ASSOCHAM INDIA

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9th GLOBAL INSURANCE SUMMIT

Insurance: The Emerging Power House in Financial Industry

September 2016

THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA

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Message

Insurance sector in India today is the fastest growing part of the financial services space. Both the life and non life insurance industries are growing at a good pace and it is matter of time India will reach global levels of both penetration and density. The sector is vital for its role in protection to business, industry and individuals in times of need. The world is rapidly changing and new risks are emerging and the insurance sector has risen to the need for providing risk coverage and protecting the assets and wealth created. The insurance sector has long been ignored and today is emerging as an important part of the whole financial industry eco system for its role in enabling business and also for its immense contribution to the economy through investment in key sectors of the economy.

The insurance sector has undergone huge changes in the last one year due to legal and consequent regulatory amendments. The increase in FDI cap has brought about changes in the ownership pattern of the new insurers and also increased the appetite of new international players to enter India. The regulatory changes have been far reaching to bring the sector to global standards. The changes in intermediary space has brought in more dynamism into the market. The Government has also been playing a key role in bringing insurance to the people specially the marginalised through mass schemes in a very big way. The focus on risk based solvency will ensure a financially strong insurance industry and also bring about more consolidation in the industry.

The move of the sector to get listed will bring in better branding, more transparency and accountability The report very succinctly brings out these far reaching changes in the sector and highlights how insurance is emerging as a major driver of economic growth in India.

The journey is still in progress and insurance sector will achieve its goal of making india a fully insured society at the quickest possible time.

G. Srinivasan
Chairman, ASSOCHAM National Council for Insurance and
CMD, The New India Assurance Co. Ltd.

Message

APAS has had various opportunities to partner with ASSOCHAM as their knowledge partners for their events. During thelast event which was held on April 6th, 2016 at New Delhi, APAS was welcomed with great enthusiasm and received an overwhelming response from the industry. Further, APAS and ASSOCHAM have come together again with a new focus on the Insurance sector in India – The Emerging Power House in Financial Industry.

Post liberalization, this sector has recorded a phenomenal growth. And further it is expected to grow due to substantial economic growth in the country. This industry has received an impetus mainly because of product innovation, vital distribution channels in connection with publicity and campaigns by various insurers.

With introduction of the Insurance Amendment act, 2015, FDI inflows in the insurance sector has gained a momentum. It has been a landmark to the extent that it will give a boost to this industry. This act has created a great opportunity for the sector in the long-term. The sector would see inflow of around INR 70,000-80,000 crores in the next three years. The net worth of the insurance companies is also expected to increase.

Going forward, increase in life expectancy, a considerable amount of savings and a greater employment in the private sector is expected to add fuel to pension plans. Similarly, a firm growth in automotive industry over the next decade would drive the motor insurance market.

Government of India has also taken a number of initiatives to boost the insurance industry. Also, the union budget of 2016-17 has made certain provisions for the Insurance sector.

The time is ripe for much developments, especially for cash-rich promoters. Sector experts have been expecting consolidation, both between large entities and between large and smaller ones as well, especially those entities with heavy backing from public sector banks.

Along with traditional distribution channels, new intermediaries such as Bancassurance and web aggregators are contributing in penetration of insurance in the market. With India going digital and more number of people going online these intermediaries provide a strong platform for the consumers by leveraging their technology.

This report attempts to throw light on the Insurance Industry in India. It focusses on four main areas 1) Policies and Reforms 2) Regulatory environment in the industry 3) Trends in Insurance industry – India and Global 4) Intermediaries in Insurance sector. Each part analyses the current

scenario in the Indian environment, key initiatives and the scope for improvement. I would like to acknowledge and commend ASSOCHAM in their endeavor. We consider it as our privilege to be partnering with them in this annual dialogue.

In the making of this report as well as designing the agenda, various people have contributed wholeheartedly. To recognize their effort and contribution, I would like to place my sincere acknowledgement and appreciation. To start with Mr. Chandan Kumar and his team from ASSOCHAM provided invaluable support. My team comprising of Sujana Hari, Kalpesh Mantri, Ankita Narnaware, Miral Ajmera, Siddarth Sankaran and Harsh Mirpuri have burnt the midnight oil in creating the report and the event.

Ashvin Parekh
Managing Partner
Ashvin Parekh advisory services LLP

Message

Insurance sectors are playing an important role in an economy and a strong pillar of financial market. It is the only sector which garners long term savings and encouraging savings habit by introducing innovative products to meet the specific needs of the prospective policyholders and provides a safety net to both enterprises and Individuals.

ASSOCHAM National council for Insurance is fully committed to bring the stakeholders closer for discussion and deliberations to gauge the effectiveness as well as suggesting measure that can be taken to strengthening long term sustainable growth of the Insurance Industry.

ASSOCHAM and APAS are jointly publishing this knowledge report, which highlights the an overall view into the insurance industry, evolution of Insurance industry, government policies and schemes, development in the insurance industry, regulations and new intermediaries.

ASSOCHAM acknowledges the valuable Contribution made by APAS experienced research team and their untiring effort in preparing the in-depth ready reckoner.

I am sure the report will provide rich insight and very relevant knowledge to all stakeholders.

Your valuable suggestions/comments are welcome.

D S Rawat
Secretary General,
ASSOCHAM

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Executive Summary

ASSOCHAM's 9th Global Insurance Summit focuses on "Insurance - The Emerging Power House in Financial Industry" with an aim to bring out various measures that can be taken to strengthen long term sustainable growth of insurance industry. In order to support this dialogue, the knowledge report aims at giving an overall view into the insurance industry, policies, reforms and regulations associated with it. This report mainly discusses evolution of Insurance industry, government policies and schemes, development in the insurance industry, regulations and new intermediaries.

Indian insurance industry is going through a turf of developments; both on regulatory and market development sides. With the introduction of Insurance bill amendments act, 2013, and increase in foreign direct investment limit from 26% to 49%, greater contribution of foreign insurers is expected to happen in terms of expertise and capital infusion. Belief of foreign insurers in unlocking India's potential as a leading insurance market has been encouraged by this increase in limit in investment. Global trends across industry have been observed on account of various parameters. These include best risk management practices for insurance industry and alternative methods to dissolve non-performing businesses. Also, current scenario of Indian microinsurance industry has been studied in great depth.

The industry has witnessed phases of prompt growth along with period of growth moderation, escalating competition with both life and general insurance segments. There have also been number of product innovations and operational innovations necessitated by increased competition among the players. Changes in the regulatory environment had path-breaking impact on the development of the industry.

With the advent of technological innovations, new intermediaries are rapidly gaining momentum in the insurance industry by leveraging their technology and changing the mode of distribution of insurance products and services. Although the distribution channels like web aggregators are introduced recently, they have shown remarkable growth in the market and expected to grow further in near future. The report also discusses regulations associated with these new intermediaries.

Introduction: Indian Economy and Insurance Industry

India has surfaced as the fastest growing economy in the world as per Central Statistics Organization (CSO) and International Monetary Fund (IMF). As per the Economic Survey 2015-16, despite uncertainties in the global market, the Indian economy will continue to grow more than 7 percent in 2016-17. Insurance sector in India is one of the most booming sectors of the economy growing at the rate of 15-20 percent per annum. It is the lending force contributing towards economic, social and technological development.

The Indian Insurance market is the 19th largest globally and ranks 5th in Asia, after Japan, South Korea china and twain. The Indian Insurance Industry has grown significantly due to privatization. The opening of the market has led to tremendous expansion in this sector. It is a flourishing industry in India, with several national and international players participating in it and growing at rapid rates. These companies are offering a range of products which is growing manifold as the Indian economy is growing with increase in wealth of people.

The Indian insurance market is a huge business opportunity waiting to be harnessed. India currently accounts for less than 1.5 percent of the world's total insurance premiums and about 2 percent of the world's life insurance premiums despite being the second most populous nation. The country is the fifteenth largest insurance market in the world in terms of premium volume, and has the potential to grow exponentially in the coming years.

The country's insurance market is expected to quadruple in size over the next 10 years from its current size of US$ 60 billion. During this period, the life insurance market is slated to cross US$ 160 billion. The insurance industry plans to hike penetration levels to 5 percent by 2020. Life insurance sector is the biggest in the world with about 360 million policies which are expected to increase at a Compound Annual Growth Rate (CAGR) of 12-15 percent over the next 5 years. During April 2015 to March 2016 period, the life insurance industry recorded a new premium income of INR 1.38 trillion (US$ 20.54 billion), indicating a growth rate of 22.5 percent.

The general insurance industry recorded a 12 percent growth in Gross Direct Premium underwritten in April 2016 at INR 105.25 billion (US$ 1.55 billion). The general insurance business in India is currently at INR 78,000 crore (US$ 11.44 billion) premium per annum industry and is growing at a healthy rate of 17 percent.

Looking at the potential and various reforms by the authority and the government gaining momentum, the future for insurance industry in India is expected to be bright.

Evolution of the Indian Insurance sector

Insurance sector forms a vital part of any economy and its development has been considered a key driver in growth. Policies and reforms movement is an integral factor in the development of this sector.

The insurance sector of India has witnessed sharp vicissitudes in its fortunes and yet has now emerged out of its challenges stronger than ever and rearing to reach new zeniths.

In order to have a complete view and understanding of the developments of this sector a brief history would be helpful. This sector can be clearly distinguished by the introduction of the liberalization of the Indian economy. Therefore, in this report we would take the approach of explaining the Pre-liberalization and the Post Liberalization era. It is important to note that such demarcation will accentuate how long the sector has developed since its beginning in the colonization period.

History of Insurance Industry in India

There has been a great influence from the British colonization in the Indian Insurance sector. It has been found that insurance has been a part of the Indian subcontinent since for a long time and references have been found in many manuscripts.

In the early history, modern insurance sector was started with the beginning of Life insurance business in India in 1818. This saw the establishment of the Oriental Life Insurance Company in Calcutta. This saw a growth in this sector with many foreign players in the subcontinent. This increased activity also led to the enactment of the British Insurance Act in the 1870s and heralded more companies participating in the activity.

This era witnessed a domination by the foreign companies and hard competition among the players. The key players among many others during this period were Bombay Mutual, Oriental and Empire of India.

Since then the sector has witnessed continuous support from the then government in terms of policies and a steady growth in the market participation.

With heavy competition and huge disparity between the foreign and the Indian players and

lack of a consolidated act to the Life Insurance industry, the Government of India introduced the Life Insurance Companies Act, in 1912. The act made it necessary for the premium table and periodical valuations of companies to be certified by an actuary.

In 1928, the government also enacted The Indian Insurance Companies Act, to enable the Government to collect statistical information about both life and non-life business transacted in India by Indian and foreign insurers. With multiple regulations and lack of protection for the policy holders the Government of India enacted a consolidated legislation by enacting the Insurance Act of 1938. This act has comprehensive provisions for the effective control over the activity of the insurers.

This act was heavily influenced by the British law and covered diverse insurance areas. This act also resulted in the formation of the Controller of Insurance.

The Act has 120 sections and 8 schedules. Under it, only an Indian company, as defined and registered under Companies Act, 1956, is allowed to operate in India. This act has been amended various times.

In regards to the General Insurance its beginning dates back to the 17thcentury. It has its roots in the industrial revolution in the west and the consequent sea faring trade and commerce. This was greatly fueled by the great wealth of raw material possessed by the Indian subcontinent. General Insurance too took its roots in the British era and the first company to be setup was Triton Insurance Company Ltd, in 1850.

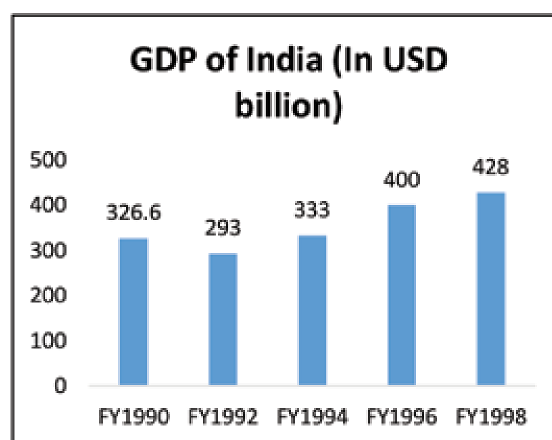
The Indian Mercantile Insurance ltd, was set up in the early part of 1900s and was the first institution to transact in all classes of the general insurance and in 1957 saw the formation of the General Insurance Council, a wing of the Insurance Association of India. The General Insurance Council framed a code of conduct for ensuring fair conduct and sound business practices.

