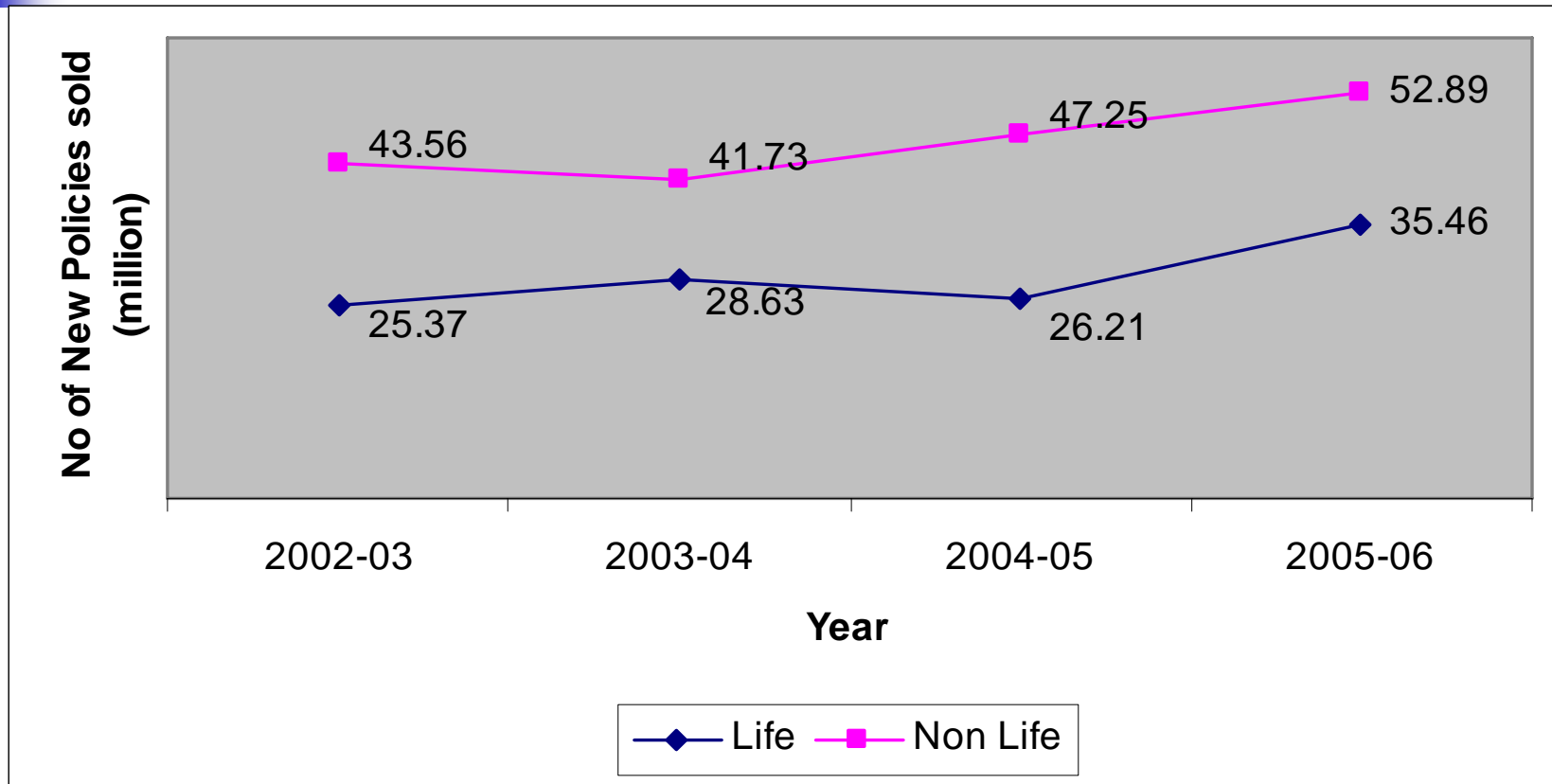
Increase in Premium Volumes

Expansion of market size



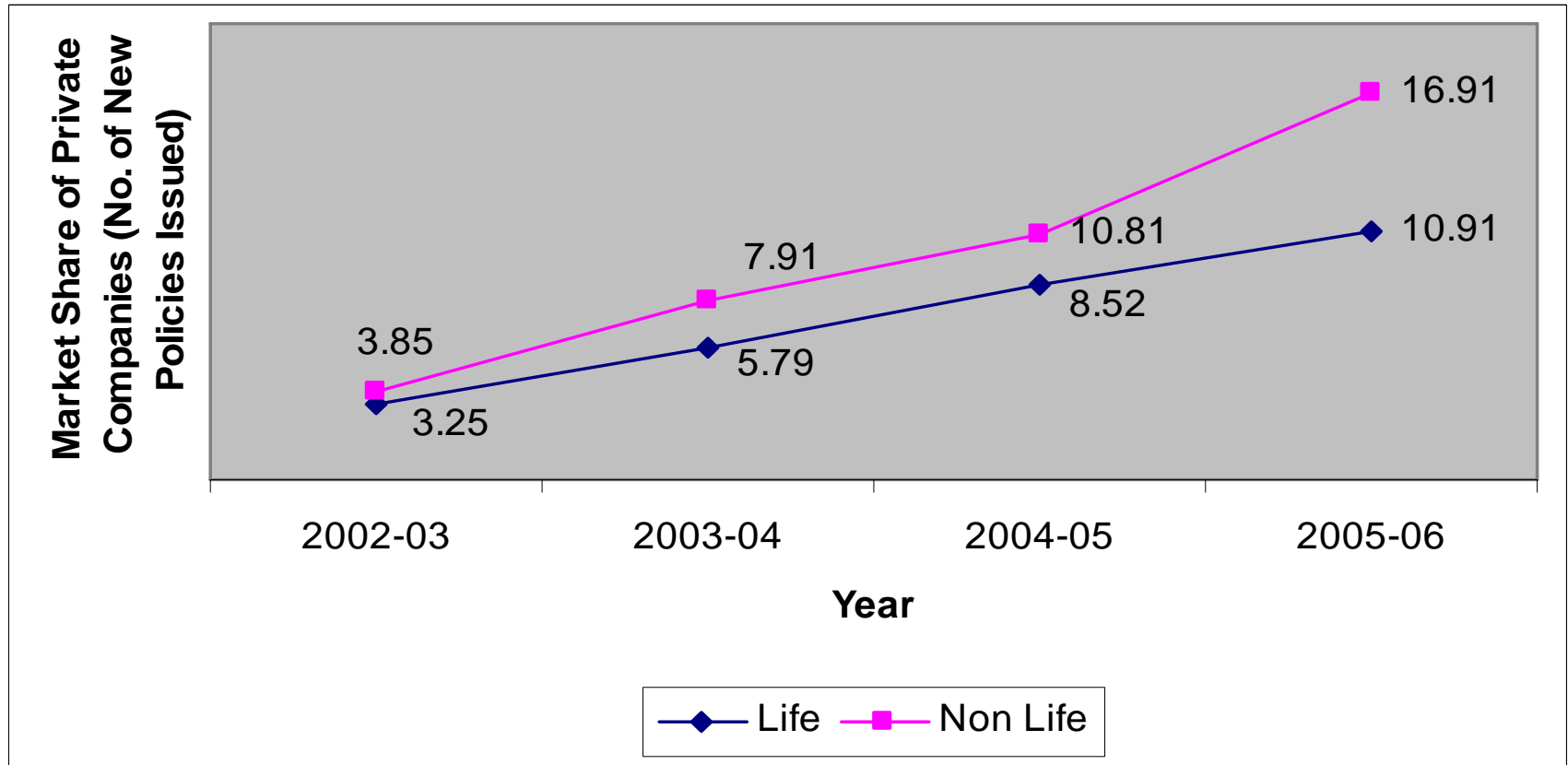
