



## PRESIDENT'S WORD

Dear colleagues,

This is the second occasion I am addressing you through this newsletter. During the interregnum, the financial year has come to an end; and I am sure, it has been a very fruitful and a fulfilling year for you all – both professionally and personally. I also wish that you achieve all the goals that you have set for yourselves in the year ahead so that there is a general sense of accomplishment. As we are all aware, competition in various businesses is getting keener by the day – insurance broking being no exception – and it is for us all to live up to the challenges of competition and emerge successful eventually.

At the outset, I emphasize on every broker being thoroughly updated with the latest developments in the field of insurance in order that we are capable of delivering quality service to the clients. There is no substitute for being abreast of the happenings around. Being well-informed would also enable us to gain the confidence of the clientele. Apart from the formal channels of learning, gaining from peer knowledge has great advantages to it as it would enable a healthy discussion if needed. I am happy to gather that my fellow brokers do indulge in an exchange of information, their professional roles notwithstanding.

The introduction of this newsletter was also an attempt at creating a platform for a continuous debate among the brokers. However, the lukewarm response to the first issue is baffling although it can partly be attributed to business priorities. I look forward to more active participation of the broker fraternity in the publication of this newsletter so that we derive the best advantages of information sharing. Further, it would also enable us to know what you would all like to see in the newsletter.

It has often been argued that in the absence of the insurance industry itself making rapid strides of progress in penetration, it would be redundant to expect the brokers to demonstrate discernible progress. I want you all to appreciate that the brokers can play a key catalytic role in driving business growth, especially in a domain that remains under-insured as yet. It shall be my greatest pleasure to look forward to such dynamic lead being taken by the broker community.

I wish you all the best of everything in all your endeavours.

Best regards.  
**Sanjay Kedia**

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# CONSUMERISM THE INSURANCE WAY

Vijay Rampal opines that although a customer is the very *raison d'être* of business, he is not given his due; and the trend is prevalent even in insurance, although a steady improvement is perceptible.

'Consumer is the King' says the adage. The great Mahatma had also said that the very existence of suppliers is because of consumers. If there is no consumer, there would be no supplier. It is the needs of the consumer that create suppliers.

In spite of all this, for ages consumers were exploited by the suppliers / service providers; and it has been suppliers' market although their existence was always dependent on consumers.

There was practically no consumer movement in the olden days and the monopolistic trends were prevalent all along.

Socialism and communism began to care for consumers basically in the form of opposition to capitalism which gave rise to the consumer movement. This was practically the global scenario and India was no exception.

Monopolies and Restricted Trade Practices (MRTP) Act came into being in 1969 but did not have the expected impact. Later on, consumer guidance societies came into existence due to unchecked monopolistic practices that prevailed. The movement culminated into enactment of Consumer Protection Act 1986 in India which has certainly, though slowly, made an impact. This Act

gives succour to practically hapless consumers with regard to the redressal of their grievances. It has changed the situation in large measure but still the awareness of consumer rights is not yet at a very desirable level.

The said Act applies to insurance as well and with the opening up of the insurance market in 2000, a number of players have come in and a sort of competition has set in. For the earlier three decades, insurance had been in a state of monopoly. Unfortunately, as experience shows, the competition is hovering around pricing only and not on services by means of improvement in quality. In fact, due to unviably low pricing, the consumers get a feeling that they had been cheated all along, which could prove detrimental to the interests of the broking community in the long run.

The institution of insurance brokers came into being in India in 2002. They are the professionals who are supposed to take care of the interest of the insureds whom they represent. Being professional insurance practitioners, it is enjoined on them to not only educate the insurance consumers but take care of their needs and arrange for appropriate and adequate insurance covers to keep the consumers free of worry as far



as a financial business protection is concerned. Looking at the present situation, there is a lot to be desired in this sphere.