Pre – Liberalization Era

During the early post-independence period, the Indian economic policies were influenced by the effects of the colonial and tilt towards socialism. The economy was driven by a strong emphasis towards import substitution and industrialization under state monitoring.

The intervention by the state was at both micro and macro levels especially in labour, financial markets, large public sector, business regulations and central planning. These were marked by the Five Year central planning system which only recently stopped, deciding the fates of mining, water, telecommunications, industries etc.

The situation was not all that suitable for the thriving of the industries. The process to apply and run any industry was wrought with elaborate licenses, and regulations. Red Tapism



Source: Statista

was plaguing the system and was ominously referred to as the License Raj.

The system was so slow in awarding any license in respect to development or new investments that firms had to go through nearly 80 agencies for approvals.

Attempts were made by different prime ministers to liberalize the economy both in 1966 and 1985. The first attempt in 1966 had not been successful and also witnessed a reversal in the situation. But in 1985 there was a gradual improvement, there were some light reforms and the effect of license raj was also reduced slightly, but the process soon came to a halt.

Economic crisis of 1991 and the Liberalization of policies

Condition during this period was crippling the economy hindering growth and development of every sector. The Indian currency was pegged to a basket of currencies and was also having problems related to the balance of payments in 1985. Yet the turning points in the Indian economy came at the end of 1990s, where there was a serious economic crisis.

The government was at the brink of default and the foreign reserves were reduced to such a low that it was only sufficient for 3 weeks' worth of imports.

The foreign exchange reserve at that point stood at $ 1.2 billion in January 1991, and the immediate response was to secure an emergency loan of $ 2.2billion from the international Monetary Fund by pledging 67 tonnes of gold.

National sentiments were outraged and the country was woken up from its slumber and ushered to take initiative in removing the License Raj and bureaucracy and move onto liberalizing its policies.

The new government took radical measures by dismantling the existing monoliths, duties, tariffs, progressively lowered taxes and opening the economy to trade investments and competition, also ushering the country to

globalization.

Since the onset of liberalization of policies India has went onto become one of the fastest growing economies and the fastest in FY 2016.

Post - Liberalization Era

With the country on the path of liberalization, the first signs of change in the Insurance sector was witnessed when the Malhotra committee was instituted in 1993 under the chairmanship of R N Malhotra, former governor of the Reserve Bank of India, to make recommendations for reforms in the insurance sector.

The areas of focus of the committee was to suggest structural changes and assess the strengths and weaknesses in order to create an efficient and a viable insurance sector.

Some of the key recommendations of the Malhotra committee on structure were:

1) The government stake in the insurance companies need to be brought down to 50%
2) That the government take over the subsidiaries of GIC, so that these subsidiaries could act as separate corporations
3) All the insurance companies need to be given a greater freedom in their operations

Some of the recommendation made in regards with the competition in the sector were:

1) Private companies should be allowed with INR 100 Cr capital
2) No company should deal in both general and life insurance
3) The insurance act needs to be modified
4) An insurance regulatory body needs to be set up

The committee further made recommendation on both the investments and the customer service aspects of the insurance industry. The committee strongly recommended that for a viable and vibrant sector, it needed to be opened up, yet it cautioned the need for a robust structure to avert and deal with failure of any player, which could be a huge blow on the public sentiments.

In spite of the strong recommendation of the committee and in the transformation witnessed in the other key sectors like banking due to the liberalization of the policies, the insurance sector witnessed a slow change.

Multiple times there were bills introduced regarding the creation of a regulatory authority for the insurance sector but were turned down.

Finally, in December 1999, the IRDA bill was passed and it became an act in April 2000. The act covered the entry of private players and the limits on the foreign equities were stipulated. It also contained 11 essential regulations relevant for players entering the Indian Market.

This marked the beginning of the opening and transforming of the insurance sector in India. The insurance sector in the country has continued to script its journey with more changes and transformations. It has gone ahead to become the 10th largest insurance market in the world in 2013. More regulations and policies are discussed in the further sections of the report.

Government sponsored socially oriented insurance schemes

Significant measures have been undertaken by the government of India in recent times, strong reforms are key drivers in developing a particular sector. The view of various reforms and policies have been not only to develop the market but also encourage initiative which would help the policy holders.

Apart from a robust framework and sound policies, the Government of India has often implemented socially oriented insurance schemes to uplift its citizens.

In a country like India only 10% of the working population are part of the formal sector, which often offers Life and Health insurance covers to their employees. The remaining population works in informal sectors and do not have the luxury of such insurance covers. Keeping in mind such disparity among its citizens, the Government of India have consistently focused in bringing about strong policy in connection with social schemes reforms to bridge the gap.

In the recent past, subsequent governments have sponsored socially oriented insurance schemes which have had a positive impact on the lives of people and also increased the insurance penetration in the country. Some of the schemes introduced are Janashree Bima Yojana, Universal Health Insurance Schemes, etc.

Apart from many individual and group life micro insurance products offered by insurers in the form of term and endowment etc.

Elaborated below are the details of some of the previously introduced schemes by the government and their performance.

Janashree Bima Yojana:

A social security scheme of LIC launched in 2000, which was directed towards the benefit ofthe weaker sections of the society. It has a comprehensive cover for 45 occupational groups such as workers in foodstuff, textiles, wood, paper, leather products, brick kiln workers, carpenters, fishermen, handicraft artisan, handloom amongst others.

The premium for the scheme is INR 200 per member; 50 percent premium under the scheme is met out of the Social Security Fund. The balance premium is borne by the member or a Nodal Agency.

The highlights of this cover is that it provides its policy holders a cover of INR 30,000 in the event of death, INR 75,000 in the event of death/ total permanent disability and INR 37,500 in the event of permanent partial disability.

Since its inception from 2000, this cover has reached nearly 22 million people as of 31 March 2012.

Rashtriya Swasthya Bima Yojana (RSBY):

In India, health care was mostly funded through out of pocket expenses for nearly 60% of the expenditure in 2010.Number of Health insurance schemes exist for low income groups, insurer and government schemes being the most important.

In regards to this RSBY was launched by the Ministry of Labour and Employment, government of India in 2008 to provide the health insurance coverage for people below the poverty line (BPL).

The key highlights of this scheme is the coverage of hospitalization charges up to INR 30,000 and for a wide range of diseases which require such treatments. It also includes cashless benefits through, fixed packages rates and covers for existing conditions from the day one.

The registration fees in this plan is a paltry INR 30, while the premium of INR 750 is selected to non-life insurers selected by the state government.

This scheme was such a massive hit among people and had a great impact, with more than 100 million people enrolling across 472 districts in the country. Additionally, nearly 12,531 hospitals empaneled to provide such benefits.

Currently, there has been a renewed effort by the current government in utilizing the socially oriented schemes after witnessing their impact. There have been measures taken to cover a wider section of people and improve their security. A slew of measures hasbeen introduced for the welfare of policy holders. In the current union budget of 2015-16, the Government of India has launched two major schemes

1. Pradhan Mantri Suraksha Bima Yojana(PMSBY), which is a Personal Accident Insurance Scheme.

2. Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), which is the government's Life Insurance Scheme.

Both the schemes offer basic insurance at minimal rates and can be easily availed of through various government agencies and private sector outlets.

Pradhan Mantri Suraksha Bima Yojana (PMSBY):

Realizing that in fact a majority of the Indian population does not have an accidental insurance cover, the government of India has introduced PMSBY to tackle this situation.

The scheme provides a coverage of INR 2 lakh for accidental death and permanent

Total disability and INR 1 lakh for permanent partial disability. It is offered by both public sector general insurance companies or any other General insurers.The scheme is offered to people in the age group of 18 to 70 years who have a savings bank account.

The highlight of this cover is that it is highly affordable with a premium of just INR 12 per year.

PMSBY	FY2016
Total no. of persons enrolled	9.650 crore
Total no. of claims received	7916
Total no. of claims disbursed	5202

Source: Department of Financial Services, India

Pradhan Mantri Jivan Jyoti Bima Yojana (PMJJBY):

This scheme has been introduced by the government which offers life insurance coverage of INR 2 Lakhs for which INR 330 per year premium is required to be paid. Any Indian citizen in the age bracket of 18-50 years can avail the benefits and coverage under this public life insurance scheme. Fully owned by the government Life insurance corporation of India is the lead insurance company providing coverage under this scheme. Further, there are many private players which are providing these services.

PMJJBY	As on 29.08.2016
Total no. of persons enrolled	3.043 crore
Total no. of claims received	40663
Total no. of claims disbursed	35164

Source: Department of Financial Services, India

Atal Pension Yojana (APY):

This scheme is a comprehensive one realizing that there are millions of Indian in the unorganized sector and are not covered by any social security program.

Neither do these people have any pension scheme for the financial security of their retirement years. They run a very high risk of financial insecurity, since most of them are also not aware of savings instruments and investment routes.

This scheme will provide such people a radical development in the levels of financial security enjoyed in their old age.

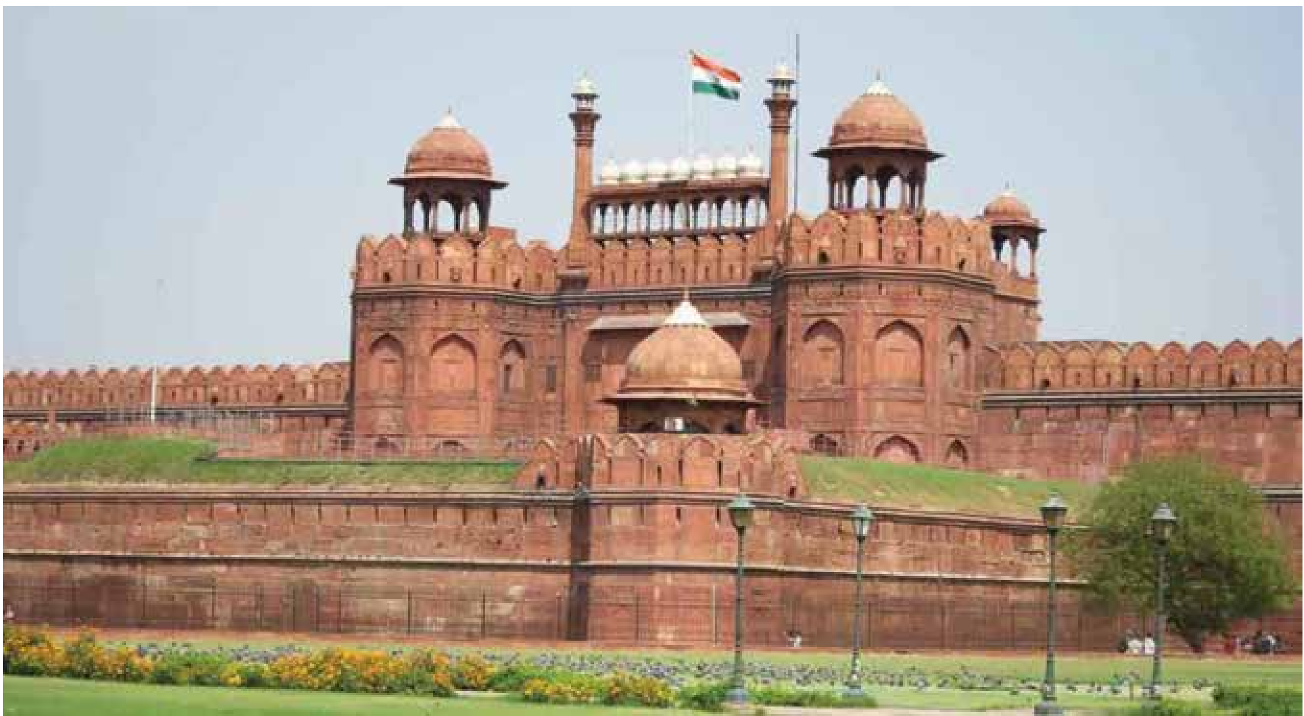
The highlight of the Atal Pension Yojana is that the central government will contribute the same amount deposited by the plan holder. The amounts deposited by the government has an upper limit of INR 1000. This scheme can be availed by people in the age bracket of 18-40 years.

Upon reaching the age of 60 years, the plan holders can receive a pension up to INR 1000-5000 per month.

The scheme has been very successful as nearly 100 million people have been covered under this scheme within a matter of few days since its inception.

Experts forecast that this plan will cover most of the people with no social security within a few years. This scheme has been a great step in the process of financial inclusion in the country.

