

**CHIEF GUEST ADDRESS**  
**58<sup>TH</sup> ANNUAL CONFERENCE AT KOLKATA, 2013**



**SHRI T.S. VIJAYAN**

**CHAIRMAN**

**INSURANCE REGULATORY**

**&**

**DEVELOPMENT AUTHORITY OF INDIA**



**INSURANCE INSTITUTE OF INDIA,  
PLOT C-46, 'G' BLOCK, BANDRA-KURLA-COMPLEX, MUMBAI-400051**

**Keynote Address in 58<sup>th</sup> Annual Conference of Insurance Institute of India (III) on 24<sup>th</sup> August, 2013 between 09.35-09.55 hrs at Kolkata**

Dear Mr. Sushobhan Sarkar, President-III, Mr. Sharad Shrivastava, Secretary General-III, Other dignitaries, Ladies and Gentleman,

It is indeed my pleasure to participate in the annual conference of III, albeit in a different role, a renowned insurance education and training institution in India. I was privileged to be the president of this institute in the past and as such was involved in the activities of the institute for long period.

In India, insurance has a long and deep-rooted history. The old Indian writings namely 'Manusmriti', 'Dharmasastra' and 'Arthasastra' talk in terms of pooling of resources that could be re-distributed in times of calamities such as fire, floods, epidemics and famine. Insurance in India has evolved over time heavily drawing from other countries, England in particular. 1818 saw the advent of life insurance business in India with the establishment of the 'Oriental Life Insurance Company' in Calcutta. However, the insurance companies during that period were looking after the needs of European community only. Later, with the efforts of eminent Indian natives, the foreign life insurance companies started insuring Indian lives by treating them as sub-standard lives with heavy extra premiums being charged on them. 'Bombay Mutual Life Assurance Society' was the first Indian life insurance company established in the year 1870 which covered Indian lives at normal rates. General Insurance in India has its roots in the establishment of 'Triton Insurance Company Ltd.', in the year 1850 in Calcutta. In 1907, the 'Indian Mercantile Insurance Ltd.', was set up. This was the first company to transact all classes of general insurance business in India.

The Indian Life Assurance Companies Act, 1912 was the first statute to regulate life insurance business in India. In 1928, the Indian Insurance Companies Act was enacted to enable the Government to collect statistical information about both life and non-life insurance business transacted in India by Indian and foreign insurers, including provident insurance societies. In 1938, with a view to protecting the interest of the insurance public, the earlier legislation was consolidated and amended by the Insurance Act, 1938, with comprehensive provisions for effective control over the activities of insurers.

By 1950s there were a large number of insurance companies and the level of competition was high and there were also allegations of unfair trade practices. The Government of India, therefore, decided to nationalize life insurance business and an Ordinance was issued on 19<sup>th</sup> January, 1956 nationalising the Life Insurance sector and Life Insurance Corporation (LIC) came into existence in the same year. The LIC absorbed 245 Indian and foreign insurers in all.

In the year 1957, the General Insurance Council, a wing of the Insurance Association of India, was formed. The General Insurance Council framed 'Code of Conduct' for ensuring fair conduct and sound business practices. In the year 1968, the Insurance Act was amended to set up the Tariff Advisory Committee and to regulate investments and set minimum solvency margins. In the year 1972, with the passing of the General Insurance Business (Nationalisation) Act, general insurance business was nationalized with effect from 1<sup>st</sup> January, 1973. 107 insurers were amalgamated and grouped into four companies under the General Insurance Corporation of India.

Owing to the complex and dynamic nature of the insurance business, the availability of quality human resources is very critical to the efficient conduct of insurance business. Till 1950s the major support in the area of insurance education and training for Indian insurance companies was drawn from Chartered Insurance Institute (London) and Institute of Actuaries (London). However, we should appreciate the fact that the necessity of promoting duly customized quality education and developing professional skills by an Indian entity in the conduct of insurance business was duly recognized in India in the early 1950s itself. With active involvement of the highly qualified and senior managers of insurance companies operating in India, the Federation of Insurance Institutes came into being on 30<sup>th</sup> June, 1955 which is currently identified with the new name the 'Insurance Institute of India'. By establishing 'College of Insurance' for providing training in the insurance related areas, the institute has attempted to fill a major gap in the area of continuous training needs of the insurance industry in India. It is heartening to note that the College has evolved to be one of the leading institutions in the area of insurance education and training.

