# THE INDIAN INSURANCE INDUSTRY

N. RANGACHARY

1999

*Published by*

**THE A. D. SHROFF MEMORIAL TRUST**

Piramal Mansion, 2nd Floor,

235, Dr. D. N. Road, Mumbai-400 001

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# The A. D. SHROFF MEMORIAL TRUST

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## OBJECTIVES

(i) Publication of one or more books in English, Hindi and regional languages annually on some of the great builders of Indian economy aimed primarily at educating the younger generation in high standards of building the national economy as practised by those great entrepreneurs and placing the example of their lives for emulation by India's youth.

(ii) Organising one or more public lectures annually on subjects, which were of interest to the late Mr. A. D. Shroff, namely, banking, insurance, and industrial finance, the subject to be chosen in rotation, and the lectures to be delivered by persons eminent in these fields.

(iii) Awarding annual scholarship or scholarships to outstanding student or students in the field of management.

(iv) Instituting a prize to be known as The A. D. Shroff Memorial Prize for the student standing first in Banking at the Sydenham College of Commerce and Economics, Mumbai.

(v) Doing all such acts, matters and things as are incidental or conducive to the attainment of the above aims or objects or any one or more of them, and

(vi) Without prejudice to the above charitable objects or any of them, the TRUSTEES shall have the power to spend, utilise and apply the net income and profits of the TRUST FUND for the TRUST FUND for the charitable object of education or such other objects of general public utility not involving the carrying on of any activity for profit as the Trustees may think proper. It being the intention of the SETTLOR that the income and/or corpus of the Trust Fund shall be utilised for all or any of the aforesaid charitable objects without any distinction as to caste, creed, or religion.

# INTRODUCTION

One objective of the A. D. Shroff Memorial Trust is to arrange an Annual Public Lecture by rotation on Insurance, Banking, and Industrial Finance. A galaxy of eminent authorities have delivered these Lectures since its inception in 1966.

The Lecture on Insurance for the year 1998 was delivered by Mr. N. Rangachary, Chairman, The Insurance Regulatory Authority, Government of India, on 19th January, 1999, in Mumbai.

The text is highly informative and thought-provoking, particularly in view of the discussions on the liberalisation policies being pursued by the Government of India. In view of the important position held by Mr. Rangachary presently, the contents of this booklet should be of great interest to those concerned with insurance industry and with the Government authorities.

The Trust is grateful to Mr. Rangachary for accepting its invitation to deliver the Lecture. The Trust has great pleasure in placing this booklet before the public.

Mumbai
April 20, 1999

**N. A. PALKHIVALA**
*Chairman*
The A. D. Shroff Memorial Trust

**A. D. SHROFF**
**(1899-1965)**

A. D. Shroff's achievements in the fields of business, industry and finance were many and varied. A large number of enterprises owe their origin and development to him. As an economist, his predictions have proved right over the years. Through the Forum of Free Enterprise, which he founded in 1956, as a non-political, educative organisation, he sought to educate the public on economic affairs. It was his firm conviction that a well-informed citizenry is the foundation of an enduring democracy.

George Woods, former President of the World Bank, paid the following tributes to A. D. Shroff :

> "In every age and in every society men must express anew their faith in the infinite possibilities of the human individual when he has freedom to develop his creative talents. For this is in large part how the message of freedom is passed from generation to generation. A. D. Shroff spoke eloquently in a great tradition, and thanks to him we can be sure that other great men of India will continue to speak this message in the unknown context of our future problems."

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# THE INDIAN INSURANCE INDUSTRY

By

**N. RANGACHARY***

It is a privilege to deliver the lecture at The A. D. Shroff Memorial Trust. Mr. Shroff was with New India Assurance Co. Ltd. in 1950s, a pioneer insurance institution in Asia.

In the last couple of months the acronym IRA has figured prominently in the newspapers and periodicals. Part of its glory is due to the fact that the Irish Republican Army's efforts at securing independence for Ireland have resulted in 2 gentlemen being awarded the Nobel Peace Prize for 1998. The other IRA viz. Insurance Regulatory Authority set up by the Government of India under an executive resolution dated 23rd January, 1996 achieved a notoriety. The Government's efforts at introducing the Bill in Parliament to give it a legal shape and also open the sector for public participation received simultaneously criticism as well as appreciation. For a measure to draw this sort of response, which to an ordinary mind appears inexplicable, the step taken should really be a major one. Criticism was on the ground that the Government thoughtlessly entered into an area where no progressive steps were considered necessary. The persons against the opening up say that all that was required to be done for the healthy existence and growth of insurance companies in India had already been done and no further progress would be needed. The appreciation of Government's efforts comes from a section of the society which said that at last the Government decided to end the monopoly of the State's insurers, recognise and enhance the importance of the insurance sector in garnering the scarce long term resources for purposes of investment and consequently for development of economy. The committees including the Rakesh Mohan Committee which

* The author is Chairman, Insurance Regulatory Authority, Government of India. The text is based on the Annual Public Lecture delivered under the auspices of the A.D. Shroff Memorial Trust on 19th January 1999 in Mumbai.

looked into infrastructure development plan for our country had emphasised the need to have long term resources to be ploughed into the basic infrastructure areas like roads, ports, airports, communication, transport etc. and such long term resources would become available only by developing a vibrant insurance market. This view is based on the fact that it is only from the insurance market particularly the life and the pension segments that long term resources are generated - looking for an equally long term media for investments. The recognition of this is accentuated by the fact that such long term resources have necessarily to be generated within the country and any borrowings made from outside or even within India would not make the proposition viable.

The insurance market is only a part of the overall financial sector which has in the recent past gone through a transformation, a change which had taken its place from a position of assumed complacency to vibrancy and vitality which it lacked earlier. It is in this background that one has to view the changes that have been taking place in the area of capital market reforms and banking sector reforms.

**What is insurance?**

The word "insurance" and the need for insurance are not understood by many as we find the level of understanding in the west. The figures speak. Only 18% of the population is insured, rather under insured. Even among the insured, the understanding of insurance is very poor. Nobody is made aware to think that the insurance protects families, the old, the infirm, the widows and the orphans, and also properties. A breadwinner needs insurance to protect his family against his untimely demise or disablement. A trader needs insurance to protect his properties against their sudden loss due to any reason such as fire, earthquake, nature's vagaries, and theft. Insurance to be very succinctly put is a trade on future promises. An insurance company makes promises to meet contingencies and to indemnify the insured against risks, which are specifically agreed to between the parties to be covered. In a growing economy where risks are meant to be taken, they are also meant to be shared and, to my mind, there is no better system of sharing risks other than the establishment of insurance companies. Insurance by its very nature has a number of concomitant benefits that flow. It provides capital in cases where assets covered by a risk insurance get destroyed. Secondly, it assures a protection to a businessman or a trader of the security of his assets. Thirdly it activises a capital market on which its investments are deployed. Fourthly it protects lives in case of a life cover which is assured of payment on death or a repayment on maturity of the policy. Fifthly, the insurer also provides a safety cover, a social net in case of old age by providing a pension. Sixthly, it protects persons of frail and indifferent health for the payment of a small sum called premium. In a situation, where there is going to be an increase in the demands that are placed on society where society itself is undergoing great changes, as in our country - a marked change, there is a necessity for us to think broadly in a visionary manner about development of insurance business.

One should take note of the fact that the Indian society which had been totally sheltered and protected is breaking up. Many of us, of our generation, are members of joint families which have been kept together and which have shown tendencies of being together. Many of our present generation may not be aware of the inherent advantages of a system like this where the joint family not only acted as a socialist society in which every member of the family was treated equally irrespective of his earning capacity, where the family acted as a health provider, where services were available freely from members of the family in regard to nursing and where the families' resources were available for use by its members to provide an old age protection and a security. With the breaking up of this system, the responsibility has to be found outside the family fold for these obligations to be performed. Which of the organisations is available for this? Can the State perform this? In many western countries, the State has picked up the liability and the responsibility of keeping its citizens fed, protected and cared for. The British Government states that the State takes care of its citizens from cradle to grave. They have the national health schemes whch underwrite the health of the members of the public and they have also got pension scheme which takes care of the infirm, widows, orphans and the old. We, in this country, are not used to such social benefits flowing out of the State except for a very restricted scheme which gives old age pension in certain circumstances and a pension scheme which has been introduced as part of an elaborate organised labour welfare measure. Additionally, if the State were to take care of every citizen, which happens in many countries in the West, the total cost of these obligations will be staggering. It is in this background, therefore, that one has to view the provision of and extension of an insurance cover. Decidedly, it is a cover, a protection, which has to be purchased for a price and, therefore, will not be available freely to the public as we would like to have when we have a national health plan or a national pension scheme. But a beginning could be made where the facilities of this nature could be available to the citizens at a reasonable cost. It is in this situation, therefore, one has to view what one can do to provide a measure like this.

