1-Pre-recruitment qualification forlife agents

IC-33 Study text: 2011

The rapid expansion of the life insurance profession in India over recent years has delivered many benefits. It has enabled families and individuals to protect themselves against some of life's most serious risks, and to plan for their financial security in retirement.

However, the sector does not have an unblemished record. There have been high profile situations where, frankly, the consumer interest has been a second-tier priority. The task of the IRDA, as Regulator, is to promote and protect the interests of policyholders.

The future success of the life insurance profession depends, above all, upon the knowledge and integrity of the people who advise customers – and are their first, and most important, point of contact. At the IRDA, our goal is to see life insurers increasingly able to attract, motivate and retain outstanding people, committed to providing a 'needs-based' approach to financial advice.

This new coursebook, and the revised qualification that agents now sit, is a vital part of our strategy. We have developed a syllabus that is challenging in its scope and depth. It does not simply encourage agents to memorise facts and figures. This is important, but insufficient. It also tests their understanding of learning, and ability to apply it in a wide range of practical real-life situations.

I am grateful to the Chartered Insurance Institute for their extensive support for this work. We have benefitted greatly from their experience in other markets. I am also thankful to many other industry practitioners who have given their time and expertise to develop this material.

Above all, I acknowledge you, the aspiring professional, for embarking on this journey, and taking seriously the need for professional study. Without you, there would be no future for this important marketplace. I trust you will find this coursebook of great value for your studies, and send my best wishes for your future as a life agent.

Mr Hari Narayan Chairman – Insurance Regulatory and Development Authority

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The **Chartered Insurance Institute** (CII) is the premier professional organisation for those working in the insurance and financial services industry. It is dedicated to promoting higher standards of competence and integrity through the provision of relevant qualifications for employees at all levels and across all sectors, and has been at the forefront in setting professional standards for the insurance industry for over a century.

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Introduction

The aim of the syllabus for the **IC-33 Pre-recruitment qualification for life agents** is to help you attain the knowledge, skills and understanding you need to be licensed as a life insurance agent, and to offer an expert, professional service to your clients.

Specifically, it aims to develop your ability to apply, **in your clients' interests**, knowledge of the Indian insurance industry and its regulation, and knowledge and understanding of key life insurance and other financial products.

The firm proof of that achievement comes in two forms:

- the high reputation that can be established by a successful agent; and
- income earned.

As with other professions, success depends upon reliability being demonstrated over the years: careful about detail but always aware of new developments and changing circumstances; innovative but never reckless, imaginative but never careless.

As the public increasingly understand the service they should receive from a competent agent so their recognition of agents' professionalism will grow. Their expectations will rise, and their dissatisfaction if they should feel let down will be even greater. **Hence it is important to provide an outstanding service every time, for every client. This depends on being able to identify and satisfy each client's needs.**

The ability to **apply** your knowledge and understanding will determine your competence in advising your clients.

The IC-33 Pre-recruitment qualification for life agents syllabus covers the following main topics:

- **Understanding insurance**
- **Providing technical product information**
- **Providing professional advice**
- **Understanding claims**
- **Fulfilling legal and regulatory requirements**
- **Understanding customer protection and ethics**

In order to provide effective advice, a structured approach is required. The process of providing professional advice normally involves three stages:

Conducting the fact-find

Conducting the fact-find requires you to obtain all relevant information about your client before making recommendations. It also allows you to build up a clear understanding of your client's circumstances.

Assessing and satisfying client needs

The second stage of the advice process requires you to identify and understand your client's needs based on the information obtained through the fact-find. Once the needs have been assessed, you must consider the most appropriate means of satisfying those needs.

Making recommendations to the client

The third and final stage of the process of giving professional financial advice is the formulation and presentation of actual recommendations to the client. Recommendations can only be made to the client once the fact-find has been completed and the client’s needs assessed.

The second aspect of professionalism that makes for success and also (sadly) exposes those who fail to maintain their professional standards, is the **ethical aspect** of the service.

The **Insurance Regulatory and Development Authority** makes **rules** for the conduct of business, sets competency standards and otherwise does its best to ensure that the high standards that are required by the law are met.