As experience shows, there is a big gap between insurers and insureds not only in understanding the insurance covers but also the exact needs of the insureds, faulty policy preparation and above all, the most important aspect of claims settlement. The brokers have to come in a big way to bridge this gap importantly because the brokers are supposed to have technical knowledge with regard to insurance. They can play a very vital role in this sphere in such crucial areas as:

- understanding the exact needs of insureds
- suggesting precise insurance covers to take care of their needs
- get the insurers to analyze and evaluate the risk
- workout a reasonable and viable price

so that there is clarity of understanding between the two with regard to what is insured and what is not. The lack of such clarity creates misunderstanding particularly at the time of claim, as claim settlement is the ultimate test of insurance contract. Unfortunately there is a feeling among the insuring public that the insurers

are prompt in collecting the premia, but reluctant in settling the claims. Such an impression needs to be wiped out for healthy insurance practices to come in.

Even the extant Brokers' Regulations enjoin on the insurers to assess the insureds in settlement of claims and negotiations.

The broking community can help in this regard in a big way, in the matter of:

- (i) whether the covers with their terms are initially explained to the buyers,
- (ii) when a loss arises, again the dos and don'ts,
- (iii) the actions to be taken immediately including the minimization measures,
- (iv) methods of quantifying the loss.

In case these issues are clarified instantly, it would go a long way in cutting the delays in claims settlement and reduce to a large extent, the insured's predicament. Such measures would not just achieve customer satisfaction but even customer delight. It can open a new era in consumer movement for the insurance market.

**Vijay Rampal**  
Principal Officer,  
Prudent Insurance Brokers.

# Debate

In an open and frank debate, Mr. V. Ramakrishna and Mr. Jeetu Nayer, two of the senior-most practitioners of the Indian insurance broking industry, bring to the fore the difficulties faced by the broking channel, its successes and the road ahead.

**The introduction of the brokers in the Indian market was ostensibly to increase penetration as also improve risk perception among the corporates. To what extent do you feel these twin objectives have been achieved?**

**VR:** Risk perception among the corporate sector has significantly been enhanced due to the broking industry. The growth in Liability class of business is predominantly due to the role of brokers. The brokers have succeeded in educating practically all the companies in the large and medium sector. The SME sector is still to see the broker impact. Enhancement of market penetration has not been achieved by the entire insurance sector itself hence broking industry has not lived up to this expectation. Broking industry has predominantly stayed focused on the corporate sector which was, by and large, well insured.

**JN:** Insurance density of Life insurance increased from USD 9.1 dollars to a high of USD 55.4 in 2010. It then dropped subsequently and was at USD 44 in 2014-15. Penetration surged from 2.19 percent in 2001 to 4.6 percent in 2009 and then dropped to 2.60% in 2014-15. This growth has been in a segment dominated by agents and bancassurance. We do not see the same growth in general insurance where density went up from USD 2.11 in 2001 to USD 9.4 in 2014-15 and penetration from 0.5 to 0.80 percent in the corresponding period. Liberalization and the opening up of various channels of distribution have played a part in the increased insurance

density and penetration. I do not think we have contributed very significantly except in pushing non-tariff products like Liability.

**What has been the biggest challenge that the broker community has faced since its inception as a distribution channel in the Indian insurance domain?**

**VR:** The biggest challenge has been and still is whole hearted acceptance of the brokers by the insurance companies. The insurance companies have not built synergies with the brokers, it is reluctant acceptance. The perception in the industry has been that broker only supports the client and does very little value add to insurance companies. The broking regulations are also partly to be blamed for this as the broker has practically no role in helping the insurance company. The insurance companies perceive brokerage as an extra cost with no corresponding benefit. Outsourcing administrative work of insurance companies to brokers will enhance quality and speed of service to clients; and also save the insurance companies some cost.

**JN:** The biggest challenge has been that the policy wordings have been frozen for major lines of business which corporations traditionally buy. So instead of being a vehicle for improved coverage, we have been reduced to being the medium for price discovery. You do not see price discovery as the only factor in products that never came under the tariff. Liability insurance is one such example. I attribute the drop in rates in Liability covers to the confidence of insurers based on claims experience.