Undoubtedly we have organisations in India, which are under State control and which are in the business of insurance. LIC sells the life cover and to a smaller extent extends the pension cover to its insured.

The traditional insurance products are Whole Life Assurance, and Endowment Assurance. Now there are many insurance products such as Money Back, Term Assurance, Annuity, Pension Plan, etc.

Strong presence and dependence on traditional products may not have helped introduction of new products in a bigger way in India. Perhaps enough has not been attempted to catch up with the innovativeness and imagination of insurers abroad. At a later stage, we would look into why the innovativeness of Indian mind has not been fully successful in this area.

The Indian insurance industry has not always been under State Control. Only in 1956 the life insurance companies were nationalised and in 1971 the administration of non-life sector insurance companies was taken over to be followed by their total nationalisation from 1.1.73. The industry had many players when it was outside the State control. Not only we had Indian companies which were hundred per cent Indian held and Indian managed, we had also branches of foreign insurers functioning in India together with foreign companies using the Indian market. In fact the main features of the pre-nationalised insurance sector was the utilisation of the insurance sector as a backup or extension by the large and well known industrial houses of this country. The reasons for this development are not too far to seek. Where industries have provided a ready market for property risks being covered, it was a natural extension that many of them would like to have their extensions in the banking and the insurance fields as well. Many of the financial institutions which are large sized and important today have had their beginnings in this manner.

The 245 life insurance companies and 107 non-life insurance companies had a market in their pre-nationalised existence to the extent of Rs. 88.6 crores as on 31.12.57 and Rs. 389.7 crores as on 31.12.73 respectively as their premium income. It was also common in those days that we had some composite companies carrying on insurance business. In the last so many years the industry has been under State control, the business has developed in a very sustained manner and if the insurance premium is taken as an indicator of this growth, it has grown to about Rs. 19,274 crores on the life side and Rs. 7,647 crores on the general insurance side in 1998. In certain years the growth has been in the region of about 18 to 19% per annum though in the recent past this has tapered off. This is now around 15% per annum. Obviously, as the base is growing higher, the incremental premium as a percentage of the base is coming down. If we discount for the factor of inflation, real growth in an insurance business in terms of premia increase would be averaging 8 to 9% per annum.

Insurance products are not available to all, although the need for them may be genuine. Insurers exercise selection of risks. By this, the insurer would have good lives insured so that no individual influences the insurer to prefer claims in a way against the interests of the insurer. If an insurer insures all the lives without exercising the process of selection, the insurer has no means to control the incidence of claims that result in financial instability and hardships to the other genuine policyholders. This process is known as method of underwriting. The insurer should possess the greater skills of underwriting. Even then, there will be other factors beyond the control of the insurer, such as misfortunes, nature's vagaries, wide fluctuations in assumptions in the rates, and the government's policies, and there could be financial losses. This effect can be minimised by means of reinsurance arrangements with a reinsurer. Reinsurance plays an important role in the matter of selection or risks, and also in other areas, which affect the functioning of the insurer.

To my mind, insurance business is broadly classifiable into three significant areas. The first and the foremost will be the business generation mode where the companies engage themselves in the selling of policies and collection of premiums. The second or the intermediate stage would be that of the maintenance efforts to see that the companies retain the business that has been developed and service the clients. The third and the final stage would be where the companies pay out claims. If one were careful to look into the organisational efforts that go into each of these areas, one can easily ascertain the effectiveness of the organisation. To any intelligent reckoning the middle sector namely the maintenance mode must be very lean and efficient.

The experience all over the world is that the insurance companies do take care of the selling aspect of policies where they deploy their best personnel and keep their maintenance organisation lean to care for the claim settlement process to such an extent that the entire goodwill is built on the management practices that are put to use in that area. However, if one were to look into the Indian situation, one might get an impression that it is the middle mode which is fairly large. We seek to have too many people looking after the maintenance and not many doing either the sales or the claim settlement portion to the extent desired. One reason for this is lesser dependence on technology as a support system. Indian institutions do tend to get a bit bloated and State owned insurance industry is not very different. Is this the reason for the general public perception that Indian insurance industry does not offer utmost care for the insuring public? It remains to be stated that insurance is a service oriented industry and exists for the welfare and needs of the customer. After all it exists for and stands by the customer. The concern for the customer has to be reflected in the industry's performance. That does not seem to be totally fulfilled in the Indian setting where the customer may not get a cover which he needs or even if he is extended a coverage, the small print could be utilised to contest the claims that arise for payment. We seem to specialise in legal interpretations and quibblings.

It may be claimed by reference to statistics as part of annual documentation issued by the insurance companies that the level of compliance in the fields of: issue of documents, settlement of claims, etc. has reached an all time high and therefore my misgivings referred to earlier are not valid and true. Figures speak of the truth only to a limited extent. It is what the ground level realities exhibit and the perception in the general mind that determines the goodwill or the efficiency of a service organisation. There are innumerable complaints which come about the non-issue of policy and notices, for payment of premium, non-receipt of policy documents, non-issue of claim forms and more than everything the non-payment of claims promptly. One should remember that a person insures his property against risks only to enable him to recover his loss when the contingency arises to refinance his capital investment to see to it that he restarts in his business with the least possible delay. We have had so many covers that have been designed but we seem to lack that planning and foresight in the matter of extension of a cover which prevents a delay in the settlement of a claim. There does not seem to be a consistency in our approach as professional insurers nor there is a transparency which will enable the public to accept what we say is the truth.

In addition, we have a number of people engaged in support services like surveyors, management consultants, claims consultants, information technology people, investment advisers and not to be forgotten a large paraphernalia of garages - motor mechanics and others who seem to be more part of the insurance industry than any other thing. It is thus seen that the industry is not only responsible for direct employment but generates a number of satellite occupations which continue to hold importance in the employment potential of this country. With all these, the turn out seems to be a little undistinguished. The reasons may not be very difficult to identify. Probably we are still hamstrung by adoption of several and low level work culture practices and we have not fully modernised our work areas. Secondly we seem to be giving more importance to adherence to formalities and procedures than we are interested in the end product and thirdly we seem to revel in "small print" and see to it that the customer regrets taking an insurance cover. There is an urgent need to develop sensitiveness to customer and his services. Unless there is going to be a sea change in the attitude of all the people concerned with the industry, it may be difficult to bring about substantial improvement in work culture and approach. It should also be realised that when we move into the second millennium, we should adopt current practices relevant to the situation. Servicing a customer must be prompt and to that end we must modernise our system of working - not the front office or the back office alone but the entire system. There must be a de-layering of administration which has kept the customers from being served promptly. The colonial practice of distrusting the native customer must be given up and a trust between the organisation and those it seeks to serve for after all the organisation must be for customers and not the other way. Let us bring back to practice the backneyed economic term that 'customer is the king'. It will be very pertinent to recall the words of the Father of Nation uttered 109 years ago.

"A customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption on our work. He is the purpose of it. He is not an outsider on our premises. He is the part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us the opportunity to do so" - Mahatma Gandhi in Johannesburg, South Africa in 1890.

If such views were appropriate then, how relevant they are today, when we have a society which is customer-focussed, cannot be emphasised.

The basic bedrock on which consumer satisfaction is being decided all over the world including India is the availability of choice, choice to the extent that the consumer has an alternative to fall back on. The claim to choice is made not because of the apparent inefficiency or the unpreparedness of the existing insurance organisations but only to see to it that a benchmark exists on which actual performance is judged. A choice also encourages healthy competition amongst the different players in the same field. With competition comes the urge to innovate and with competition also comes the urge to move forward. Both these urges combine themselves into a concept of purpose which takes service to higher levels resulting in the consumer getting service at a reasonably competitive price. If we look into the Indian insurance sector today, we do not have a competition in either the general or in the life area. When the life insurance industry was nationalised, the Government thought that one monolithical organisation with branches should be in a position to take care of the entire country and the needs of its citizens. Possibly in the thought process were the beliefs that a single organisation will have a uniform culture and work ethics which will extend uniformly to the entire consumer citizenry and that culture would enable a healthy growth of the practices in the industry. When the general insurance industry was nationalised in 1971, the different companies carrying on this business till then were merged into four subsidiary companies of a holding company, all of them held totally by the Government. To my mind the existence of four non-life insurers has not imparted into the system any significant choice or competition. Apart from common ownership, the four subsidiaries of the GIC, follow the same work norms, are staffed by the same people with the same ambition, commitment and work ethics. With the result that except for a change in the insurer's name, the customer has to meet a uniform treatment - of indifference and absence of a choice. This system therefore is no different from a monolith with the result that over a period of time, the development has become stagnant. If we do not have a runner who is always at your heels, we lag and act listlessly. The situation has reduced itself to one-horse race.