IC-33/2011 Pre-recruitment qualification for life agents

Notwithstanding these rules, ethical standards depend upon the actions – whether they are right or wrong
– practiced by all those involved in the process of advising on, selling and servicing insurance products, and the ethical standards of an insurance agent will be demonstrated by his actions to achieve his desired end result, i.e. his sales target.

The section on ethics and codes of conduct in the IC-33 study text tries to help you think about how the choices you make impact on your clients as individuals. The evidence shows that client satisfaction is also good business practice: your clients will stay with you, they will recommend you to friends and colleagues, and you will become more successful.

Life insurance is a vital and growing part of the Indian economy. It helps people to plan for the future, to look after their families, and to enjoy peace of mind. Successful agents play a crucial role in enabling the insurance profession to function smoothly and support its customers. For the right people, it provides an attractive and fulfilling career. We congratulate you on taking the first step toward becoming a licensed agent. This study text is demanding but, we hope, it is also enjoyable and interesting. As you will see, as well as providing the technical information you need to know, we have included a wide range of examples to ‘bring it to life’ and show some of the practical applications. Using this study text alongside the mandatory fifty hours of classroom training should leave you in a good position for your forthcoming examination. Best wishes for your study and, should you pass the exam, for a long and rewarding career in our fascinating profession.

Using this study text

Welcome to the **IC-33 Pre-recruitment qualification for life agents** study text. The study text follows the order of the examination syllabus learning outcomes. Each chapter has specific

learning objectives and the syllabus learning outcomes being covered are listed on the individual chapter title pages.

Contained within the study text are a number of features which we hope will enhance your study:

Key terms introduce the main ideas covered in each chapter **Consider this** – questions and points on which to think further **Examples** illustrating points made in the text **Case studies** will illustrate how life insurance works in practice **In text questions** – quick self-test questions **Suggested activities** reinforce learning through practical activities **Be aware** boxes draw attention to important points or areas that may need clarification **Key points** act as a memory jogger at the end of each chapter

Additionally, at the end of each chapter you will find some **self-test questions** to test your understanding of the material in this study text.

Be aware

This syllabus and study text are valid for examinations unless otherwise notified by the IRDA. You should therefore check the IRDA website at www.irda.gov.in regularly for information regarding changes to the syllabus, any changes to the law and practice and when they will be examined.

IC-33/2011 Pre-recruitment qualification for life agents

Examination syllabus

CII

Pre-recruitment qualification for life agents

These are the key topics that will be assessed during the examination and therefore may not reflect all of the content from the study text, which contains additional background and reading material to aid learning.

Summary of learning outcomes	Number of questions in the examination*
1. Understand how the insurance market operates	3
2. Understand risk and insurance in the context of the insurance market	3
3. Understand the principles and practices of life insurance	9
4. Understand underwriting for life insurance business	4
5. Understand basic life insurance products	2
6. Understand savings products	5
7. Understand other key financial products	4
8. Understand the key considerations when identifying client's needs	3
9. Understand the importance of completing a client fact find as part of the financial planning process	2
10. Understand what constitutes good client practice and persistency	4
11. Understand insurance procedures for life insurance claims	4
12. Understand how relevant legislation affects client advice	1
13. Understand how insurance regulation affects client advice	2
14. Understand the importance of and the process in place for customer protection	2
15. Understand the ethical considerations of a financial adviser	2

*The test specification has an in-built element of flexibility. It is designed to be used as a guide for study and is not a statement of actual number of questions that will appear in every exam. However, the number of questions testing each learning outcome will generally be within the range of plus or minus 2 of the number indicated.