We observe that the III has made decent progress in its endeavor to promote quality insurance education and training in India and we also observe that some of the foreign insurance jurisdictions are supported by the institute. The institute has started conducting all of its three main exams namely, Licentiate, Associate and Fellowship from the year 1961 onwards. Apart from these main exams, over the years the institute has started promoting education in specific areas of insurance marketing, health insurance etc. We should appreciate the institute's progress in the area of insurance education and building repute in India which is also duly recognized by its international counterparts from London, USA and Canada by granting suitable exemptions based on the certifications issued by the institute.

After the IRDA came in to existence in the year 2000, private sector participation in the Indian insurance business was allowed. Owing to the decent insurance education and examination methodology established by the III, IRDA has engaged the III to develop course content and conduct examination for licensing millions of Insurance Agents.

In the year 2012, we observe that the insurance penetration (Ratio of Premium to GDP) in India is limited to 3.96% (Life 3.17, Non-Life 0.78) as against world average of 6.5%. This clearly indicates that there is huge scope for improving insurance penetration in India. Here, I would like to emphasize that along with gauging the insurance penetration based on GDP, it is very pertinent to ensure that new risks (lives and assets), which were hitherto not covered, are covered by new insurance policies rather than issuing insurance cover to same persons / risks.

With long coast line and some seismically active regions, India is exposed natural disasters like flood, cyclone and earthquake. Every year we observe that some part of India is always affected by natural disasters. Apart from the natural disasters, we see quite often the losses caused by the man-made disasters like Chemical, Industrial & Nuclear related disasters, Accident & Biologically related disasters. In case of most of the disasters, the worst affected sections of the people would be the poorest of our society. It is well appreciated fact that the insurance cover is much needed to the lower income groups in view of their limited financial capacity to withstand any unforeseen events.

Specific circumstances of low income groups (like unstable income stream, migration for work) should be taken into account while designing insurance products to best suit their needs. Mere scaled down versions of the products designed to cater to middle or high income segments may not be suitable to these groups. Currently we observe that a typical general insurance product covers specific risks of fire, health, personal accident, loss of belongings etc, under separate policies. Similarly natural death is covered separately by the life insurers. This approach leaves no option but to take multiple policies to obtain basic cover which is very cumbersome and thus appears to be one of the major road blocks in increasing the insurance penetrations. Though IRDA has allowed tie-up of life and non-life insurers to offer micro insurance products, there has been no significant progress in the area. It would be more effective to have a single policy, with options for customization, which covers all basic insurance needs.

As significant proportion of our country's population is dependent on the agriculture, it is very crucial to provide necessary insurance covers to the agriculture and other allied sectors. Effects of climate changes are experienced in the recent years across the globe. This highlights the importance of insurance in supporting the well being of millions of Indian farmers. The National Agriculture Insurance Scheme, implemented by the Agriculture Insurance Company of India, Weather Based Crop Insurance Scheme with support from Government of India provide cover to farmers against losses suffered by them due to crop failure on account of natural calamities and adverse weather incidences. Though there are some efforts made by the non-life insurers to enhance the cover to the agriculture sector, there is lot of scope to improve the situation in this critical area. Livestock is an important source of food for people in our country and forms an integral part of mixed farming systems which help raise whole-farm productivity. The situation clearly indicates the necessity to make available necessary insurance covers in the area.

Despite having some underdeveloped sections, we have witnessed significant improvements in the Indian economy. This has led to significant rise in the middle class population and changes in the demographic profile which caused demand for insurance products particularly in the areas of Motor, Medical expenses coverage and Pensions.

Identifying cost effective ways of distributing insurance covers would be the key to success in increasing the insurance coverage. Effective dovetailing of insurance covers with other products (both financial and non-financial) would result in significant reduction of distribution and other administrative costs. Group insurance structure facilitates such dovetailing and thus should be fully utilized. Improvement in the business relationships of insurers with NGOs, SHGs, Banking Correspondents and VLEs (under CSC scheme) would facilitate in enhancing the insurance reach.

Finally, we need to address the following issues in maintaining and further improving the standards of education & training and in enhancing the role of the institute:

- ✓ Regularly updating the prescribed course contents used for various certifications after due consultations with all industry stakeholders
- ✓ Enhancing the research activities to address the emerging needs of the Indian insurance industry
- ✓ Developing more focussed education and training courses to cater the emerging areas like insurance BPOs supporting foreign insurers
- ✓ Optimum use of technology for enhancing the reach of insurance education and training
- ✓ Popularising the institute certifications with necessary tie-ups with other higher educational institutions
- ✓ Enhancing the continuous professional development activities aimed at the members of the institute

Ladies and Gentlemen, let me conclude with the hope that the Insurance Institute of India would continue its endeavour in promoting quality insurance education and training in India and would scale new heights.

Thank you.