A question, which is often raised but not answered by many people, is the state of a market. It has been said very often that the existing insurance companies in this country have done a good job, that coverage has been total and the market saturation is complete. For those who are interested in statistics I give in the appendix-I of this lecture a study of insurance industry in countries around us. The fact remains that today we are one of the poorly served nations in regard to personal insurance and property coverage. The market is not a static one. Admittedly, the Life Insurance Corporation and its sister organisation the General Insurance Corporation have taken steps to spread the cause of insurance. They have a large number of people working for them in various nooks and corners of this country dealing with policies. But that does not ensure that the market is fully covered.

The mere absence of a second person to pose a challenge does not give a healthy tone to the system. It is this fact probably which compelled the Malhotra Committee to suggest the broadening of the Indian insurance sector. Obviously the Committee had been guided by some market surveys which had been conducted on its behalf. The general perception seems to be that there could be more than one player in the arena. The character of that player is to be decided by a careful examination of the various alternatives available.

Under nationalised functioning, there have been significant developments. The geographical coverage of the insurance companies has made tremendous progress and possibly is next only to the branch network of the State Bank of India. The nooks and corners of this country are populated by insurance offices. A large number of surveyors and agents act as selling agents and loss settlement agencies of the insured public. But the presence of all of them, has not enabled the growth of the market to the extent it is felt desirable nor has it encouraged the spread of insurance education. For a country which is claimed to have the fifth largest economy in the world, the cover that its citizens have in regard to property and life is next to nothing. The figures : only 18% of the population is covered with insurance and around 2% of GDP is total premium income from insurance business would clearly establish the position that the insurance penetration of this country is the lowest in the South East Asian region. We seem to be competing with countries like Myanmar and Bangladesh in this area. Insurance is a multi dimensional philosophy to take care the investment and security needs of its citizens. If this role has to be appreciated then there has to be a phenomenal growth in the covers that are to be extended and the policies that have to be sold. Obviously such a market would ask for a number of players to be present. The present state players are not found to be inefficient just because the new players have to be inducted. There is perhaps an inadequacy or void which remains to be filled.

What are the likely results of the broadening of the market? Will they only add to the number of players who are out to profiteering or will the addition make any qualitative improvement to the situation? Going by experience of our neighbours, I perceive the following to be the sprinkler effect of new players being added to the industry:

**Increased Insurance Coverage:** Insurance reforms will lead to deeper and wider insurance coverage providing social security to the hundreds of millions of additional people.

International experience with liberalisation of insurance sector indicates a tremendous possibility of spurt in business. In Korea, Taiwan and Sri Lanka within 3-8 years of opening up, insurance business grew by three times the rate of GDP at a compounded growth rate of around 18%.

Liberalisation invariably has resulted in higher premium income as a percentage of GDP and thereby expanding the market for insurance. Life Premium income as a percentage of GDP is low at 0.5% in India as compared to 0.9% in Thailand, 1.5% in Taiwan, 2.6% in Korea, 3.3% in Australia.

**Increased Pension Coverage:** The pension schemes in most of the developed countries are voluntary with notable exceptions of countries like Switzerland, Australia, France, Chile and Singapore. Even though pension systems in developed countries are voluntary, these countries have built huge pension funds which have contributed to high domestic savings, infrastructure development, adequacy of social security after retirement and development of capital markets.

| Country | Assets of Pension Funds ($bn.) | Pension Funds as a % of GDP | Coverage(%) | Nature of Pension Plan |
|---|---|---|---|---|
| USA | 2915 | 43 | 46 | Voluntary |
| UK | 643 | 55 | 50 (Company)<br>25 (Personal) | Voluntary |
| Germany | 59 | 3 | 42 | Voluntary |
| Japan | 182 | 5 | 50 | Voluntary |
| Canada | 187 | 28 | 41 | Voluntary |
| Netherlands | 145 | 77 | 83 | Voluntary |
| Sweden | 87 | 28 | 90 | ATP Compulsory<br>ITP Voluntary |
| Denmark | 22 | 15 | 50 | Voluntary |
| Switzerland | 173 | 69 | 90 | Compulsory |
| Australia | 62 | 19 | 92 | Compulsory |
| France | 22 | 2 | 100 | Compulsory |
| Chile | 15 | 35 | 100 | Compulsory |
| Singapore | 60 | 13.8 | 100 | Compulsory |

The following table clearly indicates the insufficiency of Indian pension funds to act as a cushion for social security of the old. India has the highest number of people above 60 years of age among the 14 countries in the World Development Indicators table appended below but its pension assets per person rank last in the study. The main reason being the coverage of pension plan in India covers only 8% of the working population.

| Country | Population of aged 60 and above (mn.) | Assets of Pension Funds ($bn.) | Pension Fund per an old individual ($'000) |
|---|---|---|---|
| (1) | (2) | (3) | (4) |
| USA | 42.08 | 2915 | 69.27 |
| UK | 9.44 | 643 | 68.11 |
| Germany | 16.40 | 59 | 3.59 |

| (1) | (2) | (3) | (4) |
|---|---|---|---|
| Japan | 25.00 | 182 | 7.28 |
| Canada | 4.80 | 187 | 38.96 |
| Netherlands | 2.70 | 145 | 53.7 |
| Sweden | 1.98 | 87 | 43.94 |
| Denmark | 0.95 | 22 | 23.16 |
| Switzerland | 1.40 | 173 | 123.57 |
| Australia | 2.70 | 62 | 22.96 |
| France | 11.60 | 22 | 1.89 |
| Chile | 12.60 | 15 | 1.19 |
| Singapore | 2.70 | 60 | 22.22 |
| India | 74.32 | 35 | 0.47 |

We need to build a new culture of planning and saving for old age retirement needs, particularly due to dilution in our joint family system. Pension has been a focus area for foreign insurance companies.

**Increased Consumer Focus:** Competition will give Indian consumer a choice when he is considering purchasing an insurance or pension product or service.

Increased consumer focus will translate into :

— New and innovative products

— Wider choice of prices

— Quality service to consumers

**Increased employment:** There are no precise estimates of increased employment due to reform in the insurance sector but the experience in Asian countries would indicate substantial direct employment growth. For example in Malaysia, employment increased from 14500 in 1992 to 19500 in 1996. While in Thailand it rose from 22000 in 1992 to 34000 in 1996. Assuming a 25% growth in employment opportunities in the insurance sector, we should expect an additional 2 lakh jobs in next five years.

There would be substantial indirect employment growth particularly because of foreign company participation. We expect the foreign insurance company to find India a very favourable candidate for worldwide insurance claims processing, call centres, back office operations and software development. A recent NASSOM study indicates a potential of about 1 million jobs for these services in next ten years.

Assuming a 1.5 correlation between direct new jobs and related indirect jobs, over 1 million jobs should be created in next five years due to insurance reforms and new insurance company participation in India.

**Improved Intermediation Services:** Currently life insurance in India is largely driven by tax incentives and sold on the basis of personal relationships. No doubt these factors will continue to be key elements in the consumer decision making process but reforms, particularly the participation by new insurance companies will being advice driven assessment of insurers need. The training and technology will improve the overall quality of intermediation and enhance professionalism among the 600,000 intermediaries. Increased insurance business will obviously mean higher earning potential for the intermediaries.

**Best Global Management Practices and Technology:** Insurance is about managing other people's money. It is about developing skills to assess long-term risks and asset liability matching. These are serious issues and require knowledge and experience that can only be gained over a period of time. It cannot be brought across the table.

Currently, GIC remits as much as 16% of their premiums offshore as reinsurance. This creates a drain on forex reserves and is essentially an export of capital in what is already a starved economy. The entry of new insurance companies into the Indian market will help to stem the tide of the outflow and develop the indigenous capacity and strength of Indian market. For there will be sufficient players within India amongst whom the risks can be spread.