Important notes

. **• Method of assessment: 50 multiple choice questions (MCQs). 1 hour is allowed for this examination.**

. **• This syllabus and study text are valid for examinations until otherwise notified by the IRDA. Students should therefore check the IRDA website at www.irda.gov.in regularly for information regarding changes to the syllabus, any changes to the law and practice and when they will be examined.**

Examination syllabus

1. Understand how the insurance market operates

On completion, candidates should

1.1 Describe the basic purpose of insurance and financial services and their role in the economy

1.2 Describe the benefits of a professional insurance market

1.3 Describe the structure of the insurance market and key types of insurance organisations

1.4 Describe the distribution channels used for the selling of insurance, including e-trading

1.5 Describe the key types of insurance products

1.6 Describe the key roles of professionals in insurance

3.11 Describe the procedures relating to quotations and their legal significance

3.12 Describe the procedures relating to proposal forms and their legal significance

3.13 Describe the structure, functions and content of a policy form, including the policy schedule

3.14 Describe the procedures relating to policy conditions

3.15 Describe the procedures relating to renewals and their legal significance

3.16 Explain how lapses, surrenders and paid up cancellation clauses operate

3.17 Explain the use of common policy conditions and exclusions

1.7 Describe the role and functions of an agent in the insurance market

2. Understand risk and insurance in the context of the insurance market

On completion, candidates should

2.1 Explain what is meant by risk as it relates to life insurance

2.2 Explain the difference between peril and hazard as they relate to life insurance

2.3 Describe the types of risk that can be insured

2.4 Describe how insurance operates as a risk transfer mechanism

2.5 Describe how insurance operates by the pooling of risk

3. Understand the principles and practices of life insurance

On completion, candidates should

3.1 Describe the essentials of a valid

4. Understand underwriting for life insurance business

On completion, candidates should

4.1 Describe the methods used to obtain material facts

4.2 Explain the significance of moral and physical hazard to underwriting

4.3 Describe the key financial and medical underwriting factors used in life insurance underwriting

4.4 Describe how life insurance cover is priced

4.5 Explain the principles of how premiums are calculated

4.6 Explain the principles of how bonuses are calculated

4.7 Explain the data required and documentation used in life insurance underwriting

4.8 Explain the purpose and use of liens in life insurance

5. Understand basic life insurance

products

contract of insurance

3.2 Describe the methods of creating an agent/principal relationship and the duties of each party

3.3 Describe the principle of insurable interest and explain when insurable interest needs to exist

3.4 Describe what is meant by the principle of utmost good faith

3.5 Describe what is meant by a material fact

3.6 Describe what is meant by the duty of disclosure and explain the consequences of non-disclosure of material facts

3.7 Describe what is meant by the principle of indemnity

3.8 Explain the key terms and documents used in life insurance practice

3.9 Explain how life insurance policies are

On completion, candidates should

5.1 Know the main personal and financial details on which a client's protection requirements depend; age, dependants, income, assets and liabilities

5.2 Know the policy features of protection products which affect their suitability for a client

5.3 Understand how the tax treatment of protection products affects their suitability for a client

5.4 Understand how to prioritise and evaluate the significance of the product features to the client needs

5.5 Be able to apply the products to satisfy the client's needs in particular circumstances bought and written

3.10 Explain the relevance of premium payment for valid cover

Examination syllabus

6. Understand savings products On completion, candidates should

6.1 Know the circumstances in which there is a need for savings and investment advice

6.2 Know the main personal and financial details on which a client's savings and

8.3 Know the four main steps in identifying a client's real financial needs: distinguishing between the client's perceived and real needs, distinguishing between the client's current and future needs, quantifying the client's needs and prioritising the client's needs

8.4 Be able to apply financial planning criteria to the information collected about a client in order to identify, investment requirements depend

6.3 Know the features and benefits of savings and investment products which affect their suitability for a client

6.4 Understand how to prioritise and evaluate the significance of the product features to a given set of client circumstances

6.5 Understand how the tax treatment of savings and investment products affects their suitability for a client

6.6 Understand the relationship between risk and reward

6.7 Understand how inflation affects savings and investment products

6.8 Be able to apply the savings and investment products most appropriate to satisfy a client's needs in particular

quantify and prioritise a client's real financial needs

8.5 Be able to apply features of different types of product to the client's needs and understand the role of the financial adviser in recommending suitable products by which the client can achieve his or her financial objectives