There is an impression that the tariff policy wordings are time tested and do not need revision. In an era when there was no competition and price pressure, the policy wordings were essentially guidelines and insurers were guided by the enabling provisions in the claims procedural manuals. In today's era of competition and price pressure allowing these policies to exist in their frozen form is a great disservice to the policyholders. This in turn affects brokers.

**Was the introduction of the brokers in the Indian market wholeheartedly accepted – by the risk carriers, the corporates and other distribution channels?**

**VR:** The risk carriers have been reluctant acceptors but the rest of the market has wholeheartedly accepted the entry of brokers. The broking channel has helped the corporate sector significantly and has resulted in significant value add to them. Other distribution channels have not been affected by the entry of brokers. Agents continue to thrive and other new channels such as bancassurance and corporate agencies have been born after the entry of broking.

**JN:** The acceptance has been gradual. In a market where pricing and policy wordings were frozen, the introduction of insurance brokers led to undesirable practices. Free pricing has more or less pushed the undesirable practices out of the transaction. Free wordings would further benefit policyholders.

Today there is greater acceptance of brokers by insurers. I do not think the acceptance is wholehearted. We are seen as entities that push down prices. Price discovery in every business is an important part of the purchase process. In the government it is called the tender process. We are only the medium of discovering price. The price is a result of the insurers' appetite

and desperation for business. I do not think the medium can be blamed for depressing prices.

I am all for the wariness that the insurers display when dealing with brokers. We represent the interest of the policyholders and the Regulator ought to be alarmed if insurers stopped complaining about brokers particularly since we receive the payment from insurers. I must also point out that when it comes to reinsurance, insurers trust brokers to ensure they get the best deal. In this transaction the trust between the insurer and his broker is strong. Insurers appreciate the expertise that many reinsurance brokers bring to the table.

Corporations are increasingly seeing brokers as entities that are an integral part of the purchasing process. They have simultaneously ensured that the role expands to include post sales services. I have never thought about the acceptance of brokers by other channels. I assume they see us as competitors just as we do of them.

**Has there been a significant change in the performance of the brokers post-detariffing; and if yes, in what areas of operation?**

**VR:** Detariffing has impacted the premium pricing quite adversely and has put significant pressure on the broking revenues. The freeing up of pricing without wording flexibility has commoditized the industry. There is no product differentiation and only price discovery has become the principal utility of a broker to the customer.

**JN:** The gross premium placed through the broking channel increased from Rs.5700 crores in 2010 to Rs.19,000 crores in 2015. This increase must be seen in the backdrop of the precipitous drop in premium rates and the marginal correction brought out by the GI Council. It shows that corporations are increasingly using the broking channel. I do not have the industry data to authoritatively state the areas of operations. As a broker, I know my customers demand assistance in claims. This has put pressure on us to ensure that the policies are correctly structured. There is a lot of pressure on my staff to understand the risks attendant to my clients' business.



**More recently, a lot of distribution channels have been introduced in the Indian market. Have they impacted the brokers' channel in any manner, and to what extent?**

**VR:** Bancassurance has adversely affected the broking industry as large commercial banks have used their status as lenders to persuade customers to deal with them rather than use brokers. This channel is ill-equipped to support commercial lines business; while premium placement does happen, support on claims has been poor. While there is a code of conduct for brokers, none exists for the banking channel. It is not a level playing field as such.

**JN:** The figures do not show a significant impact on the broking channel. Competition is a fact of life. We need to be prepared for disruptions. The greatest disruption I see in the near future is likely to impact general insurers. The introduction of driverless cars by all manufacturers may see the Motor premium evaporating with the likes of Google and major auto manufacturers being confident enough to ask governments to allow them to underwrite Motor risks, including third party risks, as a form of self insurance. The disruptive challenges that insurers face are much more than what we are likely to face.