**Long-term investment capital in India:** In a capital-starved economy like ours, long-term capital is an issue. The fact is that the new insurance companies will need to be capitalised at Rs. 100 crores as per the Malhotra Committee's recommendations. As the business grows, these companies will have to be prepared to invest additional Rs. 100 crores or more to comply with the solvency requirements. An additional fact is that all the new entrants must be prepared to bear operational losses for the first five to seven years.

**Long-term savings for the economy :** The long-term savings generated will be a big gain for the Indian economy catalysing additional funds for the infrastructure investment. Insurance companies will also bring long-term capital to the market, which will add to the depth and breadth of our financial markets. We also believe that it will bring in long-term investors in the primary and secondary markets, and add to the market stability.

**Fears and apprehensions :** *Impact on existing operators —* They will become more efficient in terms of operational costs. It will make them more efficient from the consumer's perspective, in terms of their products and in terms of their customer service attitudes. In the changing economy where customers have different needs, and those needs are developing quite rapidly, competition is necessary to encourage LIC and GIC to make the changes, which are necessary for the market for the new millennium.

Wherever markets have been opened up, allowing free participation of players, foreign companies have cornered only 10-15% of the domestic insurance business. Bulk of the business remains with the domestic companies.

All over the world insurance has been considered to be an important subject. There are countries which engage free setting up of companies and selling of policies. There are others which require policies to be sold only after approval by the Government or the regulator. All said and done, there is a recognition that insurance is an important area which requires support and moderation to the extent that it encourages the growth of savings, the channeling of insurance monies into areas of great national importance. As far as the Indian insurance industry is concerned, its importance can be gauged by the fact that the annual amount of investible funds of the Life Insurance Corporation and General Insurance Corporation and its subsidiaries amounted to over Rs. 20,000 crores and Rs. 10,000, crores respectively. These funds are invested in different schemes and the spread of these investments is given in Appendix-II.

It will be thus seen that a major part of the investments of these two sectors has gone into nation building activities like housing and other infrastructural areas. All these have been achieved due to the policy of directed investment which the Government of India has been following. Even in countries which have adopted total capitalist notions of economy, there exists a regulation by which investment by insurance companies of their long term funds in Government and Government aided projects is required to be made. Possibly, the difference between the Indian scenario and one outside India may be one of percentage of directed investment that is required to be done.

If the requirements for large scale funds for the development of the Indian infrastructure industry is to be cared for, such investments have necessarily to come from the insurance areas. I have already indicated at the beginning of the speech how such large accrual of funds from the life and the pension sectors. The presence of more than one insurer would encourage the garnering of resources at a faster pace than is done now and will surely add to the availability of resources. This is one prime consideration which might be considered as justifying the demand for the opening of the insurance sector in this country.

I started by saying that there has been some criticism on the establishment of the Insurance Regulatory Authority. It has been expressed that there was no need for a regulator. Whatever be the type of the economy that one contends with, whether it is a fully controlled economy or a fully market driven economy, regulation is a necessity. Even in a free market economy where the players are left to function in the manner they want, where freedom is assurd to each one of those players, there is a need for regulations. Unless there is a regulation there will be chaos all over. This feature will be all the more in a market which handles large public funds. The regulator has to take note of the fact that a contract issued by an insurance company is based on faith, total faith of a member of the public in the insurance company in the areas of settlement of a claim when it becomes due, the survival or the existence or the continuance of the insurance company for a longer period than the term of his policy etc. is vital. For example, if a person enters into a pension agreement with an insurance company, he not only has to be assured of existence of the company during the period of collection of premium but has to be assured of the continued presence of the company and its survival during the pay out stage. Suppose a pension contract in the premia stage is spread over 20 years, the pay out stage that follows shall carry a reasonable assurance that the insurer exists for a period of 50 years or so. During these 50 years, there must be a management which is not only responsible but responsive, its policies must be open to public gaze and scrutiny, its annual performance must be monitored and more than these its policies sold in the market meet the requirements of the community and are viable, safe and sound. They will be so, so long as their investments are properly made and are properly directed in channels which will serve the public benefit. This is where a regulator comes into play. I shall deal now with my perceptions of a regulator's role in the insurance industry.

Fears have been expressed in many quarters that insurance is such a delicate subject that any misapplication of mind or mismanagement of companies could lead to total financial loss and disaster. It will not only lead to disaster of the companies but to the total ruin of the economy of the country as a whole and also of the millions of customers which the insurance companies cater. Life time savings would be lost and people who had hoped for a prosperous future based on the promises of the insurance companies would have to run from pillar to post to secure themselves against vagaries of the future. It is not without this recognition that all over the world the industry is regulated. Even in this country the Insurance Act of 1938 contains within itself various provisions which are relevant for the safe and sound management of an insurance company. Apart from prescriptions of various rules to see to it that an insurance company is adequately capitalised, there are provisions which prevent any group of persons from taking hold of the management of insurance company, there are provisions which are sacrosanct, which require an insurance company to keep a deposit which is not part of its working capital. There are requirements that at all times, the insurance companies must maintain their solvency; there are provisions which prescribe for an insurance company to be properly monitored. There is also an indication that before a new product is introduced in the market, the regulator need to be approached along with a certificate from an actuary that the premiums are adequate. Wholesome provisions which takes care of the interests of the policy holders in cases where unfortunately the companies run into problems and have to be wound up also exist. The primary concern of the State is to ensure that the functioning of insurers are guided and controlled from their establishment to their liquidation, guiding the industry to run on proper lines with a view to protecting the interests of the policy holders forming the backbone of the industry. These are the salient features of the control on the industry by the State which acts as the regulator. Some of these had fallen by the wayside when in this country, the industry was nationalised. Some of them had to be decentralised and given to very companies whose activities were to be supervised. A slight change has now taken place with the restoration of some of these powers to the Chairman of the Insurance Regulatory Authority who is also the Controller of Insurance to enable him to discharge the primary regulatory powers and to ensure that the companies function on proper and scientific management lines.

Such powers and regulation exist with regulators all over the world. In fact many of the complaints that one often hears about companies defaulting in paying the policy holders' claims as and when they arise and fall due and various bad business practices that have left policy holders' interest high and dry, all these occur when the control and the monitoring of the insurance companies had been lax and far from efficient. As in any other areas, even in insurance regulation, people and Government have come to learn slowly but surely that with every such knock, there has been more and more educated and purposeful steps taken vigorously to see that the regulation is adequately tightened. Apart from the fact that the countries have their own regulatory mechanism to ensure that their interests as well as the interests of the various stake-holders are fully guarded, we are moving towards an internationalisation of regulations as in the banking sector where international practices are slowly coming to be recognised as necessary for an efficient and orderly growth of business; so in insurance sector there has been a recognition that there must be an international body to take care of the development and health of the insurance sector. The move for having such a body came out of a variety of circumstances which compelled the different State Regulators in the United States of America to form the National Association of Insurance Commissioners to lay down at least some broad common points for adoption by the different State Commissioners. Out of NAIC, grew the International Association of Insurance Supervisors, whose headquarters today are in Basle in Switzerland. This organisation draws for its strength and sustenance from the cooperation of the Bank of International Settlements and IOCS. More than 100 regulators of insurance industry are members of this Association. India also is one of them. The broad principles of this organisation are to see to it that there is a recognition of the fact that insurance is an international subject, that it requires to be monitored properly to ensure its healthy growth and in the process of regulation, there is a standard settling mechanism. International standards are being evolved for practice. Many of these standards are in those areas to which I had already referred to earlier - namely, control over registration, management through fit and proper persons to be employed, pricing of products to be done on scientific lines, solvency margins to be maintained and more than everything the effective settlement of claims of consumers. This, therefore, is a very welcome development in that we have an organisation of which almost all the regulators of the insurance companies in the world are members, which is set to follow uniform patterns of monitoring and control to ensure that the industry develops on very strong lines. I had already mentioned somewhere that insurance is an international concept and that concept will work its way through international supervision based on international standards. This should put to rest some of the doubts that have been expressed by people in this country consequent on the introduction of the IRA Bill in