9. Understand the importance of completing a client fact find as part of the financial planning process

On completion, candidates should

9.1 Know what a fact find is and how to use one

9.2 Know the variety of ways a fact find can be carried out: in a structured client meeting, by telephone interview or by corresponding with the circumstances

6.9 Understand how a change in interest rates affects the future performance of savings and investment products

6.10 Understand the importance of an emergency fund and sensible debt management in managing a client's circumstances

7. Understand other key financial products

On completion, candidates should 7.1 Know the policy features and benefits of health products which affect their suitability for a client

7.2 Know the circumstances in which there is a need for health cover products

7.3 Know the policy features and benefits of annuity and pension products which affect their suitability for a client

7.4 Know the

client by post

9.3 Know the main client and family information to be collected

9.4 Know the main planning and objective categories contained in a fact-find

9.5 Know how to make suitable recommendations based on the information collected

10. Understand what constitutes good client practice and persistency

On completion, candidates should

10.1 Know that the financial adviser has a duty, at all stages of the sales process, to ensure that the client understands fully all the implications of accepting the financial adviser's recommendations, including any inherent risks

10.2 Understand why it is

circumstances in which there is a need for

annuities and pension advice

7.5 Understand how the tax treatment of other financial products affects their suitability for a client

7.6 Understand how to prioritise and evaluate the significance of other financial products to a given set of client circumstances

8. Understand the key considerations when identifying client's needs

On completion, candidates should

8.1 Know the seven typical life-stages of a client and understand the requirements and constraints at each of the life stages

8.2 Understand how the following factors can affect

essential for the status of the financial adviser and the remuneration method to be disclosed to the prospective client at the outset

10.3 Know what an adviser must do when he or she does not have a product that would properly meet the needs of the client

10.4 Know what steps the adviser must take when the client rejects the adviser's recommendations

10.5 Understand why it is unethical to advise a client to switch between the financial products of different providers, unless the switch is clearly in the best interests of the client

10.6 Understand the importance of recommending the long term nature of a product to a client to avoid short term cancellations of policies

10.7 Understand the need for an effective complaints

the life stages for individuals; age, marital and employment status, state of health, ethical preferences, divorce, separation and bereavement	procedure to cover the sale of financial services products and know the essential features of such a procedure

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Examination syllabus

11. Understand insurance procedures for life insurance claims

15. Understand the ethical considerations of a financial adviser

On completion, candidates should

On completion, candidates should

11.1 Describe the requirements for a valid life insurance claim

15.1 Apply a code of ethics

15.2 Understand the professional principles and values

11.2 Explain why a life insurance claim may be invalid or that underline a

code
only partially met

15.3 Describe typical ethical behaviours

11.3 Describe the insured's duties after a loss

15.4 Understand the outcomes that may result from

11.4 Describe the documentary evidence needed in behaving ethically relation to life insurance claims

15.5 Understand the outcomes that may result from not

1. 11.5 Describe the methods by which claims can be behaving ethically settled

2. 11.6 Describe the procedures commonly used to discourage and detect fraudulent claims

3. 11.7 Explain the consequences of fraudulent claims for insurers and policyholders

4. 11.8 Explain the difference between a policy that is void and one that is voidable

12. Understand how relevant legislation affects client advice

On completion, candidates should

1. 12.1 Know the main legislation that currently affects financial advice and understand the main terms and conditions of those acts

2. 12.2 Understand the implications for financial advisers of failing to comply with key legislation

13. Understand how insurance regulation affects client advice

On completion, candidates should

1. 13.1 Understand the impact of regulation in the Indian financial services market

2. 13.2 Describe the role of the Government in regulation, taxation, economic and industrial policy

3. 13.3 Identify the key participants in the Indian and international markets

14. Understand the importance of and the process in place for customer protection

On completion, candidates should

1. 14.1 Describe the importance of and need for customer protection in the financial services market

2. 14.2 Know the internal process by which customers may seek redress against advisers

3. 14.3 Know the process by which customers may seek redress against a company

4. 14.4 Understand the key elements of handling customer complaints effectively

Contents

IC-33/2011 Pre-recruitment qualification for life agents

1

How the insurance market operates

Contents	Syllabus learning outcomes
Learning objectives	
Introduction	
Key terms	

Learning objectives

After studying this chapter, you should be able to:

- explain the need for insurance;
- describe how insurance works;
- explain the role of the financial services sector and within that the role of the insurance sector in building the country's economy;
- explain the benefits brought about by a professional insurance market;
- outline the history of insurance in India together with the recent developments in the insurance industry;
- describe the structure of the insurance market, the different types of insurance organisations and the various roles in the insurance industry;
- explain how insurance products are distributed;
- outline the different types of insurance products available in the market;
- describe the role and functions of an insurance agent.

Introduction

As the first step in helping you to gain the knowledge you need to become a professional and successful life insurance agent, we are going to first take an overview of life insurance – what it is and why it is needed. In this chapter we are going to look at the insurance market in India and start to introduce some of the key concepts and ideas behind life insurance. We will continue this process in the next few chapters to give you the necessary information to help you to explain the products you will be selling to your clients and sell them the products that they really need.

In seeing how life insurance works we will need to make reference to the insurance market as a whole – insurance is available for many other things, not just for human life – but our focus will remain firmly on the life insurance part of it.

In this first section we will start by discovering what insurance is, what it is for and why people need it.

Key terms

This chapter features explanations of the following terms and concepts:

Insurance	Risk transfer	Risk retention	Reinsurance
Liberalisation	Life insurance	Non-life insurance	Insurance intermediaries
E-sales	Bancassurance	Insurance broker	Direct marketing
Non-direct marketing	Underwriters	Actuaries	Third party administrators (TPAs)
The Regulator	Individual agents	Term insurance	Endowment insurance
Money-back insurance	Unit-linked insurance plans (ULIP)	Pension plans	

Note

You will find the answers to the in-text questions at the end of the chapter.

A What is insurance?

We can define insurance as follows:

Insurance is a contract between the insurance company (insurer) and the policyholder (insured). In return for a consideration (the premium), the insurance company promises to pay a specified amount to the insured on the happening of a specific event.

That is all very well. But what does it mean? The first step in being able to answer this question is to understand **why** insurance is needed.

A1 The need for insurance

Consider the following case study to understand the need for insurance.

Case study

Ajay is 35 years old and works for a multinational corporation (MNC). He has a ten-year-old son, Vijay, whom he dreams will one day become a doctor. Ajay's spouse is a housewife, and his parents are retired and dependent on him. Ajay has a home loan and is making monthly investments for Vijay's higher studies and marriage and his own retirement. Ajay wants to ensure that Vijay gets the best of everything and that he himself is not dependent on Vijay during his retirement in the way that Ajay's parents are on him. So far everything is going well with Ajay's plans. But imagine what will happen in the following scenario.

One day while returning home from the office Ajay has an accident and dies. What will happen? Who will take care of the family, Vijay's education and marriage, the home loan etc.? What are the options available to Ajay so that his family can be taken care of in his absence?

Now put yourself in Ajay's shoes and imagine you are the family income provider and have to face the above scenario. What will you do? Relax! Our intention is not to panic or scare you. We are using this case study to try to help you realise the importance of insurance which is the solution to all the problems Ajay faces should the above scenario happen. So, let's look at the scenario again and see how insurance can provide a solution.

Life insurance provides protection to a family on the untimely death of the income provider. If Ajay has adequate life insurance cover, then should he die, the money received from the life insurance company can help to support his family. The insurance money will help to take care of the family's living expenses, Vijay's education and marriage, and the cost of the home loan etc.

Now that we have looked at the above scenario, we can see how insurance, in this case **life insurance**, can safeguard a person against unexpected events.

Consider this...

As the income provider for your family, what risks are you exposed to? Do you have any financial goals that you would like to protect?

A2 How does insurance work?

Now that you understand the need for insurance, we can move on to understanding **how** insurance works exactly.

Let us continue with our case study of Ajay. The risk of premature death described above is only one of the risks that Ajay faces. He faces many other risks – that he will need medical care at some point, that his home may burn down, for instance. Ajay can handle these risks in different ways.