In keeping with success and the impact of such schemes on millions of lives in the country, the government is focused in bringing about more schemes in the future.



Regulatory environment in the Insurance Industry

Overview

Insurance industry has always been a regulated one. The changing socio-economic environment in the country and the increasing awareness among the public, have augmented the urge for regulatory controls.

The main regulations that regulate the insurance business are the Insurance Act, 1938, the Life Insurance Corporation Act, 1956, the General Insurance Business (Nationalization) Act, 1982, the Marine Insurance Act, 1963 and the Motor Vehicles Act, 1988. The Indian Contract Act, 1872, governs major aspects of the insurance contract. Also, the Foreign Exchange Management Act, 2000, Income Tax Act, 1961, Indian Stamp Act and the Hindu and Indian Succession Act govern few aspects involved in insurance.

A particular company cannot simply incorporate in a state and start writing insurance. State insurance regulators needs to be satisfied and laws needs to be complied with. Only then one can start an insurance business. Some of these regulations are consistent nationally, while many laws and regulations are idiosyncratic to each particular jurisdiction. Indian Insurance industry is on the way of significant changes.

Prior to nationalization in the year 1956 and the general insurance industry in 1972, there was a massive competition in India. Till 1999 the insurance sector was controlled by Controller of Insurance as per the provisions of Insurance Act 1938.

With the passage of Insurance Regulatory Development Authority (IRDA) Act 1999, the year of 1999 saw major structural and crucial changes. Since then, the Authority issued various regulations, as deemed fit, to further develop the insurance sector in the country.

Regulations were released for both, insurers and insurance intermediaries. The members of the IRDA are appointed by the Central Government from amongst persons with adequate capability, morality and sincerity and those who have knowledge or experience in life insurance, general insurance, actuarial science, finance, economics, law, accountancy, administration etc.

The Authority has been authorized with the duty to regulate, promote and ensure an orderly growth of the insurance and re-insurance business in India. In advancement of this responsibility, it has been consulted with many powers and functions which include dictating regulations on the investments of funds by insurance companies, managing the maintenance of a particular margin for solvency, adjudication of disputes between insurers and intermediaries, administering the functioning of the Tariff Advisory Committee, specifying the percentage of premium income of the insurer to finance schemes for promoting and regulating professional organizations and setting out the percentage of life insurance business and general insurance business to be ventured by the insurer in the rural or social sector.

Formation of IRDA in 1999, let various private and foreign players enter the market. Also year 2000, introduced some rural and social sector obligations, which underwent a major change in the year 2015, with the establishment of Micro insurance regulations. In 2001, insurance councils got established. Third Party Administrators were introduced for servicing health insurance policies. New insurance intermediaries like brokers and corporate agents were also introduced. The micro insurance landscape changed with the first set of regulations those were released in 2002. Thereafter, the Government of India formed a consultative group on micro insurance in 2003 to look into the issues faced by the micro insurance sector. In order to further facilitate the growth of this sector, IRDAI came up with micro insurance regulations in 2005.

Referral arrangement with banks took place in 2003 and insurance councils were strengthened. However, further to which another circular was introduced, that superseded and substituted the earlier one. At the most six general insurers including ICICI Lombard, HDFC Ergo and all four public sector general insurers such as New India Assurance, Oriental Insurance, National Insurance and United India Insurance had entered such agreements with different banks since then. However, in 2010, IRDAI issued a notification barring insurers (both life and non-life) from signing referral arrangements with banks and Non-banking financial companies.

An investment framework was strengthened in 2004. Working groups on earthquake pool, health insurance etc. were initiated. For life insurance business standards of practice were put in place. In 2005, guidelines on group insurance policies were issued, which were later superseded by the regulations introduced in 2015. Those have been discussed below. Also micro insurance regulations were introduced.

Guidelines on Unit-Linked Insurance products and anti-money laundering were laid down.

For any insurance product to be issued by the PSU's, approval of GIC had become a necessity. Hence, a tariff advisory committee was set up in the year 1968. This regulated

the investments and set minimum solvency margins. In simple words, it standardized the products, prices, advantages, terms and conditions that insurers would have offered. However, IRDA issued a road map for de-tariffing of general insurance in 2006.

2006 marked the entry of standalone health insurance companies. In 2007, motor pool for third party insurance was also created. On-site and off-site monitoring got strengthened in 2008.

The health insurance sector posted an unprecedented growth rates in 2008-09 and 2009-10. In the year 2009, guidelines for corporate governance and health plus life combi products were released. A grievance redressal mechanism was also set up, the regulations for which were released later on. Regulations on sharing of database for distribution insurance products were set forth in 2010. Also public disclosures were mandated.

Mobile applications to compare insurance products and premium rates was launched in 2011. IRDAI's insurance awareness initiative "BIMA BEMISAAL" was well received by all the stakeholders. The Authority in 2011, notified the IRDA that life insurance companies/firms should raise capital from the capital market via public offerings and released the regulations on the same. The Reserve Bank of India and IRDAI have issued a set of guidelines for companies that couple to form bancassurance. Also IRDAI has drafted guidelines to promote open architecture in bancassurance. This has deepened the penetration in selling the insurance products, increased the awareness amongst the people and competition. In 2012, IRDA created a customer education website for public and declared a Web Enabled Facility to ascertain Insurance particulars of Motor Vehicles.

In 2013, IRDA issued health insurance, linked and non-linked life insurance regulations and also regulations on the place of business. Insurance repository system was launched for individual policy holders. A common service centre was introduced as insurance fraud monitoring framework. In 2013, the authority notified IRDA that general insurance companies shall approach the SEBI for public issue of shares and any subsequent issue under ICDR Regulations without the specific previous written approval of the authority accorded in the manner prescribed.

At the time, when the insurance sector had just opened up, control and regulation of insurance

was a relatively new practice in India. It was of utmost importance to determine the adequacy and effectiveness of these regulations. The obligation was on the regulator to make sure that the insurers have, enough resources to meet the liabilities and the customers are being treated in a fair and just manner. The Regulations framed by the Authority deal with both these issues in a comprehensive way. The former has been looked into by stipulating a high level of capital requirement for entry of private insurers. The latter is covered by the regulatory framework put in place for protection of policy holder's interests. Different laws and regulations have evolved over the years in an attempt to ensure that insurance companies will always persist in business, rather than leaving policy holders high and dry.

IRDAI has been working in a collaborative manner with other financial sector regulators (i.e.) SEBI, PFRDA and FMC to further the cause of financial literacy and inclusion in the country.

Current Scenarios & Developments

The regulatory landscape has continued to present significant changes since 2013. The combined impact of these multiple regulatory influences on the insurance industry has been tremendous.

Few of them have been explained in brief below.

The passage of Insurance Laws (Amendment) Bill, 2015 paved the way for major reform related amendments in the Insurance Act 1938, the General Insurance Business (Nationalization) Act, 1972 and the Insurance Regulatory and Development Authority (IRDA) Act, 1999.

The bill provided for enhancement of the foreign investment cap in an Indian Insurance Company to 49%, ensuring the safeguard of Indian ownership and control. In addition to this, the law also enabled capital raising through new and innovative instruments. The bill permitted the public companies to raise

capital by issuing equity shares. Insurance companies were also allowed to raise funds by hybrid instruments. This would extend the scope of joint ventures. The GIC and public sector general insurance companies have been granted the permission to raise capital for expanding their business in rural and social sectors ensuring that the central government should retain a minimum shareholding of 51% in such general insurance companies.

The bill has also expressly widened the boundary of foreign re-insurer companies to include global re-insurer company, Lloyd's of London. The standing committee of finance reckons that the entry of Lloyd's which is the world's largest insurer/re-insurer, into India would certainly boost competition and ultimately benefit the market. All other global re-insurer companies, who were earlier unable to set up branches in India, like Berkshire Hathway, Hannover Re, Munich Re, Scor Re and Swiss Re would finally be able to enter Asia. The only re-insurer in India, The General Insurance Corporation is struggling to meet the requirements in several sectors. Regulations for reinsurance companies have not been as developed as for direct writing insurance companies. However, they paved the way for new players in the Indian reinsurance space and will bring in a rigid hierarchy in the reinsurance market. This will enhance the accessibility for domestic insurers and will in turn have significant long term implications for the industry.

Further, the law is hoping to ensure that the interests of consumers be served by empowering penalties for misconduct.

The Bill will empower IRDA, ensuring greater consumer protection, as well as provide a prominent time frame to a policyholder to interrogate an insurance company in case of misinformation or misleading statements.

The micro insurance regulations, 2015 introduced a new product category, Micro Variable Life Insurance Products, which is a hybrid insurance solution comprising of methodical contributions with term insurance cover. These regulations made some amendments including the guidance on product development, adjustment of risk coverage levels, distribution of micro insurance products and the training of micro insurance agents and specified personnel. However, insurers are continuously innovating and introducing distribution channels that are not only cost efficient but also have a wider reach. Technology is being extensively used to distribute micro insurance products more efficiently and effectively.

Micro insurance regulations were placed to bridge the demand-supply gap.

Insurance being a capital intensive business, an increase in FDI gives them the freedom to cultivate their business in India by infusing in developmental activities like channel development and digital initiatives.

IRDAI also issued regulations on health insurance. Health insurance, as a sector is gaining a huge momentum these days. Also to improve service standards in the health insurance sector, IRDAI issued guidelines standardizing 46 most commonly used definitions or terms or conditions in health insurance policies. These guidelines also covered definitions of eleven common critical illnesses covered under various health insurance policies for India.

These guidelines finally notified that they would be able to change the face of health insurance industry completely.

The Motor Vehicles Act bill, suggested a number of changes to the existing Motor Vehicles Act, 1988. It specifically introduced a new chapter to process third-party claims. The bill however faced a few oppositions in the interest of general public at large.

The Life and General Insurance Councils have been made self-regulating and are entrusted to frame bye-laws for elections and meetings. Inclusion of representatives of self-help groups and insurance cooperative societies in insurance councils has also been sanctioned to broad base the representation on these councils.

IRDAI has formed two committees to analyze and advocate ways to encourage and improve e-commerce in the sector in order to boost the insurance penetration and bring in financial inclusion.

IRDA has formulated a draft regulation, IRDAI (Obligations of Insures to Rural and Social Sectors) Regulations, 2015, in pursuance of the amendments brought about under section 32 B of the Insurance Laws (Amendment) Act, 2015. These regulations impose obligations on insurers for arranging the insurance cover for the rural and economically weaker sections of the population.

These amendments incorporate enhancements in the Insurance Laws in keeping with the emerging and unfolding insurance sector scenario and regulatory practices across the globe. The amendments will permit the regulator to constitute an operational framework for leading innovation and deviation, competition and clarity, to meet the insurance needs of citizens in a more complete and subscriber friendly manner. Thus, the amendments are anticipated to facilitate the sector to achieve its full growth potential and commit towards the overall growth of the economy and job procreation.

Way forward

Regulatory changes have been essentially re-shaping the insurance industry, creating strategic and operational challenges for insurers. With the rise in tele density and internet penetration, role of web aggregators as insurance intermediary is expected to grow in the near future.

Regulatory advances are seen to create some reinsurance and insurance-linked securities (ILS) opportunities in Asia. A number of regulatory actions in Asia are changing the market scenario. Key regions like China and India are seeing reforms implemented. This will likely bring in new market players and potentially create reinsurance sustained opportunities for insurers in the market.

In some regulatory areas, the requirements have been resolved in the past and companies are now focusing on compliance and clarifications. In other areas, regulations are still emanating or evolving. India has observed a decline in the household savings rate in the past couple of years. Household savings have been lying idle or getting invested in saving instruments. Comparatively, a larger portion of household savings get into non-productive physical assets such as real estate and gold. It will take some time for people to realize that insurance is not just an investment but a major protection. However, demographic factors such as growing middle class, young insurable population and growing awareness of the need for protection and retirement planning is the foundation for the growth of insurance.

Some of the drivers for the development in this sector are "Make in India" initiative, investment in infrastructure, smart cities initiative and increased consumption. These will foster the growth and increase trade activity leading to a growth in marine insurance. Increased growth in automobile sales would lead to growth in auto insurance. Also the implementation of the seventh pay commission, which will increase the pay-scale and grant higher purchasing power to the Government employees would also lead to more demand for automobiles, thereby contributing to growth in auto insurance market. However, with the good, comes the bad. Hence, a lot of weaknesses and threats that contradicted the strengths and opportunities of this industry were observed. State-governed insurers control the market prominently and engulf the industry into a network of authoritative decisions. Also, the market for insurance hasn't been growing

as swiftly as expected due to the density of life being low in the country. The rural poor, constituting more than half of the nation's population still don't have the monetary means to invest in the luxury of insurance. The political environment of the country also makes adaptation to change in the industry difficult. This leads to stagnation of the insurance sector in the nation.