Parliament that the regulator would not act in the best interest of the industry. You would see from the Bill, that it gives the powers to the Insurance Regulatory Authority in all those areas on which the present Controller has supervisory and regulatory powers. To mention some of these areas: registration of new insurers, on site and off site supervision, powers to prescribe solvency margins and the powers to regulate the functioning of these companies in determining of rates of premiums and finally to see to it that the insurance companies follow such practices and principles as are consumer-friendly. These are the foundations on which the regulator would raise his powers and obligations to the insurance industry. I am very confident that as the regulation takes shape in the manner in which it is expected to under the proposed Bill, the industry would have nothing to complain. There will not be any confrontation but there will be a guide which the insurance companies will find in the regulator - a friend who will caution them against bad practices, who will put them on notice that what they are doing would not be in the interests of the insuring public. This possibly is something which the insurance industry would not like to deny the regulator. The healthy growth of the market in India will call for not only the establishment of healthy precedents amongst the insurers but a recognition on the part of the consumers of their obligations and rights. This would necessarily call for a sustained education campaign making the consumer aware of his liabilities and also rights under insurance contracts. Who is going to do this - the State, the regulator or the insurers themselves? Though we have tailor made policies brought into existence to meet the demands and requirements of special consumers, it may not be denied that most of the insuring public require a standard policy and a policy which covers their basic requirements. Such policies are easy to innovate and standardise with those insurance companies as well as the insuring public fully aware of their respective rights and obligations. Such a clarity should help the parties to avoid getting into controversies and interpretation of clauses and "small print" if only a campaign were to be mounted to educate people of their rights and claims. The Regulatory Authority will not mind putting in its efforts in this direction. I had mentioned this earlier in one of the meetings in Mumbai that we at the Authority would consider it part of our duties to bring out a glossary of words used in the insurance contract and what their exact meanings would be. Though I promised this to be done fairly quickly, there have been some roadblocks in this endeavour and we are still on the job and hope to bring out this publication no sooner than we are established under a Statute. The second most important thing would be to see to it that there is an effective mechanism to take care of public grievances. An important step in this direction has already been taken by the establishment of an Insurance Ombudsman. Though the scope of the Ombudsman would be restricted for the present to deal wih personal life insurance claims, I feel that for a start this is something which would bring some relief to the consumers.

The industry has to progess harmoniously. The industry does not live for itself alone. It has to be part of a national set-up. It has also to encourage and nurture the various fraternal organisations with which it is linked. We have, therefore, appreciated the necessity for the growth of an integrated insurance market. I had already mentioned that the industry is served by a large number of professionals. First, let us consider the role of agents and surveyors. We have taken upon ourselves to see to it that the agents are professionalised; we also would prescribe a set of regulations that would make the agents to be accountable. They will be accountable to thier companies, namely, the insurers and they would be accountable to the public, namely, the insured citizens. We had also found it necessary that the set up of surveyors which exists today in a very loose and unorganised manner gets converted into a self-regulating professional body. We have, therefore, sent to the Government a bill which would lead to the establishment of an Institute of Surveyors and Loss Assessors. We have also sponsored a bill for the establishment of an Institute of Chartered Actuaries of India. It will take care of this profession, which is otherwise languishing. If the pricing of a product is to be made properly, if consumers were to gain the confidence that product-pricing has been done on scientific lines, if regulators are to trust the professional capability of an actuary in reaching a conclusion about the solvency or otherwise of an insurance company, the actuary must have a recognised role of play in the sector. It is for this reason that we would encourage the establishment of the Institute. We have also proposals to see that loss minimisation and loss reduction measures are taken to their logical conclusion. It is all right for risk to be covered. The insured pays a premium and the insurance companies receive it and extend a cover but more than that it will be necessary for us to be good risk-managers and as good insurance-men to see to it that there is a proper analysis of the risk, minimisation measures are taken so that there is no unnecessary cover being extended and to the extent possible that there should be a growth in the consciousness of men and women of the necessity to protect themselves and then seek a cover outside. All these are our plans for the future and it is hoped that once the regulator gets established on a statutory basis, the growth in the market would enable the insurance companies to consider him to be a friend in need and for the consumer to feel that a regulator will provide a stop to ventilate his grievances. It is my hope and belief that the existing Controller or the proposed regulatory will not fail to live up to those expectations.

# APPENDIX I

**Table 1**

**Total business in 1996 by continent and country**

| Country | Currency | Premiums 1996 (m.local currency) | Real growth 1995/1996 (%) | Premiums 1996[1] (USD m) | Share of world-market[1] (%) |
|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) |
| **North America** | | | | | |
| USA | USD | 652992 | 1.7 | 652992 | 31.01 |
| Canada | CAD | 49353 | -5.5 | 36196 | 1.72 |
| **Total** | | | **Ø1.3** | **689187** | **32.73** |
| **Latin America** | | | | | |
| Brazil[2] | BRE | 15112 | -0.9 | 15029 | 0.71 |
| Argentina[2] | ARS | 4866 | -4.3 | 4868 | 0.23 |
| Mexico | MXN | 31133 | -2.7 | 4097 | 0.19 |
| Chile[3] | CLP | 990957 | 9.8 | 2332 | 0.11 |
| Colombia | COP | 2000114 | 0.4 | 1929 | 0.09 |
| Venezuela | VEB | 425688 | -9.7 | 1041 | 0.05 |
| Peru | PEN | 1240 | 15.4 | 508 | 0.02 |
| Uruguay | UYU | 2872 | 13.5 | 360 | 0.02 |
| Panama | PAB | 288 | 4.8 | 288 | 0.01 |
| Ecuador | ECS | 787261 | 2.1 | 248 | 0.01 |
| Costa Rica | CRC | 45134 | 0.2 | 217 | 0.01 |
| Dom. Republic | DOP | 2954 | 0.9 | 214 | 0.01 |
| Guatemala | GTO | 950 | -11.5 | 157 | 0.01 |
| El Salvador | SVC | 1089 | -3.9 | 124 | 0.01 |
| Paraguay* | PYG | 205970 | 0.7 | 100 | 0.00 |
| Other countries* | | | | 1400 | 0.07 |
| **Total** | | | **-0.9** | **32913** | **1.56** |
| **Europe** | | | | | |
| Germany | DEM | 229016 | 1.6 | 152218 | 7.23 |
| UK[4] | GBP | 87867 | 5.8 | 137061 | 6.51 |
| France[5] | FRF | 699890 | 6.1 | 136841 | 6.50 |
| Italy | ITL | 67752863 | 3.9 | 43911 | 2.09 |
| Netherlands | NLG | 60916 | 5.4 | 36139 | 1.72 |
| Switzerland | CHF | 40778 | 7.8 | 32994 | 1.57 |
| Spain | ESP | 3825188 | 8.9 | 30200 | 1.43 |
| Belgium | BEF | 474416 | 5.4 | 15323 | 0.73 |
| Austria | ATS | 144032 | 9.5 | 13608 | 0.65 |
| Sweden | SEK | 87576 | 1.9 | 13057 | 0.62 |
| Denmark[6] | DKK | 64462 | 9.9 | 11118 | 0.53 |
| Finland | FIM | 46404 | 14.2 | 10105 | 0.48 |

| (1) | (2) | (3) | (4) | (5) | (6) |
|---|---|---|---|---|---|
| Norway | NOK | 44795 | 3.9 | 6946 | 0.33 |
| Ireland[4] | IEP | 4083 | 17.1 | 6532 | 0.31 |
| Portugal | PTE | 932789 | 15.1 | 6048 | 0.29 |
| Russia | RUR | 29056800 | -16.7 | 5671 | 0.27 |
| Luxembourg[4] | LUF | 121177 | -8.2 | 3914 | 0.19 |
| Poland | PLN | 8210 | 22.4 | 3045 | 0.14 |
| Greece | GRD | 501119 | 6.1 | 2082 | 0.10 |
| Turkey | TRL | 12866031 | 12.1 | 1558 | 0.07 |
| Czech Rep | CZK | 40032 | 9.7 | 1477 | 0.07 |
| Hungary | HUF | 152797 | 4.4 | 1001 | 0.05 |
| Slovenia | SIT | 121815 | 8.5 | 900 | 0.04 |
| Croatia | HRK | 3096 | 5.8 | 570 | 0.03 |
| Slovakia | SKK | 13786 | 21.7 | 450 | 0.02 |
| Cyprus | CYP | 168 | 11.5 | 360 | 0.02 |
| Iceland | ISJ | 13840 | -0.4 | 208 | 0.01 |
| Bulgaria | BGL | 36330 | -6.7 | 200 | 0.01 |
| Romania | ROL | 550036 | 36.7 | 178 | 0.01 |
| Ukraine* | UAH | 318 | -26.7 | 174 | 0.01 |
| Other countries* | | | | 850 | 0.04 |
| **Total** | | | **Ø4.8** | **674737** | **32.04** |
| **Asia** | | | | | |
| Japan[1] | JPY | 58524800 | -5.2 | 519589 | 24.67 |
| South Korea[7] | KRW | 51629598 | 6.5 | 62470 | 2.97 |
| Taiwan | TWD | 431389 | 10.3 | 15827 | 0.75 |
| PR China* | CNY | 80000 | 19.9 | 9622 | 0.46 |
| India[7] | INR | 233724 | 5.6 | 6584 | 0.31 |
| Hong Kong | HKD | 42016 | 1.7 | 5432 | 0.26 |
| Israel | ILS | 15818 | -5.0 | 4811 | 0.23 |
| Malaysia | MYR | 11650 | 22.8 | 4631 | 0.22 |
| Thailand[7] | THB | 116912 | 9.8 | 4586 | 0.22 |
| Singapore[4] | SGD | 6005 | 13.7 | 4259 | 0.20 |
| Indonesia | IDR | 6342181 | 9.7 | 2708 | 0.13 |
| Philippines | PHP | 32712 | 3.4 | 1248 | 0.06 |
| Saudi Arabia | SAR | 2829 | 4.9 | 755 | 0.04 |
| U.A.E.[8] | AED | 2478 | -0.4 | 675 | 0.03 |
| Pakistan | PKR | 17149 | -1.2 | 475 | 0.02 |
| Lebanon | LBP | 557847 | -0.5 | 355 | 0.02 |
| Syria | | 3268 | -2.1 | 291 | 0.01 |
| Kuwait | KWD | 59 | 1.7 | 196 | 0.01 |
| Oman | OMR | 54 | 12.1 | 140 | 0.01 |
| Qatar | QAR | 510 | -7.7 | 140 | 0.01 |
| Vietnam | VND | 1378000 | 35.3 | 125 | 0.01 |
| Jordan | JOD | 89 | 1.6 | 125 | 0.01 |
| Bahrain | BHD | 43 | 14.6 | 114 | 0.01 |
| Other countries* | | | | 1900 | 0.09 |
| **Total** | | | **Ø-3.2** | **647060** | **30.73** |