Disintermediation by insurers is a potential challenge to all channels. We need to ensure we stay relevant and that will happen only if we ensure that the policyholder sees us as a reliable service channel, particularly the post sales services we offer. Introduction of new channels will be a challenge and we as brokers need to live with it. Personally, I do not think we need the Regulator to take steps to protect or insulate us from competition.

**An important distribution channel like the brokers needs to be nurtured properly if the real purpose of genuine growth and risk management are to be accomplished. Has such encouragement been forthcoming from the regulators and insurers?**

**VR:** The regulatory support has been strong by and large. In my view, the regulator is not the panacea for all the problems. We as a mature industry need to get all stakeholders like customers, insurers, intermediaries etc. together to define the true value add the broking industry can deliver to insurance companies and the industry at large. We need co-creation of products and service offering to the

customers rather than apportioning the blame for poor pricing. The degree of cooperation and coordination can be enhanced significantly.

**JN:** Personally I do not expect the regulator to nurture brokers. As a broker, I expect a stable regulatory environment. I must hasten to add that a stable regulatory environment does not mean not allowing competition in the form of other channels and disintermediation. As a community I do not think we have been able to convince the Regulator that we work for the policyholder and can be a vital tool in the hands of the Regulator in furthering the interests of policyholders. I strongly suspect that even today we are seen by the Regulator through the prism of the violations of the Broking Regulations. It is for us to establish our credibility with the Regulator and not vice versa.

I must also point out that IBAI is a creation of the far sight of the Regulator and not an outcome of trade unionism. They have ensured there is a medium through which they can take on broad areas of concern to us. I welcome the fact that the Regulator has taken steps to bring out draft exposures of contemplated changes in Regulations. This is a very democratic process of hearing all stakeholders' points of view before a final decision is taken. I would like to see this process deepen.

The relationship with insurers is far more comfortable. They understand the dynamics of the market and our role, notwithstanding the complaints that we are responsible for bringing down prices. The pen remains in their hand. As a broker I am obliged to ask for the moon for my client, they are obliged to give what is realistic. That tension must remain for the good of the policyholder. As I mentioned earlier, in reinsurance where insurers are the buyers of insurance, they appreciate inputs of the good reinsurance brokers.

**Do the corporates fully appreciate the role of the brokers as their representative? What are the various obstacles that you confront in this regard?**

**VR:** Initial resistance to broking concept was there when the concept was still new. Today a majority of corporate customers are quite happy to use the free services offered in price discovery by a multitude of brokers. The corporates are by and large price-focussed today, however there is a growing trend of customers who are slowly realizing the challenges of risk management they face and the help brokers can provide them.

**JN:** Corporations are increasingly appreciating

the role of brokers. In fact many of our clients take our inputs before signing large contracts. Our role is to scan the contracts in terms of existing insurance arrangements and advise them of changes that are required in the policies and the increased risk exposures, if any. In claims it is a given that we would be by their side assisting them through the whole process.

**Although price is an important consideration, the role of the brokers does not limit itself to a price bargain. What exactly do the insurers envisage as the brokers' role, especially in a few of the niche areas of operation?**

**VR:** Insurers expect the brokers to educate the customer in understanding the insurance coverage and manage customer expectations on pricing. The insurance company also expects the broker to play an important role in claim settlement – ranging from claim intimation to documentation to claim quantification.

**JN:** I have never experienced any questions from insurers on our role as a service provider to the policyholder. They have always welcomed our inputs in claims. Insurers are aware of the obligations cast on us by the Broker Regulations. There are many insurers who engage us in discussing underwriting aspects of risks. They appreciate our inputs. I am sure this is true of many broking companies.

**Do you, as a senior and experienced broker, personally feel the brokers in the Indian insurance domain have been playing their role to the expectations?**

**VR:** I strongly believe that brokers have done a commendable job as they have built a pan India distribution network for corporate business. The insurance companies should give up their sense of insecurity and actively partner with brokers to reduce their distribution costs.

**JN:** Only partly. We have a very long way to go. As an industry we are still in our teens and I hope by the time we become adults we would be worthy of respect. Most of it is in our hands.