IRDAI plans to issue revamped initial public offering (IPO) guidelines for insurance companies in India, which are to looking to divest equity through the IPO route.

The future looks interesting for the life insurance industry with several changes in regulatory framework which will lead to further modification in the way industry conducts its business and engages with its customers. It is the time for life insurance sector to re-commit itself to customer centric behavior, product solutions based on consumer needs, ethical market conduct, transparency and governance, the growth will be the natural outcome for now and years to come.

The changing political scenario shall make things more interesting and will definitely bring about a positive change for this sector.

Foreign Direct Investment in the Insurance Sector

Foreign Direct Investment is high on agenda for every country as it is a key driver of growth in the economies. Particularly for a fast growing nation such as India, FDI ranks on the top of the list. There has been a need to shed the protectionism attitude of our country to bring in more such investments.

In India, the Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce & Industry makes policy pronouncements in regards to FDI which are notified by RBI as amendments to FEMA regulations, 2000.

In India, FDI is received under two routes

1. Automatic route: Under this route, no prior approval is required from either government or RBI.
2. Government route: This route requires prior approval of government, which is considered by Foreign Investment Promotion Board (FIPB), Department of Economic Affairs, Ministry of Finance.

As mentioned in the previous sections of this report, India has witnessed a huge change in its stance regarding reforms post 1990s. Post- Liberalization era, through the landmark Insurance Regulatory Authority Act in 2000, India first allowed FDI investment in the insurance sector.

The limit stipulated at this time was up to 26% of equity ownership for the foreign investors. Since the passage of this bill, the sector has witnessed a huge growth in the flow of FDI, the total equity shares of foreign investors in the life insurance companies have gone up from INR 4354 Cr in 2008-09 to INR 6445 Cr in 2012-13. Similarly, FDI in general insurance companies have gone up from INR 621 Cr in 2008-09 to INR 1586 Cr in 2012-13.

In keeping with growing needs for capital in this sector, the Insurance Laws Amendment Bill, was passed in 2015, which allowed FDI limit to be increased up to 49% in Indian insurance companies.

For foreign investment up to 49%, the approval of the Foreign Investment Promotion Board (FIPB) was required. Furthermore, in 2016 the government of India relaxed FDI norms for the insurance sector by permitting overseas

companies to buy 49% stake in domestic insurers without any prior approval.

The amendment also allowed for FDI investment up to 49% under the automatic route, subject to verification by the insurance regulator.

The FDI limit increase cleared the decks for foreign entities to increase their stake in private sector insurance companies. Soon after the law took effect, foreign investors started ploughing capital into their Indian joint ventures and raising their equity holdings. A number of investments have taken place in the insurance sector. Some of the key transactions which took place are mentioned below.

AXA Group was the first foreign partner to increase its stake in a domestic insurance company after FDI limit was increased. AXA, through AXA India Holdings (Mauritius), earlier held 22.22% stake in the life and general insurance ventures of Bharti AXA. It increased its stake to 49% in a transaction worth INR 1290 crore.

Aviva Plc, an insurance company based out of UK, has acquired an additional 23% stake in Aviva Life Insurance Company India from their Indian partner Dabur Invest Corporation for INR 940 crore (USD 141.3 mn), by which it increased its stake to 49%.

Standard Life, the British firm, increased its stake in HDFC Standard Life Insurance Company by purchasing another 9% stake from HDFC, increasing its stake to 35% in a transaction worth INR 1700 crore.

The below table shows all FDI transactions that have taken place after the amendment.

Insurer	Foreign partner	Stake increase to	Transaction amount (INR billion)
Aegon Life	Aegon	49%	5.6
Aviva Life	Aviva	49%	9.4
Bharti AXA Life	AXA	49%	8.6
Birla Sun Life	Sun Life Financial	49%	16.6
HDFC Life	Standard Life	35%	17
Reliance Nippon	Nippon Life	49%	22.7
Tata AIA Life	AIA	49%	20.6

Trends in Insurance industry: India and Global

- Consumer and Industry perspectives

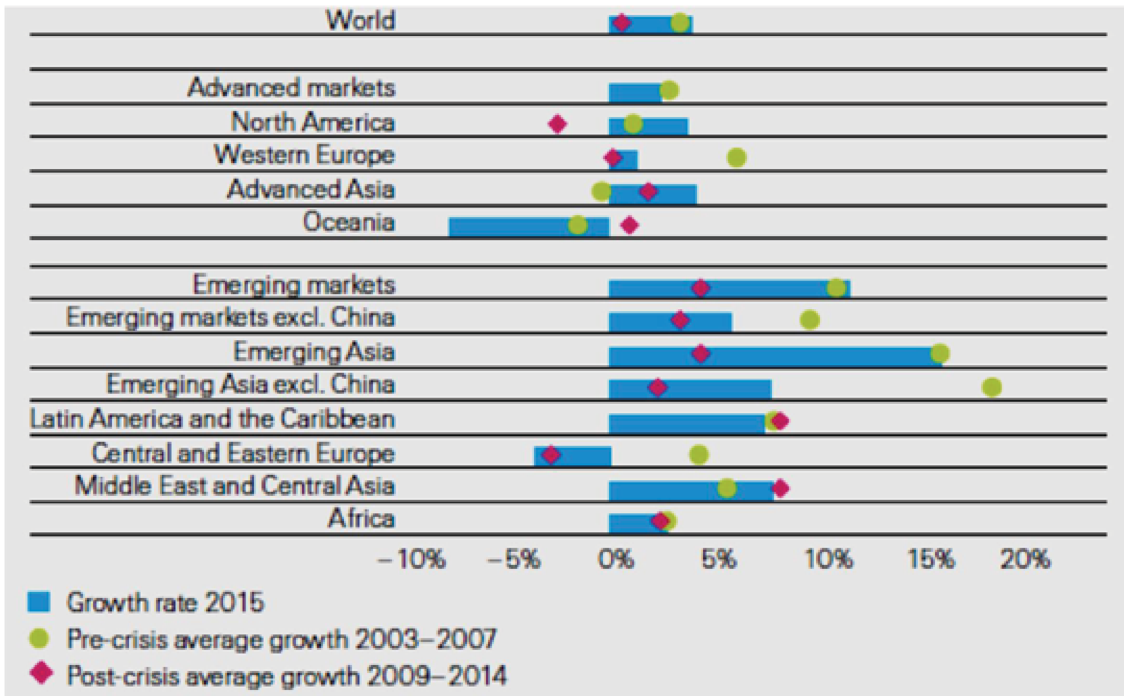
Recent developments in Insurance industry:

Year 1991 saw massive set of reforms, liberalizing the Indian economy from the socialist grip in light of massive fiscal deficit. However, as mentioned above major set of reforms came in with the bifurcation of the decision making authorities, with the passage of IRDA Bill in 1999. With the setting up of IRDA as statutory body in 2000, several policy changes were brought about. It included opening up of the insurance sector to the foreign private players. Since 2001, Indian insurance has passed through two cycles of growth and insurance penetration. One period can be seen from 2001-12 where insurance penetration was around 2.3% and CAGR was around 31%. Other period can be seen from 2012-15, where average penetration is seen around to be 3.4%. Lower penetration of insurance has made India an attractive destination for insurers specially from UK, US and other parts of Europe.

As per estimates by Swiss Re, in its latest sigma report, the average growth for non-life insurance industry in Emerging Asian economies was seen as highest at around 21% from the year 2007-14. Similarly, the average growth for life insurance industry was seen as around 10% for the period 2007-14. The average growth in the global markets in these eras have shown similar trends. Post crisis period however, reduced the growth by manifolds. The CAGR during period from 2010-12 was around 2%. Losses caused post-2008 are the clear reason for fall in premiums and growth rate.

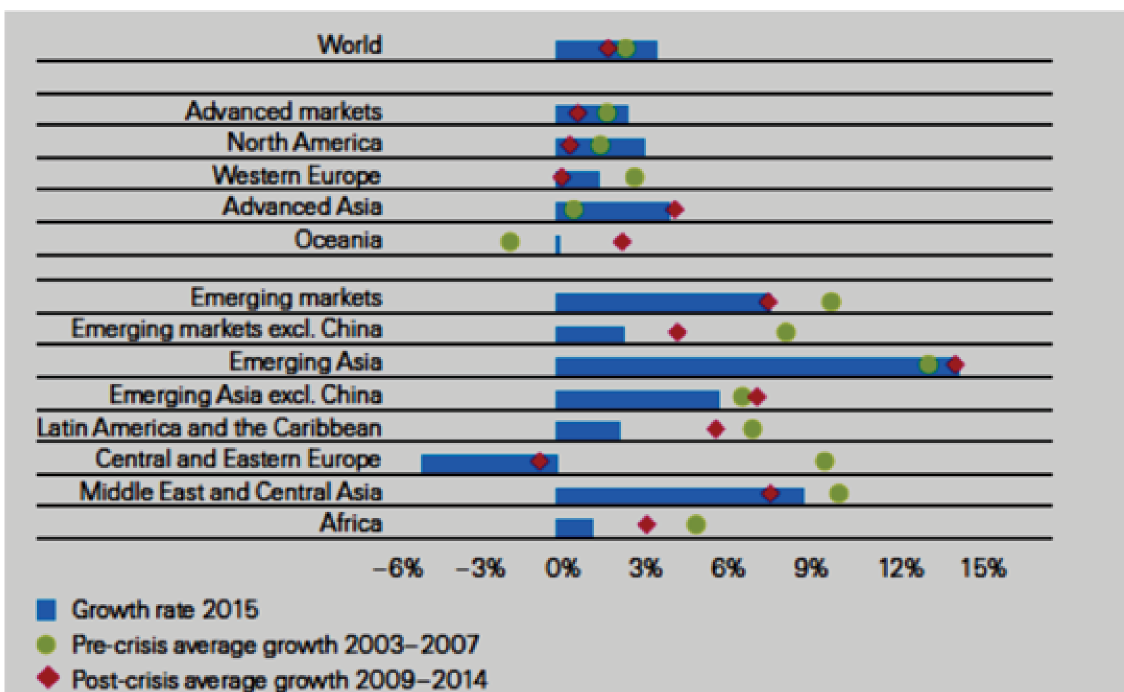
Below chart shows the life premium growth rates before, during and after crisis for different global economies.

Life insurance premium growth rates pre, during and post crisis:



Below chart depicts the non-life growth rate before, during and post crisis for different global economies.

Non-life insurance growth rate pre, during and post crisis for the global economies:



As seen above, Indian insurance industry has performed in tandem with the global insurance markets. However, growths in traditionally leading insurance markets has been very less as compared to emerging market economies.

Current scenario of Indian insurance industry

The rise and fall of Indian and global insurance businesses have been on the same turfs. However, that doesn't remain a reason to compare the industries on the same scales. Indian insurance industry is far more different and immature than the global insurance industry. As this section proceeds we take a look at how Indian insurance industry stands different and the reasons behind such behavior.

Indian life insurance industry currently features 1 public insurer and 23 private insurers. Whereas, general insurance industry has 5 public insurers and 24 private insurers. As mentioned above, the growth has gravely declined in period from 2010-15.

As seen above, the recent sluggish growth rates experienced by the life insurers in India unravels a deep insight upon their profitability aspects. The insurers have been struggling to achieve the profitability in light of high operating losses mainly due to laggard distribution and operating models. LIC dominates the life insurance market in India with around 69% market share. The popularity of LIC could be associated to brand value it holds in market in the form of trust benefactor and its servicing abilities. Private players in the life insurance sector, despite having innovative products, tailor-made distribution models, and huge marketing expertise are not able to come anywhere near LIC's existence.

Passage of Insurance Bill, 2013 has paved way for private life and non-life insurers to increase their stakes in the Indian partners from 26% to 49%. This encouraged flow of rich expertise, capital infusion and proper governance from foreign insurers to Indian markets.

Consolidation in life insurance industry:

With the successful merger of HDFC-Max, however, the rosy picture of life insurance industry is being speculated upon. The merger has also triggered threat for other life insurers. This merger, thus throws light upon the falling business premiums of the players and the need to optimize the operations of the companies in view of falling profitability.