| (1) | (2) | (3) | (4) | (5) | (6) |
|---|---|---|---|---|---|
| **Africa** | | | | | |
| South Africa | ZAR | 84185 | 4.6 | 19578 | 0.93 |
| Nigeria* | NGN | 20833 | -6.7 | 947 | 0.04 |
| Morocco | MAD | 8217 | 17.7 | 943 | 0.04 |
| Egypt[9] | EGP | 1801 | -0.5 | 531 | 0.03 |
| Zimbabwe* | ZWD | 3543 | -3.4 | 354 | 0.02 |
| Tunisia | TND | 309 | 2.2 | 318 | 0.02 |
| Kenya* | KCS | 18128 | 8.4 | 317 | 0.02 |
| Algeria | DZD | 15155 | -5.9 | 277 | 0.01 |
| Libya | LYD | 80 | -21.7 | 221 | 0.01 |
| Ivory Coast | XOF | 86837 | 8.2 | 170 | 0.01 |
| Other countries* | | | | 1100 | 0.05 |
| **Total** | | | **Ø-4.1** | **24755** | **1.18** |
| **Oceania** | | | | | |
| Australia | AUD | 42315 | 12.6 | 33103 | 1.57 |
| New Zealand* | NZD | 5798 | -9.4 | 3984 | 0.19 |
| Other countries* | | | | 100 | 0.00 |
| **Total** | | | **Ø9.7** | **37187** | **1.77** |
| **World** | | | **Ø0.97** | **2105838** | **100.00** |

# APPENDIX II

## LIC :

| INVESTMENTS AS AT 31ST OF MARCH | (in Rs. Crores) | | | in Percentages | | |
|---|---|---|---|---|---|---|
| **Category of Investment** | 1996 | 1997 | 1998 | 1996 | 1997 | 1998 |
| **Investment in India** | | | | | | |
| Loans | 18085.64 | 20487.26 | 22862.03 | 26.6% | 24.9% | 23.2% |
| Stock Exchange Securities | 47086.12 | 58850.87 | 72537.00 | 69.3% | 71.6% | 73.6% |
| Special Deposits with Central Govt. | 1970.41 | 2140.41 | 2380.41 | 2.9% | 2.6% | 2.4% |
| Other Investments | 801.59 | 771.75 | 758.43 | 1.2% | 0.9% | 0.8% |
| TOTAL (with India) | 67943.76 | 82250.29 | 98537.87 | | | |
| **Investments Out of India** | | | | | | |
| Loans | 15.31 | 16.45 | 16.25 | 4.6% | 4.0% | 4.0% |
| Stock Exchange Securities | 285.66 | 367.23 | 362.41 | 86.1% | 88.5% | 88.5% |
| House Property | 30.87 | 31.2 | 31.24 | 9.3% | 7.5% | 7.6% |
| TOTAL (Out of India) | 331.84 | 414.88 | 409.4 | | | |
| **Grand Total** | **68275.60** | **82665.17** | **98947.77** | | | |

## GIC :

| Particulars | 1995-96 | | 1996-97 | |
|---|---|---|---|---|
| | Rs. in Crores | Percentage* | Rs. in Crores | Percentage* |
| 1. Investment in Central Govt. Securities | 421 | 20.6 | 433 | 22.8 |
| 2. Investment in State Govt. and other approved Securities | 185 | 9.1 | 280 | 14.1 |
| 3. Housing | 107 | 5.2 | 73 | 3.7 |
| 4. Investment in Corporate Sector Securities | 828 | 40.5 | 785 | 39.4 |
| 5. Funds in Pipeline pending investment i.e. Parked Funds | 502 | 24.6 | 419 | 20 |
| Total | 2,043 | 100 | 1,990 | 100 |

*Percentage to annual fresh accretion during the year.

## Table 3
## Life business in 1996 by continent and country

| Country | Currency | Premiums 1996 (m.local currency) | Real growth 1995/1996 (%) | Premiums 1996[1] (USD m) | Share of world-market[1] (%) |
|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) |
| **North America** | | | | | |
| USA | USD | 286463 | 5.2 | 286463 | 23.94 |
| Canada | CAD | 20442 | -10.2 | 14992 | 1.25 |
| **Total** | | | **Ø4.3** | **301455** | **25.19** |
| **Latin America** | | | | | |
| Brazil[2] | BRE | 2831 | 8.1 | 2815 | 0.24 |
| Chile[3] | CLP | 624412 | 18.5 | 1469 | 0.12 |
| Mexico | MXN | 10617 | -1.9 | 1397 | 0.12 |
| Argentina[2] | ARS | 1380 | 8.1 | 1381 | 0.12 |
| Colombia | COP | 419698 | 10.5 | 405 | 0.03 |
| Uruguay | UYU | 987 | 26.3 | 124 | 0.01 |
| Peru | PEN | 216 | 32.7 | 88 | 0.01 |
| Panama | PAB | 69 | 6.7 | 69 | 0.01 |
| El Salvador | SVC | 336 | -2.5 | 38 | 0.00 |
| Guatemala | GTQ | 192 | -3.3 | 32 | 0.00 |
| Ecuador | ECS | 87354 | 28.6 | 28 | 0.00 |
| Dominican Rep. | DOP | 332 | -22.7 | 24 | 0.00 |
| Venezuela | VEB | 8587 | -27.1 | 21 | 0.00 |
| Costa Rica | CRC | 2265 | -16.8 | 11 | 0.00 |
| Paraguay* | PYG | 10700 | 7.6 | 5 | 0.00 |
| Other countries* | | | | 450 | 0.04 |
| **Total** | | | **Ø8.3** | **8357** | **0.70** |
| **Europe** | | | | | |
| France[5] | FRF | 464438 | 9.7 | 90806 | 7.59 |
| UK[4] | GBP | 53999 | 14.3 | 84231 | 7.04 |
| Germany | DEM | 93896 | 3.6 | 62409 | 5.21 |
| Switzerland | CHF | 27158 | 11.8 | 21974 | 1.84 |
| Netherlands | NLG | 33184 | 8.0 | 19687 | 1.64 |
| Italy | ITL | 26060303 | 8.0 | 16890 | 1.41 |
| Spain | ESP | 1667893 | 17.0 | 13168 | 1.10 |
| Finland | FIM | 35642 | 19.3 | 7761 | 0.65 |
| Sweden | SEK | 48161 | 1.3 | 7180 | 0.60 |
| Belgium | BEF | 210834 | 13.4 | 6810 | 0.57 |
| Denmark[5] | DKK | 38262 | 15.6 | 6599 | 0.55 |
| Austria | ATS | 60321 | 27.1 | 5699 | 0.48 |
| Ireland[4] | IEP | 2417 | 25.9 | 3867 | 0.32 |
| Luxembourg[4] | LUF | 95313 | -12.6 | 3078 | 0.26 |
| Norway | NOK | 19523 | 2.9 | 3027 | 0.25 |
| Portugal | PTE | 441429 | 25.7 | 2862 | 0.24 |
| Russia | RUR | 7758200 | -49.1 | 1514 | 0.13 |

