

PART II

REVIEW OF WORKING AND OPERATIONS

INSURANCE AGENTS

A critical element of insurance sector reforms is the development of resources having the right skills and expertise in each segment of the industry so as to provide quality intermediation to market participants. The number of agents with LIC as at 31st March 2007 was 11,03,047 while the private sector had 8,90,152 agents. However, while the net increase in number of agents of LIC was 5 per cent, the private sector numbers increased by 140 per cent in the year 2006-07.

The agency network has spread over all the states; however, the number of agents per 1000 population has varied across the states. At the national level, only 2 agents serve 1000 people. Chandigarh has 20 as against the national average of 2. The density of agents in states such as Goa, Kerala and Delhi is way ahead of the national average while in the north eastern states other than Assam it is far below the national average. The presence of agents is well below the national average in the four populous states of Uttar Pradesh, Bihar, Madhya Pradesh and Rajasthan. It is worthwhile to mention here that the agency presence of private sector has overtaken that of LIC in states such as Gujarat, Haryana, Jammu & Kashmir, Kerala, Orissa, Punjab, Chandigarh and Delhi (Statement 61).

CORPORATE AGENTS

No fresh guidelines have been issued by the Authority in the year 2006-07.

INSURANCE BROKERS

During the year 2006-07, 25 broking licenses were issued, of which 24 were direct broker licenses and one composite broking license. The renewal licenses were issued to 101 brokers. The total number of licenses issued as on 30-08-2007 were 258, of which 223 are direct brokers, 30 are composite brokers and 5 are reinsurance brokers. As on August 30,

2007 there were 242 insurance brokers with valid licenses. The capital employed by brokers in 2004-05 was Rs.158.03 crore and they earned an income of Rs.258.10 crore. In 2005-06, the capital employed by them was Rs.180.27 crore and income earned was Rs.390.36 crore, showing an increase of 51 per cent in 2005-06. The brokerage commission earned by Brokers in the year 2005-06 was about Rs. 355 crore showing an increase of 50 per cent over the preceding year. It will be of interest to note that broking companies are seeking licenses in smaller towns like Bharuch, Surat, Baroda, Rajkot, Thrissur, Indore, Ahmedgarh, Nanded, Udaipur, Varanasi etc. In addition, many have expanded their branch networks, thereby making services available in large number of B and C category towns.

CHANNEL-WISE NEW BUSINESS PERFORMANCE

INDIVIDUAL BUSINESS:

In order to spread the message of insurance to the remote corners of the country, the Authority has enlarged the scope of distribution from earlier single channel system of tied agencies to multiple channel set-up comprising of corporate agents including bancassurance, brokers and referral providers. The initiative appears to have borne fruit looking at the fact that within a few years of coming into existence, the new channels have contributed around 12.5 percent of new business premium procured in the year 2006-07. The new channels have thus added value in terms of expanding the market. The private insurers have particularly taken advantage of the new channels as evident from the 34 per cent share of premium mobilized through new channels during the year, as against a mere 3 per cent mobilized by LIC. It is pertinent to mention that corporate agencies which include bancassurance have contributed over three-fourths of the business mobilized through all the new channels.

TABLE 36

INDIVIDUAL NEW BUSINESS PREMIUM OF LIFE INSURERS FOR 2006-07 CHANNEL-WISE

(Percent)