Dominance of LIC in the life market presents a main case for consolidation wave that has surged through the industry. Although, LIC did exist before, but the foreign players were hesitant to bring about a surge owing to the limited market participation ability.

The merger wave also brings forth another key fact of demand-supply mismatch in the industry. On one hand, Indian markets are shown to be very lucrative due to very less penetration of insurance, while on the other hand, there is extreme lack of awareness regarding insurance products and their advantages. Lack of education levels and huge amount of product mis-selling can be accounted as two main reasons for the lack of awareness regarding insurance products. LIC is still seen as the sole-trustworthy insurer in the market, despite an old-fashioned product line. The dominance can be seen to such an extent that the next biggest life insurer stands holding a market share of just around 10%.

The public vs private scenario is quite opposite in general insurance industry. Reducing business-volumes in four-public sector entities have eventually led to cumulative losses. Government is looking up to their merger, in order to reduce operational costs and administrative expenses. Main reason for losses for these companies could be attributed to competition from private sector entities. Innovative product-line and convenient modes of distribution offered by private sector entities have given tough time to the public sector insurers.

Indian insurance industry being barely in its budding phase, is significantly capital-starved. The want of capital has disturbed the business model of insurers. Profit-lines of the companies have fallen due to expenses over-shooting income gravely. Consolidation could thus, pave way for insurance companies to raise capital, by opening up avenues like IPOs as alternate sources of funding. Large consolidated players

will be automatically eligible for listing after their formation.

The capital infusion, however, calls for serious attention to India-specific strategies of the multi-national partners of the insurers. As more funds get poured in, realization of long-term perspective will get more important.

However, valuation of the standalone insurers is posing as a major hurdle in the way of creation of consolidated entities. Valuing these companies is especially difficult, because no other such attempts have been carried out in the past. In case of HDFC-Max life merger, valuation of liabilities and enterprise value, and its acceptance by the foreign partners of both the companies is acting as major concern.

Global M&A scenario in Insurance industry: Key takeaways for Indian markets

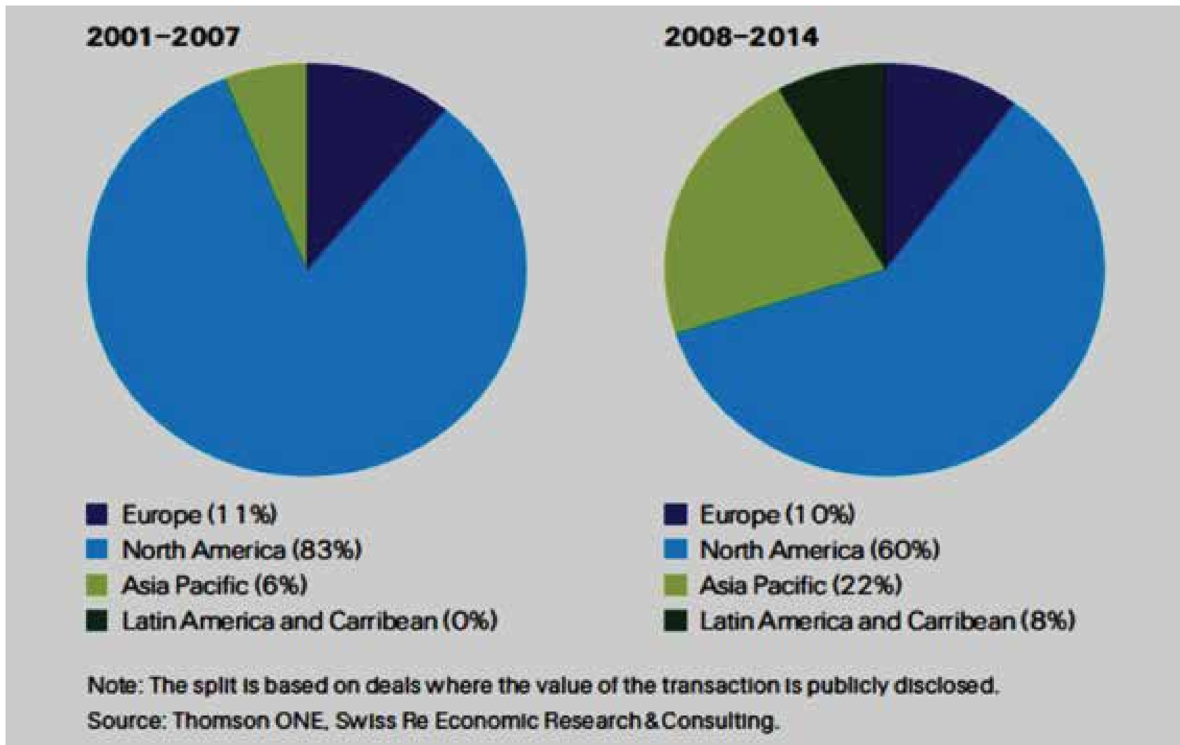
Increase of foreign interests in the Indian insurers, could lead to Indian insurance industry to work in tandem with the global insurance markets. To be prepared for the unexpected and to be in a position to timely respond to the challenges, insurance and reinsurance companies would now have to follow global trend.

Historically, Europe and North America have been the main target regions of M&A activity in the life sector. Since the crisis, however, the share of Asia-Pacific and Latin America of the total transaction values has risen. As some global insurers retreated from these regions due to economic strain or for strategic reasons, well-capitalized Asian and other foreign firms moved to buy the businesses being sold. Strong economic growth, rising penetration, and large and expanding educated population have made Indonesia, Thailand, Malaysia and Vietnam particularly attractive for foreign life insurers.

Within Asia, Japanese life insurers have been especially active acquirers in an attempt to widen their international footprint. The moribund Japanese economy, with already high-insurance penetration and ageing population offered poor growth prospects. At the same time, low domestic funding costs have encouraged investments in overseas markets where prospective returns are higher. Japanese insurers have expanded into other advanced markets for the same reasons.

M&A activity in the life sector in Latin America has also picked up in recent years. Domestic activity has been strong in Brazil and Chile, where regulators desire for strong domestic insurers and a move towards stricter risk-based capital frameworks have driven consolidation. Acquisition of the Latin-American companies by buyers outside the region, including bancassurance deals have also increased. Foreign buyers have sought to capitalize on the region’s growing middle class and the rising role of private retirement solutions in countries like Chile.

Fig. 3 below depicts the tectonic shift in the M&A activity from Europe and North America to Emerging Asia and Latin America post crisis:



Interest in M&A in the emerging markets remain strong, though a number of factors continue to act as a drag on deal activity. In particular, increased buyer interest has led to inflated valuations, with seller pricing aggressively based on anticipated future growth potential, leading some acquirers to retreat. Activity is also often stymied by difficulties around finding the right targets and limitations on investments in many markets.

Major Challenge: Laggardness in economic growth post-2008

Post-2008 crisis, the economies world-over have sensed lack in organic growth. Similar impact was seen in Indian markets. The average rate of growth of India's GDP dropped by 2 percent from 8.7%, during 2004-08 to 6.7% over the five years ending 2013. The economic slowdown's consequent adverse impact on investor morale, in combination with stagnant domestic stock markets, has had a significant effect on the share of financial savings in household savings. Also total sales of Unit-linked insurance plans (ULIPs) has fallen, from almost Rs. 70,000 crores in 2008 to Rs. 10,000 crores in 2013.

Product related challenges:

As mentioned earlier, lack of education about insurance products has ultimately resulted in their lesser social acceptance. Also, in the educated segment, lot many insurance products are seen as investment vehicles.

Protection which is main motive of insurance is becoming blurred in light of glitzy-investment linked insurance products. ULIPs being one of the products which had dual motives of protection and investment. Around 2010, ULIPs held highest NAV for life-insurers. However, soon after the IRDA banned the product in order to safeguard investor's sentiments. IRDA justified the actions, to keep a tab on private life insurers who had resorted to riskier fund management in order to gain high returns.

Despite 2008-crisis, Indian markets have held up a peculiar feature of offering high interest rates in the erstwhile dull markets. Insurance products thus have struggled to compete with the banks offering high returns on deposits.

Product mis-selling remains one of the major hurdles face by the industry. Higher commissions linked to certain products for the agents, short term gains, lack of awareness on the customer side, and some of the reasons for product mis-selling being so rampant in the industry.

Insurance bill amendment act, 2013, seeks to pacify some these issues and protect the policyholder's interests above the personal agenda of the agents.

The amendments to the laws will enable the interests of consumers to be better served through provisions like those enabling penalties on intermediaries' / insurance companies for misconduct and disallowing multilevel marketing of insurance products in order to curtail the practice of mis-selling. The amended Law has several provisions for levying higher penalties ranging from up to Rs.1 Crore to Rs.25 Crore for various violations including mis-selling and misrepresentation by agents' / insurance companies. With a view to serve the interest of the policy holders better, the period during which a policy can be repudiated on any ground, including mis-statement of facts etc., will be confined to three years from the commencement of the policy and no policy would be called in question on any ground after three years.

The amendments provide for an easier process

for payment to the nominee of the policy holder, as the insurer would be discharged of its legal liabilities once the payment is made to the nominee.

Pricing for non-life insurers:

Pricing in the insurance business is a meticulous task. Determining the right price, comprising of underwriting premium, considering competition, operating surplus and performing in the highly volatile economic market is tedious task to be accomplished.

The chief component of the total cost, cost of claims is determinable only at a future date. Prior to de - tarrification, price could not be varied, leading to a uniform trend in pricing devoid of any ambiguity regulator expected the "pricing" to be determined by competitive forces. However, post de-tarrification, insurers have been operating at extremely low prices, with certain players invariably depending on investment income to offset operational losses, thus increasing the loss ratios for the de-tarriffed lines. Such price wars could prove fatal and eventually lead to quality taking a back seat.

The key challenge for non-life insurance companies is balancing growth with profitability, pricing playing an important role. Price needs to be determined with a focus on long-term sustainability. Further, a risk-based pricing approach based on statistical models needs to be applied where the key focus is on solvency.

Rising capital requirements:

Since insurance is a capital-intensive industry, capital requirements are likely to increase in the coming period. The capital requirement in the life insurance business is a function of the three factors: (1) sum at risk; (2) policyholders' assets; (3) new business strain and expense overruns.

With new guidelines in place, capital requirements across the sector are likely to go up due to:

- Higher sum assured driving higher sum at risk
- Greater allocation to policyholders' assets due to lower charges
- Straining the lower end of the selling chain resulting in high new business strain, and expense overruns due to low productivity of the newly set distribution network (and inability to recover corresponding costs upfront). For non-life insurance companies, the growing demand for health insurance products as well as motor insurance products is likely to boost the capital requirement. With the capital market picking up and valuations on the rise, insurance companies are exploring various ways of increasing their capital base to invest in product innovation, introducing new distribution channels, educating customers, developing the brand, etc.

This requirement in increase in capital is due to the following reasons:

- A major portion of the costs in insurance companies is fixed (though it should be variable or semi-variable in nature). Hence, the reduction in sales will not result in the lowering of operational expenses, thus adversely impacting margins. As such, reduced margins would impact profitability, and insurers would

need to invest additional funds.

- Companies are likely to witness a slowdown in new business growth. Companies may also opt for product restructuring to lower their costs and optimally utilize capital. According to IRDA Regulations 2000, all insurance companies are required to maintain a solvency ratio of 1.5 at all times. But this solvency margin is not sustainable. With the growing market risks, the level of required capital will be linked to the risks inherent in the underlying business.

Challenges faced in distribution channels of insurance products:

The main distribution channels in life insurance are the traditional individual agency channel, corporate agency (banks and others), broking channel and direct selling (which includes online selling). Distribution channels are dominated by an agency-business model, holding a share of almost 90%. This trend is primarily a result of LIC's agency dominated business model.

Private sector insurers have a more balanced channel distribution, with agencies contributing 47%, banks contributing 33%, corporate agents 9%, brokers 5% and direct sales 6%.

Overall the industry's total expense ratio has also decreased, which when looked at with the growth in premium indicates better cost management and improved productivity.

Being a push-based product, life insurers will continue to need to offer adequate compensation to distributors to increase penetration. There are numerous compensation-related challenges for insurers impacting the efficiency of their distribution models to deliver on objectives.

Specific to tied agents, the current compensation framework does not provide for treating a tenured and high performing agent as different from others and allow payment of higher commission rates or support allowances to encourage such agents. Also, there is no mechanism, which allows compensation to an individual agent for any other services rendered by him to the insurer.