**Going forward, how do you visualize the performance of the Indian insurance broking community in the near term and the long term? What measures do you suggest to live up to the challenge of attaining a 40% share by the year 2025?**

**VR:** The broking industry needs strong technology and knowledge platforms to sustain and grow its market share. The significant cost of manpower coupled with diminishing brokerages needs to be tackled through innovation in service delivery. Focus needs to shift to the SME segment and large micro business units across the country that are uninsured today. Another avenue for growth is co-creating insurance solutions to the changing needs of consumers.

**JN:** Personally, I believe the future performance in both the near and long term is in our hands. I am certain that we would be able to achieve 40% market share by the year 2025 if we define our role very clearly. I believe IBAI has a very important role in this journey. I have been advocating that IBAI should ensure our relevance by highlighting issues that affect policyholders and also ensuring that we work closely with the Regulator to further this objective. Only then will we be heard and taken seriously. We are the only intermediaries who have the unique duty cast on us of representing the policyholders' interest. We need to exploit this advantage cast upon us by the Regulator.

**Mr. V. Ramakrishna** is the Founder of India Insure Risk Management & Insurance Broking Services Pvt. Ltd.

**Mr. Jeetu Nayer** is the Managing Director of Amicus Insurance Broking Services Pvt. Ltd.



## REPORT CARD (Non-Life)

The Indian non-life insurance presents a picture of steady growth as on 31<sup>st</sup> May, 2016, as compared to the corresponding period of the previous year. However, the specialized insurers have registered a negative growth during

this period although it does not seem very significant. It is early days as yet, and one hopes the market will pick up further consolidation during the months to come.

### FLASH FIGURES (Non-Life Insurers)

Gross Direct Premium Income Underwritten for and Up to the Month of May, 2016 (Rs. in Crores)

Insurers	May		% of Growth	Cumulative Up to May		% of Growth
	2016-17	2015-16		2016-17	2015-16	
Private Sector	3510.24	2876.82	22%	8119.85	6949.80	16.8%
Public Sector	4250.99	3627.59	17.2%	9735.44	8567.09	13.6%
Stand-alone Health	328.27	250.04	31.3%	646.64	499.34	29.5%
Specialised	17795	169.59	5%	294.08	312.09	-5.8%
<b>Grand Total</b>	<b>826745</b>	<b>6924.04</b>	<b>19.4%</b>	<b>18,796.01</b>	<b>16,328.32</b>	<b>15.1%</b>

(Source: General Insurance Council)

## REPORT CARD (Life)

First Year Life Insurance Premium for April 2016 was Rs. 7973 crores (as against Rs. 5268 crores for the corresponding period in 2015) posting an accretion of 51.3 %. No. of lives covered under Group Schemes during this period was 98.8 lakhs (as against 105.2 lakhs in 2015).

As Life insurance offers larger opportunities and the era of robust growth back again, members (with licence for Life insurance broking) may like to take measures for increasing their market share in the Life insurance pie.

Particulars	Premium in Rs. Crore					No. of Policies / Schemes				
	Month of Apr-2016	Up to Apr-2016	Month of Apr-2015	Up to Apr-2015	YTD Variation in %	Month of Apr-2016	Up to Apr-2016	Month of Apr-2015	Up to Apr-2015	YTD Variation in %
Private Total	2094.59	2094.59	1686.33	1686.33	24.21	213326	213326	208609	208609	2.26
LIC Total	587795	587795	3581.96	3581.96	64.10	774431	774431	843235	843235	-8.16
<b>Grand Total</b>	<b>7972.54</b>	<b>7972.54</b>	<b>5268.30</b>	<b>5268.30</b>	<b>51.33</b>	<b>987757</b>	<b>987757</b>	<b>1051844</b>	<b>1051844</b>	<b>-6.09</b>

(Business figures in Life insurance available up to April 2016 only)



What would you like to see in these columns? Please feel free to give your feedback or suggestions for improvement. You may send them to [newsletter@ibai.org](mailto:newsletter@ibai.org)



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