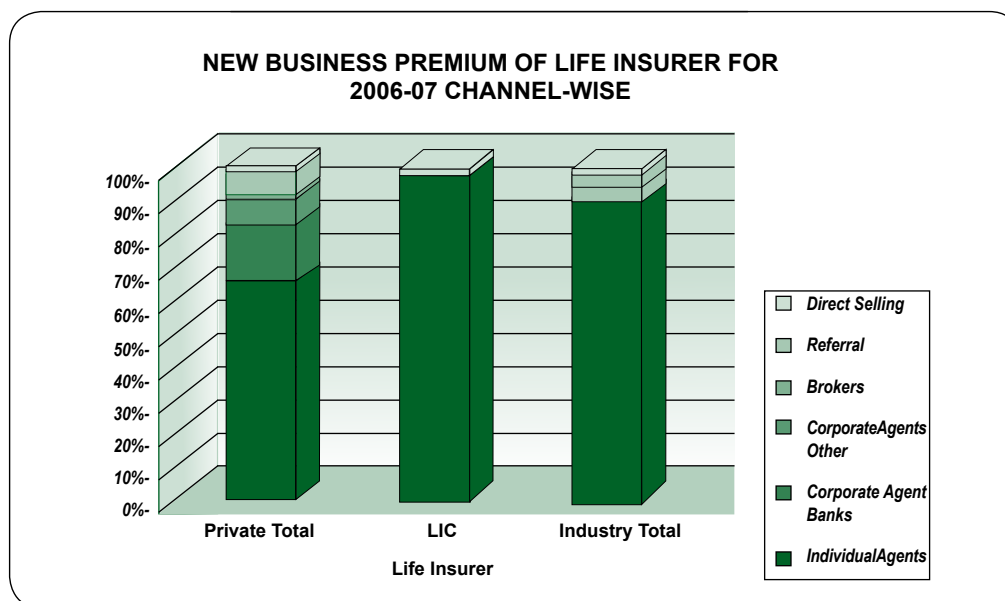
Life Insurer	Individual Agents	Corporate Agents		Brokers	Referrals	Direct Selling	Total New Business
		Banks	Others*				
Private	65.80	16.58	8.41	1.05	6.77	1.39	100.00
LIC#	97.28	1.24	0.90	0.34	0.24	0.00	100.00
Industry Total	88.62	5.46	2.96	0.54	2.04	0.38	100.00

* Any entity other than banks but licensed as a corporate agent.

Does not include its overseas new business premium of Rs.18.92 crore.

Though business acquired through direct marketing appears insignificant at present, it would be interesting to watch how this channel

catches up in future. The tied agency channel continues to largely hold its ground with a share of 87.5 percent of the total new business premium.

**GROUP BUSINESS:**

Because of complexity in group products, insurers, by and large, prefer to sell them directly. Over 97 per cent

of the group premium is sold under the direct mode in the year 2006-07. The group business constitutes 19.88 per cent of the total new business secured in the sector.

TABLE 37

GROUP NEW BUSINESS PREMIUM OF LIFE INSURERS FOR 2006-07 CHANNEL-WISE

(Percent)

Life Insurer	Individual Agents	Corporate Agents		Brokers	Referrals	Direct Selling	Total New Business
		Banks	Others*				
Private	0.23	13.36	0.13	1.27	0.06	84.96	100.00
LIC#	–	–	–	–	–	100.00	100.00
Industry Total	0.04	2.34	0.02	0.22	0.01	97.37	100.00

* Any entity other than banks but licensed as a corporate agent.

In the case of LIC the entire group business was handled directly by itself. In the case of private life insurers 85 per cent of the group business was handled directly. 13 per cent of the group business is handled through bank assurance by the private insurers.

SURVEYORS AND LOSS ASSESSORS

The Government of India appointed a committee to look into the suitability of forming an institute for surveyors and loss assessors similar to those of the Chartered Accountants, Cost and Works Accountants and Company Secretaries. As a follow up of the recommendations of the Committee, IRDA constituted an ad hoc Committee of Surveyors and Loss Assessors to set in motion the establishment of the Institute. The Institute has been incorporated under Section 25 of the Companies Act 1956 under the name 'Indian Institute of Insurance Surveyors and Loss Assessors' with the registered office at Hyderabad. The Memorandum of Understanding and Articles were drawn up with the approval of the Regional Director, Department of Company Affairs, Chennai. The IRDA called for applications for membership to the Institute. 4340 members were found to be eligible to contest / vote for the elections to the first Council of the Institute. The

election process was completed and the results were declared on 11th September, 2007. With the nominations from the Government and the Authority, the new Council will be constituted.

The Authority issues licenses to surveyors and loss assessors in terms of Section 64UM of the Insurance Act, 1938. An individual, a company or a firm wanting to act as surveyors and loss assessors has to make an application to the Authority in the prescribed format for the purpose. The Insurance Surveyors and Loss Assessors (Licensing, Professional Requirements and Code of Conduct) Regulations, 2000 lay down the process of application for procurement of license.

During the last financial year, the Authority has enrolled 792 applicants as Trainee surveyors and issued 238 fresh licenses to trainee surveyors on completion of practical training and passing of the requisite examinations. The Authority also received 1672 requests for renewal of licenses during 2006-07 out of which 1624 have been issued/renewed licenses on fulfillment of all the Regulatory requirements. Further, for the first half of 2007-08, 894 requests for renewals have been received out of which 801 requests have been processed and issued renewed licenses.