Further, the regulatory compensation structure does not differentiate between a retail agent and an organized distributor such as a corporate agent or a broker. They are paid similar commissions. In addition, the commission rate decreases after 10 years of existence of an insurer, which imposes further burdens. Corporate agents also help reduce the distribution expenses of an insurer through provision of infrastructure, manpower supply and assistance in marketing but are not permitted to be compensated beyond the stipulated commission structure.

Low penetration continues to be a critical hurdle for insurers. To increase the reach, insurers need to tap rural and semi-urban areas. As the cost of setting up operations in rural/semi-urban areas is far lower as compared to those in metros and urban areas, adopting suitable and cost-effective strategies to tap these areas will not only help increase penetration but also efficiently manage distribution.

Sound risk management practices in Insurance industry: Solvency II implementation

Solvency-II is a European Union legislative program to be implemented in all 28 member states. It introduces a new, harmonized insurance regulatory regime. Its key objective is to have a uniform policyholder protection across countries through a robust system. This will enable a regime that will have sharper pricing and better allocation of capital.

Indian solvency related norms could be dated back to 1994, when Union Finance ministry constituted a committee to decide on the solvency margin requirements for Indian insurance companies. Post the formation of IRDA in 2000, the concrete compulsory solvency norms for insurers were implemented. Solvency II has, however, not been implemented in India yet citing various reasons. This part intends to highlight components of Solvency II and also reasons why it should be implemented.

Main pillars of Solvency II:

Solvency II framework has three main pillars:

Pillar 1: Framework sets out Qualitative and Quantitative Requirements such as the amount of capital a/an (Re)insurer should hold/ capital requirements, calculation of Technical provision and investment rules. Technical provisions comprise two components: the best estimate of the liabilities (i.e. the central actuarial estimate) plus a risk margin. Technical provisions are intended to represent the current amount the (re)insurance company would have to pay for an immediate transfer of its obligations to a third party.

Pillar 2: Emphasizes on Governance & Supervision majorly focusing on Effective Risk Management Systems, Own Risk & Solvency

Assessments (ORSA) and Supervisory Review and Intervention.

Pillar 3: Focuses on disclosure and transparency requirements. Under this pillar the insurers are required to publish details of their exposure to various risks, risk management activities and capital adequacy. Transparency and open information are intended to assist market forces in imposing greater discipline on the industry.

The objectives of implementing Solvency II are:

- Improved consumer protection: It will ensure a uniform and enhanced level of policyholder protection. A more robust system will give policyholders greater confidence in the products of (Re)insurers.
- Modernized supervision: The "Supervisory Review Process" will shift supervisors' focus from compliance monitoring and capital to evaluating (Re)insurers' risk profiles and the quality of their risk management and governance systems.
- Deepened market integration: Through the harmonization of supervisory regimes.
- Increased international competitiveness of (Re)insurers

Challenges to implementing Solvency II norm in Indian markets:

- Data Collection for timely risk assessments
- Collation of accounting, risk and actuarial information
- Systems process and data need to be streamlined Solvency II directives shall affect monocline insurers and benefit the large diversified groups as they would avail the benefits of diversification credits. This can discourage the specialist insurers such as Health insurer.

Solvency II presents a number of complex data challenges for insurers and their service providers. Ultimately, there is no single key to unlock the challenges industry participants will face. Instead a collaborative approach – built on partnerships between data vendors, analytics providers, ratings agencies, asset servicers and the insurers themselves will be essential for institutions to meet the disclosure requirements of Solvency II.

Alternate methods of dissolving insurance companies: Runoff

What is a runoff?

Runoff refers to an insurance or reinsurance companies or portfolios that are closed to new business and where the remaining exposures and claims are being managed to be zeroed down. The term applies to entire companies or relevant portfolios in the ongoing companies.

Runoffs is also wider than just claims management. It is necessary to have a focus on other insurance issues including liability reserving, capital management and recovery of value assets.

Runoffs essentially mean managing lot many other aspects of the insurance company. These may include financial support, actuarial involvement in valuation and capital management. This may extend to a need for skills in transferring portfolios of business, closing companies down and in dealing with regulators.

Transition into run off

There are many reasons why an insurer or portfolio may be placed into run off. These include:

- Statutory or regulatory changes: Reducing or removing the market for insurance, such as the nationalizing of an insurance line.
- Placement of company's portfolio into runoff due to strategic reasons
- Reduced capital backing and, in the extreme case, actual or impending insolvency that causes an entire company to enter run off.

Actuarial issues / opportunities in run off

In this section we explore some of the actuarial topics in more detail.

Liability assessment

The process of establishing insurance liabilities for a portfolio in run off is very similar to reserving for any insurance portfolio. The process includes steps like data assessment, model examination, reinsurance cover assessment, forming assumptions, comparison of actual against expected result and final presentation of results.

Claims performance

As the portfolio runs off, increasing emphasis is placed on case estimates when valuing the outstanding claim provisions.

The main responsibility in this case may rest with the claims managers. Their performance may be measured on the basis of their ability to:

- Actively negotiating with
- claimants/cedants to reduce ultimate payments
- Negotiations to settle claims quickly
- Maximizing available recoveries on claims paid.

Asset recovery

When an insurance company cedes business to another insurance company, this creates an obligation to pay claims under the conditions specified in the reinsurance contract. As claims occur that are covered under the reinsurance contract, a reinsurance asset is created. Asset recovery involves collecting any outstanding reinsurance assets. Assets recoverable also extend to salvage, subrogation and third party recoveries.

Strategies for exiting risk

Effective strategies are required to manage an orderly and efficient exit from the business. A strategy for a company facing a long-term run off is to manage the run off with a focus on capping or eliminating liabilities. Other key exit strategy components include commutations and maintaining a resolute audit and inspection philosophy.

Investment strategy

A runoff investment strategy, on similar lines as insurance companies, should reflect the nature of underlying liabilities overlaid by the company's appetite for risk and any regulatory constraints.

In the scenario of a run off company under capital pressure, the need for liquidity, the degree of risk aversion and the level of regulatory oversight are all usually much higher than might otherwise be the case. These are important inputs into a revised investment strategy from which appropriate (and inappropriate) assets can be identified. A new

runoff may comparatively require a relatively more aggressive investment strategy.

As with the liabilities, it is important to get an early handle on the investment assets (both what they are and what they may really be worth), set a clear strategy and actively seek to dispose of inappropriate assets.

In terms of the ongoing strategy, initially a strong focus on minimizing the risk of further losses and protecting solvency is required.

Under favorable portfolio experience, a company's tolerance for risk is likely to increase. Accordingly, if a run off is successful, there is then an ongoing challenge to adapt the investment strategy to maintain its suitability.

Capital management

Run off encourages a stronger and more timely focus on prudent financial and capital management techniques.

Regardless of whether it is a portfolio in an existing company or an entire

entity, the nature of run off is such that access to capital will be severely constrained, thus forcing close and careful management of whatever capital is available.

Management's proper understanding of profit, solvency and ultimately managing the business is very crucial for shareholder's realization of their capital.

Microinsurance: Insuring the uninsured

Concept of microinsurance:

Microinsurance refers to insurance products specifically designed to provide risk cover to low income group people. These kind of products are made specifically for the lower segment of the society with tweaking the normal insurance products in terms of flexible payment schedules for lower premiums. Microinsurance is different from the normal insurance products in many ways, however, product design and access to the products remain key differentiators. Easy understanding of the products, anytime availability, ability to pay premiums in flexible manner and low premiums are some of the parameters kept in mind while designing the microinsurance products.

Origin of microinsurance in India:

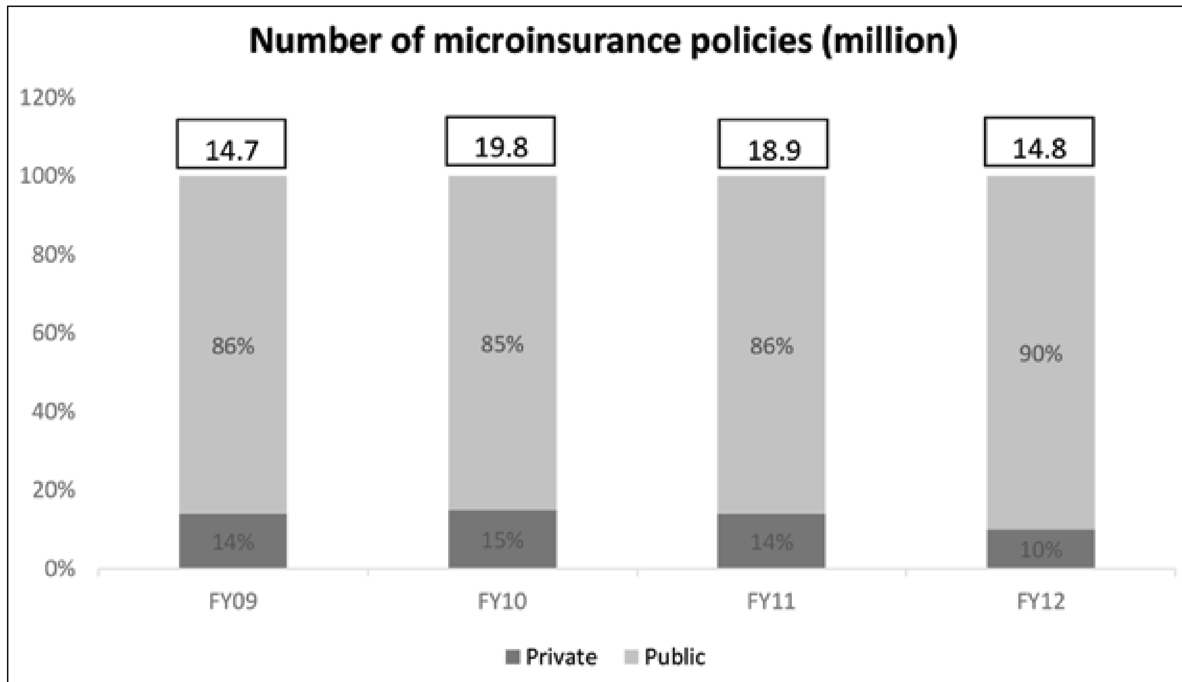
Microinsurance in India started as a part of social initiatives, taken up by self-help groups, in order to protect themselves against unknown perils. This concept was taken up further by various NGOs', micro finance institutions, trade unions, hospitals and co-operatives. The operations of these kind of funds were outside the ambit of regulations.

In 2002, IRDA regulated the microinsurance segment and introduced first set of regulations titled as 'Obligations of Insurers to Rural social sector'.

Reforms post the formation of IRDA in Microinsurance have been discussed in detail in earlier sections.

This section now takes a view on key risks, challenges and way forward for microinsurance.

Key statistics related to penetration of microinsurance:



Key risks in covered in Microinsurance:

Microinsurance typically caters to the lower segment of society. Most of this strata comprises of farmers, daily wage earners, contract labours, etc. This segment of society has barely knowledge about savings and considering the earning capabilities it is difficult to gauge the propensity to save. They normally face livelihood risks, poverty, frequent natural catastrophes, and less access to conventional form of risk management.

Key risk mitigation products which they can adopt can be covering themselves against life risk, health risk, and personal accident. To cover the means of livelihood, they can also resort to covering agriculture, weather risk, crop produce risk, and livestock risk.

Challenges faced in Microinsurance:

Way forward

>>Tapping the vast potential in the Indian markets

With the rise in uninsured and educated population, Indian insurance industry is set to account on positive growth rate. With introduction of Insurance amendments bill in 2013, Indian markets have further embraced progress by increasing the limit on foreign direct investment in the industry up to 49 percent. On the consumer front, the increase in limit means greater diversity in products, better serviceability, and satisfactory product reception. On the industry front, this would mean, better opportunities to invest in the Indian markets, greater contribution of their expertise and devise better ways to unlock potentials of Indian markets. With the increase in FDI limit, it will now be expected by the foreign partners of the Indian companies to contribute even on the capital sides of the business, thus pacifying the capital starved industry.

Greater accessibility to banked population is expected to be achieved by relaxation in the bancassurance regulations recently introduced. Banks, which are seen as a reliable intermediary can now be utilized to a greater extent to encourage the penetration of insurance

>> Unlocking undiscovered ways to sell insurance

Shift from traditional agent-based model initiated by LIC to more modern methods of selling including bancassurance, brokers, etc. reflects the receptivity of Indian society to modern means of purchasing insurance. However, digital modes of insurance comparison, online insurance selling has emerged as the winner. Regulators have the realized the importance of digital interface held by the insurers and have upheld it positively to increase the penetration of insurance.