Growing Number

Indication of furthering penetration



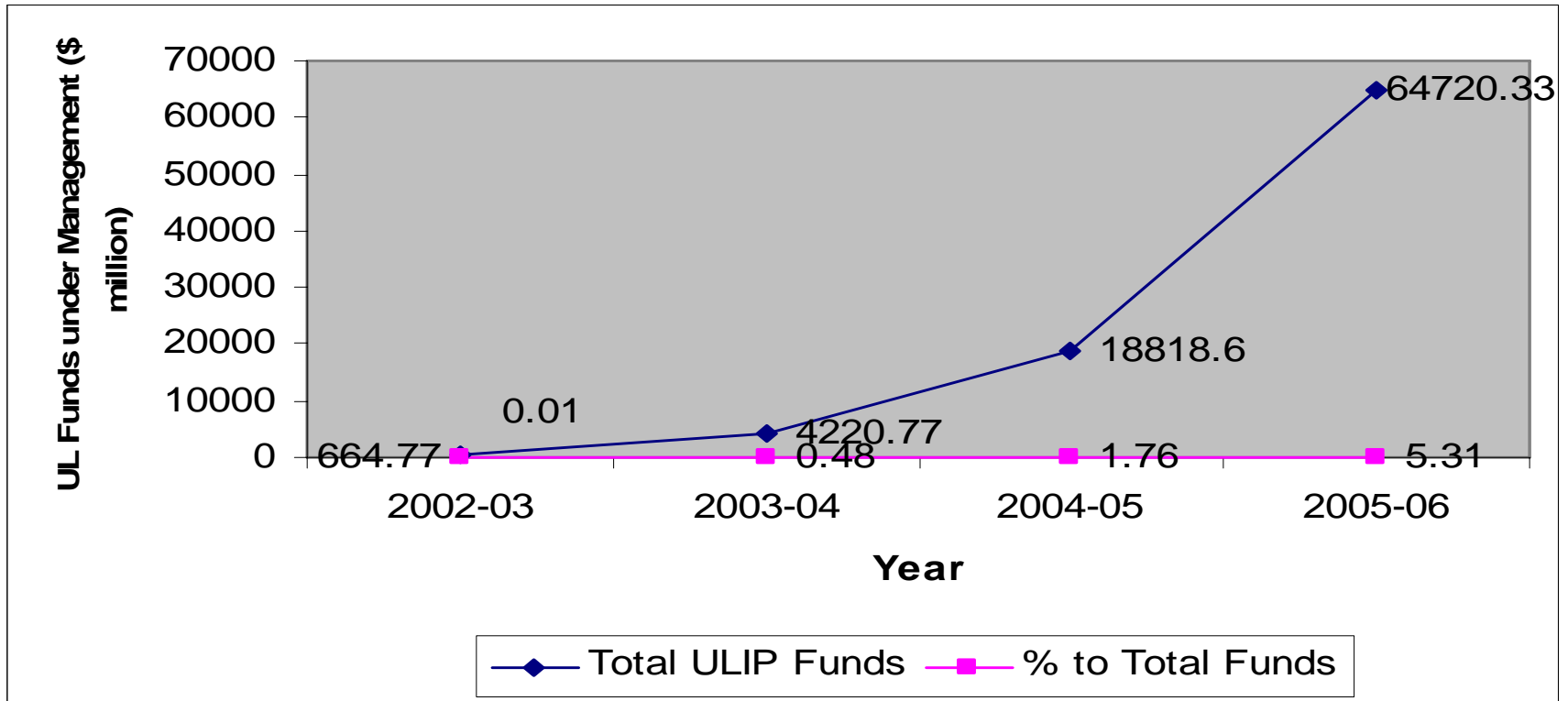
Market Share of Private players

Indication of increasing acceptance levels



Growth of Unit Linked Funds

Increased level of awareness



Thank You