

# Insurance Regulations: Challenges and Response



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# Insurance Business

- Life
- Fire
- Marine
- Miscellaneous



- Reinsurance

# Functions of Regulator

- Registration of Companies
- Protection of Policyholders' Interests
- Regulation of Intermediaries
- Promoting Efficiency in the Conduct of Insurance Business
- Supervising the Work of Insurers- Solvency, Audit, Accounting etc.
- Regulating Investment of Funds by Insurance Companies

# Self Regulatory Mechanisms

- Life Insurance Council
- General Insurance Council

# Insurance Industry: A Snapshot

- Legacy : 190 years
- Current Market Size : \$47.89 Bn.  
(\$ 21.7 Bn. in '00)
- Rank : 5<sup>th</sup> largest in Asia
- Growth of Total Industry CAGR : 28.1%  
(2002-03 to 2006-07)
- Average Growth Rate of Life Premium : 23.3%
- Average Growth Rate of Non-life Premium : 14%
- Life Business in 2007-08 : Rs. 930 Bn.
- Non-life Business in 2007-08 : Rs. 298 Bn.

## *Cont'd.-*

- Current FDI in the Sector : Rs. 2500/- crore
- Current Insurance Sector Turnover : Rs. 26287/- crore
- No. of Life Insurers : 22
- No. of Non-life Insurers : 21
- Insurance Premium as %of GDP : 4.8% in 2008  
(1.2% in '00)  
(8% - Global Average)
- Life Insurance Penetration : 4.1% of GDP
- Non-life Insurance Penetration : 0.6% of GDP

# Challenges Facing the Insurance Industry

- Low Financial Literacy Among Target Audience
- Lack of Clear Distinction Between Insurance and Investment
- Capitalisation Constraints- 26% J.V.
- Rigidity in Structural Format (No Mutual in Micro Insurance)
- Opaque Costing Practices esp. re Intermediation
- Insufficiently Trained Intermediaries
- Lack of Regulatory Proactivity
- Pending Legislation and Reforms

# Suggested Set of Principles to Meet Regulatory Challenges

## Policy and Financial Inclusion

- Developing Insurance Business requires facilitation for creating financial literacy jointly by government, regulator and financial institutions. There is a case of subvention



## Cont'd.-

### Prudential Regulation

- Relook at structures to accommodate mutual, self help and NBFC in providing insurance cover
- Flexibility in solvency norms for low sum assured and low risk schemes
- One common window for life and non-life products of small sum assured *a la* micro insurance
- Lesser regulatory burden for small sum assured policies

## *Cont'd.-*

### Institutional Regulations

- Simplified service tax provision for small sum assured policies

### Market Conduct Regulations

- Reduced market conduct regulatory burden for small sum assured policies
- Greater flexibility about schemes on the supply side
- Greater disclosure on costs by supply side

Thank you