| (1) | (2) | (3) | (4) | (5) | (6) |
|---|---|---|---|---|---|
| Greece | GRD | 241785 | 4.8 | 1004 | 0.08 |
| Poland | PLN | 2344 | 26.9 | 869 | 0.07 |
| Czech Rep. | CZK | 10843 | 8.0 | 400 | 0.03 |
| Hungary | HUF | 48247 | 10.1 | 316 | 0.03 |
| Turkey | TRL | 18804281 | 28.1 | 231 | 0.02 |
| Cyprus | CYP | 88 | 14.9 | 188 | 0.02 |
| Slovenia | SIT | 20127 | 21.1 | 149 | 0.01 |
| Slovakia | SKK | 3545 | 31.1 | 116 | 0.01 |
| Croatia | HRK | 257 | 56.7 | 47 | 0.00 |
| Bulgaria | BGL | 7708 | -42.7 | 43 | 0.00 |
| Ukraine* | UAH | 35 | -68.2 | 19 | 0.00 |
| Romania | ROL | 53586 | 22.6 | 17 | 0.00 |
| Iceland | ISJ | 502 | -3.1 | 8 | 0.00 |
| Other countries* | | | | 250 | 0.02 |
| **Total** | | | **Ø8.9** | **361220** | **30.18** |
| **Asia** | | | | | |
| Japan[7] | JPY | 45837000 | -7.3 | 406946 | 34.00 |
| South Korea[7] | KRW | 39035298 | 3.3 | 47232 | 3.95 |
| Taiwan | TWD | 299652 | -13.2 | 10994 | 0.92 |
| India[7] | INR | 163514 | 5.4 | 4606 | 0.38 |
| PR China* | CNY | 33000 | 56.7 | 3969 | 0.33 |
| Hong Kong | HKD | 27661 | 10.4 | 3576 | 0.30 |
| Singapore[4] | SGD | 4190 | 18.1 | 2972 | 0.25 |
| Israel | ILS | 8064 | -3.7 | 2452 | 0.20 |
| Thailand[7] | THB | 55727 | 9.9 | 2186 | 0.18 |
| Malaysia | MYR | 5209 | 11.2 | 2071 | 0.17 |
| Indonesia | IDR | 2694118 | 23.1 | 1150 | 0.10 |
| Philippines | PHP | 14736 | 8.5 | 562 | 0.05 |
| Pakistan | PKR | 7658 | -2.8 | 212 | 0.02 |
| U.A.E.[8] | AED | 351 | 10.8 | 95 | 0.01 |
| Lebanon | LBP | 102141 | -4.2 | 65 | 0.01 |
| Jordan | JOD | 25 | 46.7 | 35 | 0.00 |
| Saudi Arabia | SAR | 115 | 14,8 | 31 | 0.00 |
| Kuwait | KWD | 8 | -0.5 | 25 | 0.00 |
| Oman | OMR | 9 | 11.9 | 22 | 0.00 |
| Bahrain | BHD | 7 | 20.2 | 19 | 0.00 |
| Syria | | 24 | -4.5 | 2 | 0.00 |
| Qatar | QAR | 0 | 0.0 | 0 | 0.00 |
| Vietnam | VND | 0 | 0.0 | 0 | 0.00 |
| Other countries* | | | | 300 | 0.03 |
| **Total** | | | **Ø-5.4** | **489523** | **40.90** |
| **Africa** | | | | | |
| South Africa | ZAR | 66354 | 2.8 | 15431 | 1.29 |
| Morocco | MAD | 1628 | 8.0 | 187 | 0.02 |
| Zimbabwe* | ZWD | 1655 | -1.2 | 165 | 0.01 |
| Egypt[9] | EGP | 352 | -0.4 | 104 | 0.01 |
| Nigeria* | NGN | 2055 | 32.6 | 93 | 0.01 |
| Kenya* | KCS | 3306 | 1.9 | 58 | 0.00 |

| (1) | (2) | (3) | (4) | (5) | (6) |
|---|---|---|---|---|---|
| Ivory Coast | XOF | 21170 | 15.6 | 41 | 0.00 |
| Tunisia | TND | 22 | 6.2 | 23 | 0.00 |
| Algeria | DZD | 610 | -8.7 | 11 | 0.00 |
| Libya | LYD | 4 | -27.9 | 11 | 0.00 |
| Other countries* | | | | 350 | 0.03 |
| **Total** | | | **Ø2.9** | **16475** | **1.38** |
| **Oceania** | | | | | |
| Australia | AUD | 23701 | 16.6 | 18541 | 1.55 |
| New Zealand* | NZD | 1622 | -31.5 | 1114 | 0.09 |
| Other countries* | | | | 50 | 0.00 |
| **Total** | | | **Ø12.1** | **19705** | **1.65** |
| **World Total** | | | **Ø1.3** | **1196736** | **100.00** |

**Table 4**
**Insurance density : premiums per capita (in USD)**

| | Ranking | Country | Total business | Non-Life | Life |
|---|---|---|---|---|---|
| **North America** | 3 | USA | 2460 | 1381 | 1079 |
| | 19 | Canada | 1210 | 709 | 501 |
| **Latin America** | 36 | Chile | 161 | 59 | 102 |
| | 38 | Argentina | 138 | 99 | 39 |
| | 41 | Uruguay | 113 | 74 | 39 |
| | 43 | Panama | 108 | 82 | 26 |
| | 45 | Brazil | 95 | 77 | 18 |
| | 49 | Costa Rica | 64 | 61 | 3 |
| | 51 | Colombia | 49 | 39 | 10 |
| | 52 | Venezuela | 47 | 46 | 1 |
| | 53 | Mexico | 42 | 28 | 14 |
| | 61 | Dominican Republic | 27 | 24 | 3 |
| | 65 | Peru | 21 | 17 | 4 |
| | 66 | El Salvador | 21 | 15 | 6 |
| | 64 | Ecuador | 21 | 19 | 2 |
| | 67 | Paraguay | 20 | 19 | 1 |
| | 71 | Guatemala | 14 | 11 | 3 |
| **Europe** | 1 | Switzerland | 4663 | 1557 | 3106 |
| | 4 | France | 2349 | 790 | 1559 |
| | 5 | Netherlands | 2328 | 1060 | 1268 |
| | 6 | Denmark | 2114 | 859 | 1255 |
| | 7 | UK[10] | 2110 | 677 | 1433 |
| | 8 | Finland | 1972 | 457 | 1515 |
| | 9 | Germany | 1858 | 1097 | 762 |
| | 11 | Luxembourg[10] | 1780 | 1194 | 586 |
| | 12 | Austria | 1688 | 981 | 707 |
| | 13 | Norway | 1584 | 894 | 690 |
| | 14 | Ireland10 | 1519 | 615 | 904 |

| | Ranking | Country | Total business | Non-Life | Life |
|---|---|---|---|---|---|
| | 15 | Belgium | 1507 | 837 | 670 |
| | 16 | Sweden | 1477 | 665 | 812 |
| | 23 | Iceland | 772 | 744 | 28 |
| | 24 | Spain | 769 | 434 | 335 |
| | 25 | Italy | 765 | 471 | 294 |
| | 27 | Portugal | 609 | 321 | 288 |
| | 28 | Cyprus | 479 | 228 | 251 |
| | 30 | Slovenia | 452 | 377 | 75 |
| | 34 | Greace | 199 | 103 | 96 |
| | 37 | Czech Rep. | 143 | 104 | 39 |
| | 39 | Croatia | 127 | 116 | 11 |
| | 44 | Hungary | 98 | 67 | 31 |
| | 46 | Slovakia | 83 | 62 | 21 |
| | 47 | Poland | 79 | 56 | 23 |
| | 56 | Russia | 38 | 28 | 10 |
| | 62 | Turkey | 25 | 21 | 4 |
| | 63 | Bulgaria | 24 | 19 | 5 |
| | 77 | Romania | 8 | 7 | 1 |
| | 81 | Ukraine | 3 | 3 | 0 |
| **Asia** | 2 | Japan | 4132 | 896 | 3236 |
| | 17 | South Korea | 1372 | 335 | 1037 |
| | 18 | Singapore[10] | 1355 | 377 | 978 |
| | 21 | Hong Kong | 861 | 294 | 567 |
| | 22 | Israel | 845 | 414 | 431 |
| | 26 | Taiwan | 740 | 226 | 514 |
| | 31 | United Arab Emirates | 276 | 237 | 39 |
| | 32 | Qatar | 242 | 242 | 0 |
| | 33 | Malaysia | 219 | 121 | 98 |
| | 35 | Bahrain | 181 | 150 | 31 |
| | 40 | Lebanon | 115 | 94 | 21 |
| | 42 | Kuwait | 112 | 98 | 14 |
| | 48 | Thailand | 76 | 40 | 36 |
| | 50 | Oman | 63 | 53 | 10 |
| | 54 | Saudi Arabia | 41 | 39 | 2 |
| | 60 | Jordan | 28 | 20 | 8 |
| | 68 | Syria | 19 | 19 | 0 |
| | 69 | Philippines | 17 | 10 | 7 |
| | 70 | Indonesia | 14 | 8 | 6 |
| | 78 | PR China | 8 | 5 | 3 |
| | 79 | India | 7 | 2 | 5 |
| | 80 | Pakistan | 4 | 2 | 2 |
| | 82 | Vietnam | 2 | 2 | 0 |
| **Africa** | 29 | South Africa | 466 | 99 | 367 |
| | 55 | Libya | 39 | 37 | 2 |
| | 57 | Morocco | 34 | 27 | 7 |
| | 58 | Tunisia | 34 | 32 | 2 |
| | 59 | Zimbabwe | 30 | 16 | 14 |