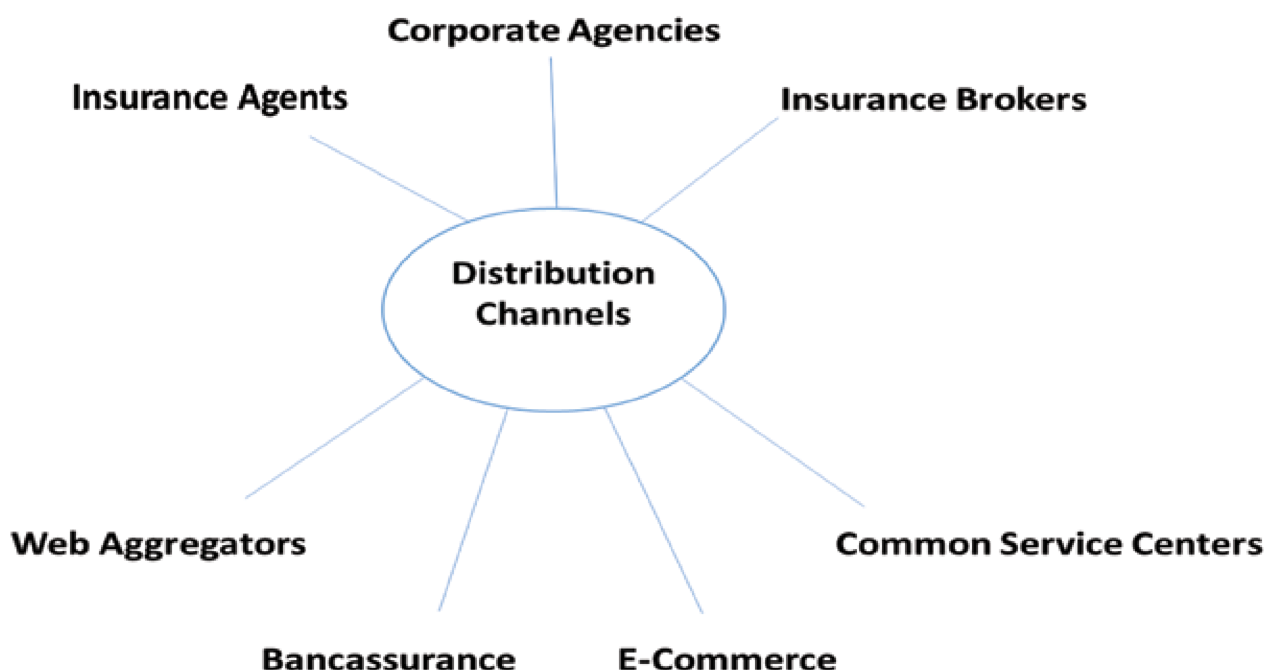
>> Sustaining growth with increased transparency

Bringing in more amount of entities under purview of regulations, introducing better reforms in the industry, acceptance of newer forms of insurance channels and regulating them, are some of the key progressive measures regulator has adopted which has made insurance industry more transparent and attractive for foreign insurers.

Intermediaries associated with the Insurance industry

In the recent past, there has been development of various new distribution channels which are driving growth at lower costs than traditional channels. In an era of newer technologies, insurers are looking for other distribution channels in the online space. High competition and evolving customer preferences are primary factors which have led to the rise in multiple low cost distribution channels.

The key growth driver being recent technological innovations that facilitates display of product information, improvement in response time and serving multiple customers at a time helping choose the product as per their profile. Although penetration of these new channels is not very high in India but it is fast catching up.



Customers are using multiple channels for buying insurance policies. While online channels are gaining prominence, but still there are miles to go for them to capture majority of market.

Inorder to understand the new distribution channels which are rising to prominence, it is important to review and understand the existing channels in the Indian insurance sector.

Some of the major existing channels of distribution in the insurance sector are

1. **Insurance agents**
2. **Insurance brokers**
3. **Corporate agency**

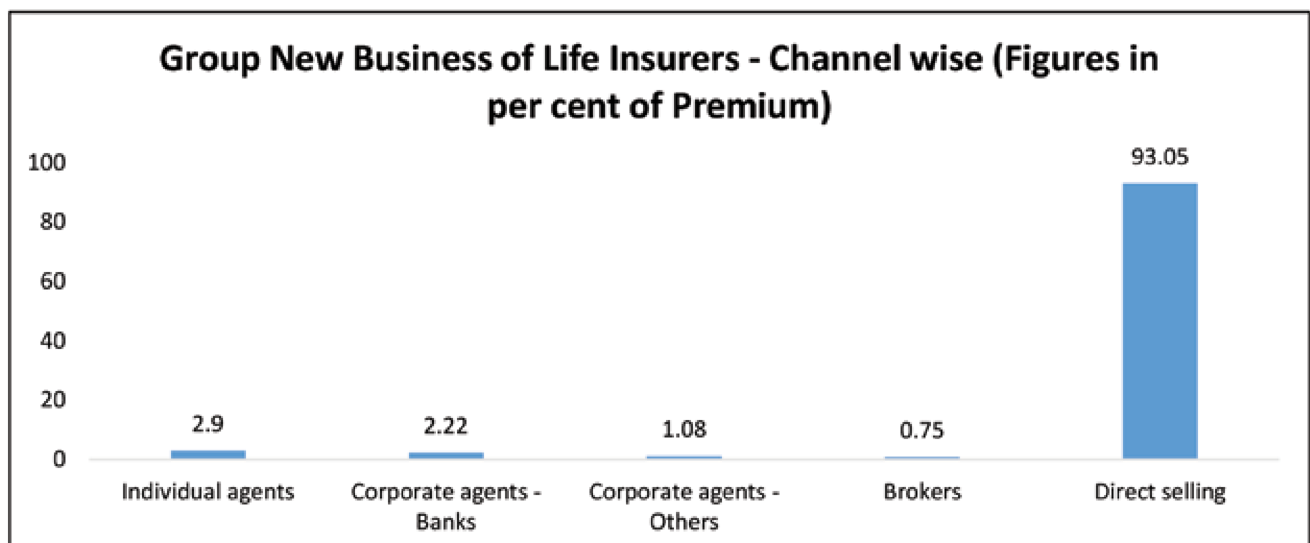
Insurance agents

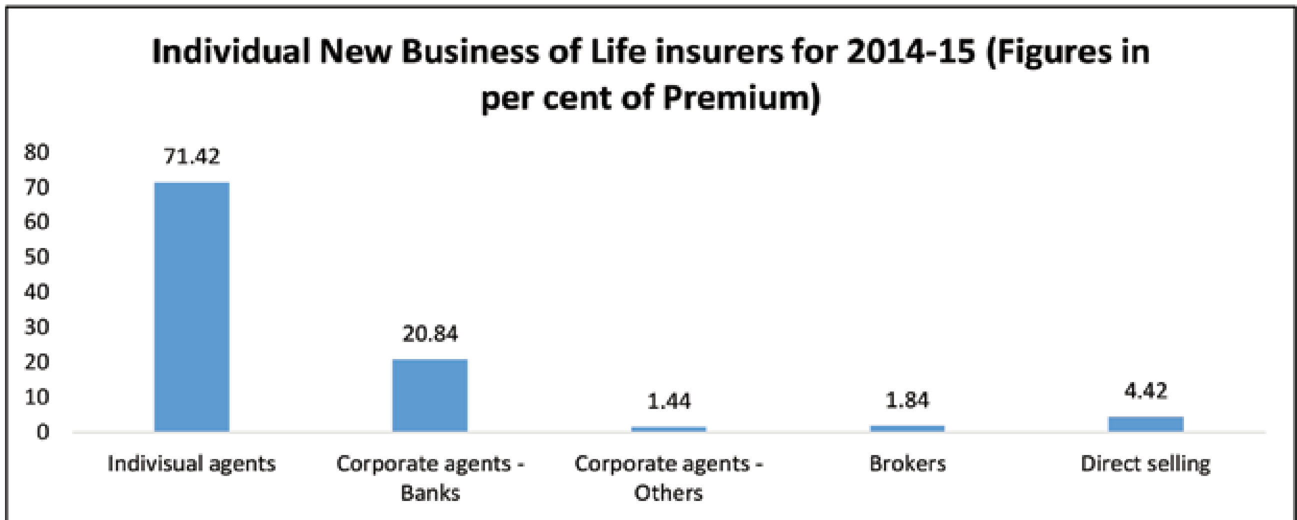
Primarily, an agent is a person who represents an insurance firm and sells insurance policies on its behalf. In the Indian insurance scenario where insurance penetration is still low, an insurance agent plays an important role in the distribution of insurance products as agents educate customers by interacting with them.

The agents play a significant role in driving the business and persistency. They not only become the distributors of the policy but also become trusted financial advisors for their clients. It is still considered even today more than 70% of business in this sector is carried through agents. As on 31st March, 2015, there are about 20 lakhs agents in total of which over 11 lakhs are from LIC.

Yet, there has been a continuous decline in the number of agents, in the year 2014-15 witnessed a decline of 5.6 per cent in the number of individual agents. The number had decline from 21.89 lakhs as on 31st March, 2014 to 20.68 lakhs as on 31st March, 2015.

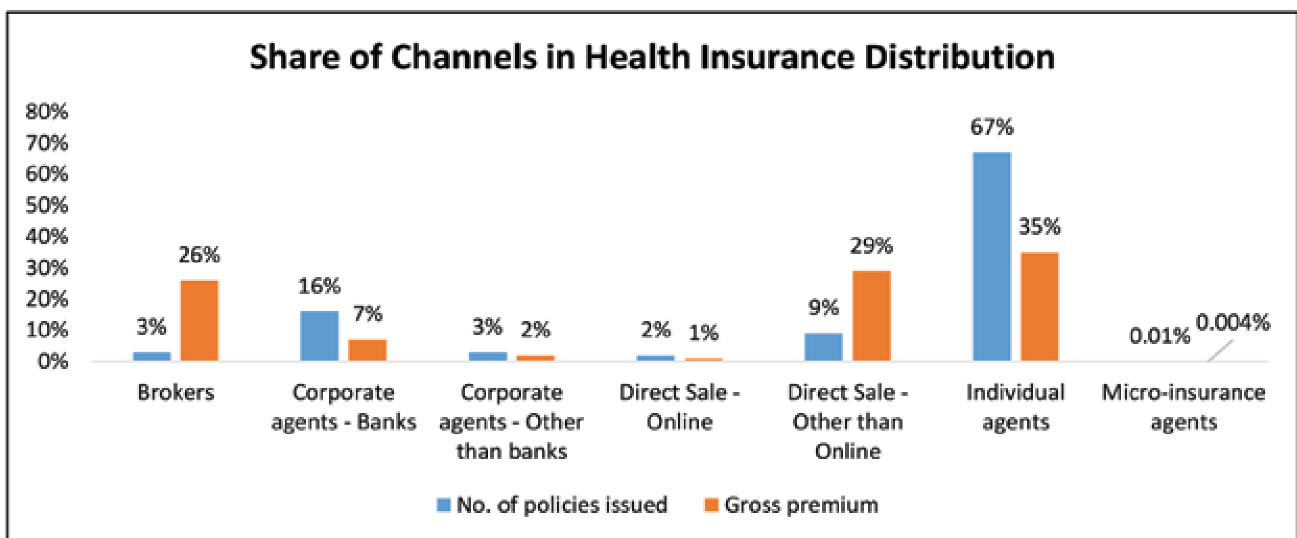
The ability to improve penetration due to familiarity of social and cultural behavior of people in small towns make them an effective channel but the primary challenges which agents face in distribution of insurance products are they need to adjust with evolving business practices and products.





Source: IRDAI Annual report 2014-15

In FY2015, the private life insurers recorded a decline of 9% while LIC recorded decline of 2.7% in the number of insurance agents under its wing.



Source: IRDAI Annual report 2014-15

Corporate Agency

Corporate agencies are fundamentally corporate entities which represent an insurance company and sell its policies. Generally, these entities are engaged in a particular business and sell insurance policies to their existing customers.

The corporate agency channel is considered one of the key drivers of business for life insurance companies. The share of corporate agents to the total proceeds has increased to 17.67% in the year 2011-12.

Since, the stringent regulations on corporate agency channel introduced in 2012, many small agencies have gone out of the race and the total number of players has come down. As on 31.03.2015, there were 503 Corporate Agents in the country.