| | Ranking | Country | Total business | Non-Life | Life |
|---|---|---|---|---|---|
| | 72 | Ivory Coast | 11 | 9 | 2 |
| | 73 | Kenya | 10 | 8 | 2 |
| | 74 | Egypt | 9 | 7 | 2 |
| | 75 | Algeria | 9 | 9 | 0 |
| | 76 | Nigeria | 8 | 7 | 1 |
| **Oceania** | 10 | Australia | 1805 | 794 | 1011 |
| | 20 | New Zealand | 1092 | 787 | 305 |

**Table 5**
**Insurance penetration: premiums as share of GDP (%)**

| | Ranking | Country | Total business | Non-Life | Life |
|---|---|---|---|---|---|
| **North America** | 8 | USA | 8.55 | 4.80 | 3.75 |
| | 15 | Canada | 6.02 | 3.52 | 2.50 |
| **Latin America** | 32 | Panama | 3.55 | 2.70 | 0.85 |
| | 35 | Chile | 3.34 | 1.23 | 2.11 |
| | 42 | Costa Rice | 2.41 | 2.28 | 0.13 |
| | 46 | Colombia | 2.23 | 1.77 | 0.46 |
| | 49 | Brazil | 2.01 | 1.63 | 0.38 |
| | 50 | Uruguay | 1.90 | 1.25 | 0.65 |
| | 55 | Argentina | 1.64 | 1.17 | 0.47 |
| | 57 | Dominican Republic | 1.63 | 1.45 | 0.18 |
| | 59 | Venezuela | 1.52 | 1.49 | 0.03 |
| | 62 | Ecuador | 1.37 | 1.22 | 0.15 |
| | 64 | Mexico | 1.22 | 0.81 | 0.41 |
| | 66 | El Salvador | 1.19 | 0.82 | 0.37 |
| | 68 | Paraguay | 1.03 | 0.98 | 0.05 |
| | 69 | Guatemala | 0.99 | 0.79 | 0.20 |
| | 72 | Peru | 0.83 | 0.68 | 0.15 |
| **Europe** | 4 | Switzerland | 11.22 | 3.75 | 7.47 |
| | 5 | UK[10] | 10.71 | 3.44 | 7.27 |
| | 6 | Netherlands | 9.12 | 4.15 | 4.97 |
| | 7 | France | 8.89 | 2.99 | 5.90 |
| | 10 | Finland | 8.07 | 1.87 | 6.20 |
| | 11 | Ireland[10] | 8.06 | 3.27 | 4.79 |
| | 12 | Germany | 6.47 | 3.82 | 2.65 |
| | 13 | Denmark | 6.36 | 2.59 | 3.77 |
| | 16 | Austria | 6.00 | 3.49 | 2.51 |
| | 18 | Belgium | 5.71 | 3.17 | 2.54 |
| | 19 | Portugal | 5.64 | 2.97 | 2.67 |
| | 21 | Spain | 5.20 | 2.93 | 2.27 |
| | 22 | Sweden | 5.19 | 2.34 | 2.85 |
| | 24 | Slovenia | 4.85 | 4.05 | 0.80 |
| | 25 | Norway | 4.40 | 2.48 | 1.92 |
| | 27 | Luxembourg[10] | 4.28 | 2.87 | 1.41 |
| | 29 | Cyprus | 4.05 | 1.93 | 2.12 |

| | Ranking | Country | Total business | Non-Life | Life |
|---|---|---|---|---|---|
| | 30 | Italy | 3.62 | 2.23 | 1.39 |
| | 37 | Croatia | 2.99 | 2.74 | 0.25 |
| | 38 | Iceland | 2.85 | 2.74 | 0.11 |
| | 39 | Czech Rep. | 2.83 | 2.06 | 0.77 |
| | 43 | Slovakia | 2.37 | 1.76 | 0.61 |
| | 45 | Hungary | 2.26 | 1.55 | 0.71 |
| | 44 | Poland | 2.26 | 1.62 | 0.64 |
| | 47 | Bulgaria | 2.19 | 1.72 | 0.47 |
| | 54 | Greece | 1.69 | 0.87 | 0.82 |
| | 63 | Russia | 1.29 | 0.95 | 0.34 |
| | 71 | Turkey | 0.89 | 0.75 | 0.14 |
| | 79 | Romania | 0.50 | 0.45 | 0.05 |
| | 81 | Ukraine | 0.39 | 0.35 | 0.04 |
| **Asia** | 2 | South Korea | 13.24 | 3.23 | 10.01 |
| | 3 | Japan | 11.70 | 2.54 | 9.16 |
| | 17 | Taiwan | 5.77 | 1.76 | 4.01 |
| | 20 | Israel | 5.20 | 2.55 | 2.65 |
| | 23 | Malaysia | 5.04 | 2.79 | 2.25 |
| | 26 | Singapore[10] | 4.38 | 1.22 | 3.16 |
| | 33 | Hong Kong | 3.51 | 1.20 | 2.31 |
| | 36 | Lebanon | 3.20 | 2.61 | 0.59 |
| | 41 | Thailand | 2.51 | 1.32 | 1.19 |
| | 48 | Bahrain | 2.06 | 1.71 | 0.35 |
| | 51 | India | 1.84 | 0.55 | 1.29 |
| | 52 | Qatar | 1.78 | 1.78 | 0.00 |
| | 53 | Jordan | 1.74 | 1.24 | 0.50 |
| | 60 | United Arab Emirates | 1.51 | 1.30 | 0.21 |
| | 61 | Philippines | 1.49 | 0.82 | 0.67 |
| | 65 | PR China | 1.22 | 0.72 | 0.50 |
| | 67 | Indonesia | 1.19 | 0.68 | 0.51 |
| | 70 | Oman | 0.92 | 0.77 | 0.15 |
| | 74 | Pakistan | 0.79 | 0.44 | 0.35 |
| | 75 | Kuwait | 0.63 | 0.55 | 0.08 |
| | 77 | Saudi Arabia | 0.54 | 0.52 | 0.02 |
| | 78 | Vietnam | 0.53 | 0.53 | 0.00 |
| | 80 | Syria | 0.49 | 0.48 | 0.01 |
| **Africa** | 1 | South Africa | 15.51 | 3.29 | 12.22 |
| | 28 | Zimbabwe | 4.14 | 2.21 | 1.93 |
| | 31 | Nigeria | 3.57 | 3.22 | 0.35 |
| | 34 | Kenya | 3.50 | 2.86 | 0.64 |
| | 40 | Morocco | 2.56 | 2.05 | 0.51 |
| | 56 | Tunisia | 1.63 | 1.51 | 0.12 |
| | 58 | Ivory Coast | 1.60 | 1.21 | 0.39 |
| | 73 | Egypt | 0.79 | 0.64 | 0.15 |
| | 76 | Algeria | 0.58 | 0.56 | 0.02 |
| | 82 | Libya | 0.36 | 0.34 | 0.02 |
| **Oceania** | 9 | Australia | 8.47 | 3.73 | 4.74 |
| | 14 | New Zealand | 6.05 | 4.36 | 1.69 |