Insurance Brokers

Insurance brokers basically represent their clients and will sell products of more than one company. Their primary goal is to determine the ideal fit for the client and disseminate information regarding various products available in the market.

The brokers have unique advantage over other channels in addressing the needs of life, non-life and health insurance requirements of their clients.

The Authority has allowed Insurance Brokers to operate in the market from 2003. The first Broking license was issued in January, 2003.

The Regulations stipulate a capital requirement of

1. INR50 lakhs for direct insurance brokers;
2. INR200 lakh forreinsurance brokers; and
3. INR250 lakh for composite brokers.

The regulation prescribes a limit of 26% on foreign equity participation in insurance broking. However, this limit has been raised to 49% by the Government which has been notified vide Indian Insurance Companies (Foreign Investment) Rules, 2015.

The popularity of insurance broking is steadily increasing in the country with increase in registration for licenses.

Out of the total number of licenses, 365 are direct brokers, 47 are composite brokers and 7 are reinsurance brokers.

As we have seen, the existing forms of distribution channels and have got a clear view of their impact in driving the insurance business. Currently, the sector is witnessing newer forms of distribution channels which are changing the way insurance products are sold. These new distribution channels will be discussed in the next section.

New forms of distribution channels

Insurance industry is witnessing a strategic shift in the way they sell their products with newer distribution channels which are being driven by technology and innovation. These channels also leverage the existing network of organizations to cover a wider range of customers.

Some of the new forms of distribution channels in this sectors are

1. **Bancassurance**
2. **Web Aggregators**
3. **E Commerce**
4. **Common service centers**

Bancassurance

Bancassurance as a model leverages the large network of bank branches and their existing customer base in selling insurance products. It is emerging as a key distribution channel contributing nearly 40% of new businesses to the insurer. This model provides win-win situation for both the insurer and the bank, where the former can improve their coverage area and get access to a large customer base. While the banks without investing in additional resources or infrastructure, were able to earn a fee-based income, to supplement their core lending activities.The bank usually earns a high commission on the first premium paid by each customer and a marginal trailing commission on renewal premiums till the maturity of the policy, for regular premium plans.

Advantages:

(i) Offers new area of profitability to banks with little or no capital outlay and tapping existing customer base

(ii) Ability of banks to provide a basket of services to its customers.

(iii) Insurance companies can reach rural area

Among the various corporate channels, the share of banks in total individual new business (Life Insurance) underwritten is 20.84% in FY2014-15 and contributed 7 per cent of total health insurance premium.

This model is regulated by both the RBI and IRDAI as it involves banks as well as insurance companies. The banks which are entering into insurance business need to obtain prior approval from RBI and license from IRDAI.

RBI looks at net worth, Capital Risk Adequacy Ratio (CRAR), Non-performing Assets (NPAs), track record of banks, etc. before granting permission to the banks.

In September 2015, IRDAI came up with a notification, with a revised set of guidelines which allowed banks to tie up with a maximum of nine insurers from three segments – life, general and standalone health insurers – three insurers from each segment.

Such a tie-up is notmandatory and the banks can take a call on the number of tie-ups that they want.

Bancassurance Models

Various models are used by banks for bancassurance.

1. **Referral Model:** This model has been adopted by banks in which they participate in business lead for commission by sharing their client data base. The actual transaction with the prospective client is carried out by insurance company. This model is also suitable forRegional rural banks and cooperative banks in rural and urban area.
2. **Corporate Agency:** This is another mode of non-risk participatory channel where the banks are trained to sell the insurance products. Here, banks work as a corporate agent for a commission which would be higher than a referral arrangement. This is useful for majority of banks as it does not involve investment in infrastructure yet the bank can earn a good income.
3. **Joint Ventures:** It is more complicated model between insurerand bank in which the bank carry out selling of insurance products as a one more function apart from traditional banking business. The advantage being that the bank could make use of its full potential to reap the benefits of synergy and economies of scope. This is more suitable for relatively larger banks with sound financials and better infrastructure.

Web Aggregators

With the advent of smartphones and web connectivity, more people are going online for comparing and buying various products. There has also been an increase in the number of discussion forums, blogs which are used by people in making a decision. This has led to a new type of distribution channel in the insurance industry, these are web aggregators.

The web aggregatorsfundamentally are interfaces to the people which display information regarding various insurance products in different classes. They also provide the overview of every provider in the class, compare the differencein the features of providers and products and forums to read recent happenings in the insurance sector. These platforms

also help in spreading awareness regarding importance of having insurance. Such peer to peer discussions and feedback regarding products have been one of the strong points of this new channel.

The Authority initially issued guidelines in 2011 to enable web aggregators to apply for license and leverage their technology for the benefit of customers. Subsequently the Authority came out with “IRDA (Web Aggregators) Regulations, 2013 and new draft guidelines for web aggregators came recently.

The regulations state that web aggregators should carry out the activities for the purpose of lead generation for insurers. The web aggregators are prohibited from advertising, displaying any information of other financial institutions / FMCG or any product or service and ratings, rankings of insurance products on their website.

According to the recent draft guidelines, foreign investment limit has increased from 26% to 49% and limit of premium per risk/ per life of products sold on the web aggregators is increased to INR 1.5 Lakhs from INR 50,000 earlier.

At present there are 11 Web Aggregators present in the Indian insurance sector.

Web Aggregators approved by the authority (As on 31st March, 2015)	
Sr. No.	**Name**
1	Policybazaar Insurance Web Aggregator Pvt. Ltd.
2	iGear Financial Services Pvt. Ltd.
3	Great Indian Marketing & Consulting Services Pvt. Ltd.
4	Voila Consultancy Services India Private Limited
5	Policy Mantra Insutrade Pvt. Ltd.
6	Deztination Insurance Solutions Pvt. Ltd.
7	Commet Insurance Web Aggregator Pvt. Ltd.
8	PolicyX.com Insurance Web Aggregator Pvt. Ltd.
9	Fingoole Insurance Web Aggregator Pvt. Ltd.
10	OA Insurance Web Aggregators Pvt. Ltd.
11	Easy Policy Insurance Web Aggregator Pvt. Ltd

In spite of the recent introduction of web aggregator as a distribution channel, it has witnessed a remarkable growth. Among the various channels of distribution, the direct sale of policies through the online medium covers nearly 2% of the sale of total number of policiesof health insurance in the year 2014-15.

With the world moving towards the digital contents, it is expected that web aggregator similar to the e-commerce websites in the retail segment would become a force to reckon with in the distribution of insurance products.

E-Commerce

In light of the boom of ecommerce industry in the retail market, the insurance regulator has proposed the norms for selling and servicing of insurance policies through ecommerce platforms with a view to increase the penetration in the market.

Regarding this, the regulator has come out with draft guidelines for ecommerce platforms in the insurance sector in June 2016.

According to the guidelines, for undertaking insurance e-commerce activities in India, the insurers or insurance intermediaries have to grant permission from the authority to establish an insurance self-network platform. This platform may be available as a website and/or mobile app. This platform should bring to the attention the type of consumer for whom the product is intended, important features of the product, exclusions and limitations of the product (if any), the total premium and other charges that the consumer will have to pay, etc.

These platforms can provide for display of online customer reviews and seller ratings and they are required to have a mechanism to address policyholders' grievances.

Common Service Centers

Common Service Centers are the front end delivery points for government, private and

social sector services implemented by the Department of Electronics and Information Technology (DeITY), on a Public-Private-Partnership (PPP) model as a part of National e-Governance Plan (NeGP).

Currently, there are 6142 Common Service Centers running across India and 3087 Rural authorized persons for distribution of insurance through this network. Till now, 33 insurance companies have signed agreement for distribution of their products through this network. As of 31st August, 2015, this network has collected a total premium of INR 137,36,12,622 (includes new business and renewal business).

It is an exciting period in the insurance sector which is registering a phenomenal growth with all these new distribution channels cropping up and acting as a catalyst in penetrating the market.The road ahead for new intermediaries is challenging but exciting too. We have to wait and watch how they perform and the impact of these new ventures on the penetration and density of insurance in the country.

About APAS

Ashvin Parekh advisory services LLP founded in June 2013 and is headquartered in Mumbai, the finance capital of India. APAS is a leading financial advisory firm, providing a wide range of consulting services to a diversified client base, including financial conglomerates, business houses, banking companies, life general and health insurers, financial institutions, regulators and the government.

Our focus is primarily on business development through advisory services in strategy, processes, and people.

In strategy domain, we focus on diversification, strategic alliances, mergers and acquisitions and business restructuring. We also offer services in the areas of transformation and value creation. In the operation strategy areas, we also render services at product and product design, intermediation and distribution areas, business risk management and governance aspects of the management.

In keeping with the services we offer, we have experts in strategy management, business and transaction advisory areas. We have teams drawn from the industry to offer services to our clients in business and operation areas in the financial services space.

We have teams focusing on the banking reforms, including the licensing of new banking companies, transformation of current financial institutions to progressive organizations and branch expansion of foreign banks in India. We offer operational support in the areas of financial inclusion, holding company structures and project management services. In addition, we also conduct high level diagnostic studies for public and private sector banks and insurance companies.

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ASSOCHAM INDIA

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About ASSOCHAM

THE KNOWLEDGE ARCHITECT OF CORPORATE INDIA

Evolution of Value Creator

ASSOCHAM initiated its endeavour of value creation for Indian industry in 1920. Having in its fold more than 400 Chambers and Trade Associations, and serving more than 4,50,000 members from all over India. It has witnessed upswings as well as upheavals of Indian Economy, and contributed significantly by playing a catalytic role in shaping up the Trade, Commerce and Industrial environment of the country.

Today, ASSOCHAM has emerged as the fountainhead of Knowledge for Indian industry, which is all set to redefine the dynamics of growth and development in the technology driven cyber age of 'Knowledge Based Economy'.

ASSOCHAM is seen as a forceful, proactive, forward looking institution equipping itself to meet the aspirations of corporate India in the new world of business. ASSOCHAM is working towards creating a conducive environment of India business to compete globally.

ASSOCHAM derives its strength from its Promoter Chambers and other Industry/ Regional Chambers/Associations spread all over the country.

Vision

Empower Indian enterprise by inculcating knowledge that will be the catalyst of growth in the barrierless technology driven global market and help them upscale, align and emerge as formidable player in respective business segments.

Mission

As a representative organ of Corporate India, ASSOCHAM articulates the genuine, legitimate needs and interests of its members. Its mission is to impact the policy and legislative environment so as to foster balanced economic, industrial and social development. We believe education, IT, BT, Health, Corporate Social responsibility and environment to be the critical success factors.

Members – Our Strength

ASSOCHAM represents the interests of more than 4,50,000 direct and indirect members across the country. Through its heterogeneous membership, ASSOCHAM combines the entrepreneurial spirit and business acumen of owners with management skills and expertise of professionals to set itself apart as a Chamber with a difference.

Currently, ASSOCHAM has more than 100 National Councils covering the entire gamut of economic activities in India. It has been especially acknowledged as a significant voice of Indian industry in the field of Corporate Social Responsibility, Environment & Safety, HR & Labour Affairs, Corporate Governance, Information Technology, Biotechnology,

Telecom, Banking & Finance, Company Law, Corporate Finance, Economic and International Affairs, Mergers & Acquisitions, Tourism, Civil Aviation, Infrastructure, Energy & Power, Education, Legal Reforms, Real Estate and Rural Development, Competency Building & Skill Development to mention a few.

Insight into 'New Business Models'

ASSOCHAM has been a significant contributory factor in the emergence of new-age Indian Corporates, characterized by a new mindset and global ambition for dominating the international business. The Chamber has addressed itself to the key areas like India as Investment Destination, Achieving International Competitiveness, Promoting International Trade, Corporate Strategies for Enhancing Stakeholders Value, Government Policies in sustaining India's Development, Infrastructure Development for enhancing India's Competitiveness, Building Indian MNCs, Role of Financial Sector the Catalyst for India's Transformation.

ASSOCHAM derives its strengths from the following Promoter Chambers: Bombay Chamber of Commerce & Industry, Mumbai; Cochin Chambers of Commerce & Industry, Cochin: Indian Merchant's Chamber, Mumbai; The Madras Chamber of Commerce and Industry, Chennai; PHD Chamber of Commerce and Industry, New Delhi.

Together, we can make a significant difference to the burden that our nation carries and bring in a bright, new tomorrow for our nation.

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