- **Risk retention**: One, not very wise way, of handling these risks is to retain them, i.e. for Ajay to bear the risk that he will have to provide for these situations himself, and so do nothing about them. While times are good and none of these events happen, Ajay need not be worried. But the moment any one of them does happen, Ajay will be in trouble. So it is definitely not wise for Ajay to retain, or handle, these risks himself.
- **Risk transfer**: The other way of handling these risks is to transfer

them to someone who can handle them properly. In simple words, the process of transferring risks from one person who does not have the capacity to bear them to someone who does have the capacity for them, is known as **insurance**.

At this point, it may be useful to return to our definition of insurance:

> Insurance is a contract between the insurance company (insurer) and the policyholder (insured). In return for a consideration (the premium), the insurance company promises to pay a specified amount to the insured on the happening of a specific event.

Insurance, then, is nothing but a risk transfer mechanism wherein the person taking out insurance transfers their risk to the insurance company in return for a payment (known as the premium). So in Ajay's case he can take out insurance, pay the premium and transfer his risks to the insurance company.

Insurance companies collect premiums from people like Ajay – from all those who are exposed to the same risks – and put the money into a risk pool. Not everyone will experience the happening of an insured event at the same time, but those who do are compensated from this risk pool.

So, from the above explanation we can see that insurance is:

- the process of transferring the risk from the owner (insured person);
- to another party (insurer) who can bear that risk;
- in return for a consideration (premium).

The business of insurance relates to the protection of the economic value of assets. An asset is valuable to its owner because they expect some benefits from it. The benefit can be in the form of income generated from the asset (giving a car on rent) or convenience (using the car for their own travel).

Human beings are also assets in the sense that they have the capacity to generate income themselves. Every human being has a finite life span, and death is certain. But the timing of death is uncertain. If a person dies unexpectedly early in their working life, then their family will lose the income that person would have generated in future, had they survived for their entire working life. This is where life insurance acts to fill the financial gap left behind by the early death of a person. The timing of death is uncertain for everyone, so potentially every human being needs life insurance from an early age, to protect future income.

Life insurance can protect the family from financial hardship in the event that the untimely death of an individual leads to a loss of income.

Be aware

Insurance cannot prevent the insured event from happening. It can only provide compensation for the loss that comes as a result of the insured event happening.

Question 1.1

Which is correct? The act of buying insurance is an act of:

a) risk transfer; or

b) risk retention?

Suggested activity

Speak to your family members or friends who have bought insurance. Ask them the points they considered before buying the insurance and the reason(s) they bought it.

So now we know, in the simplest of terms, how insurance works. We have seen how it can benefit the individual by providing protection against the losses that arise from life's most unhappy events. However, insurance and the insurance industry also have benefits beyond the individual, and we will look at these in the following sections.

B Role of financial services and insurance

As an employer, a producer of profit and a provider of funds for investment, the financial services industry has a huge role to play in the wider economy of the country. Insurance in particular benefits society economically and socially. Socially, it protects people from financial hardship should a disaster happen, for example a family that loses its income provider will not have to deprive its children of a higher education. Economically, it also provides employment. This is not just direct employment in the industry itself, but also, because companies no longer have to hold funds in reserve in case a disaster happens, they can invest those funds into their businesses.

The economic role is of particular importance because, according to the Government, a lot of money needs to be invested into the basic infrastructure of India if it is to continue to grow at its present rate. The Government's expenses already amount to more than its income, and so there is a role for private companies to play in developing this infrastructure and this includes insurance companies. The monies they raise from premiums can be invested into the development of the basic infrastructure needs of India: needs such as irrigation, housing, water, drainage and sanitation. In this way, insurance benefits society as a whole, not just those who hold insurance.

Life insurance is a long-term commitment for the life insured; they will need to keep paying the premium year after year for a long time. The long-term nature of this relationship means that the insurance industry is particularly well placed to meet the cost of providing infrastructure projects such as the building of airports, roads, bridges, ports and power plants etc. – projects that take a long time to develop.

We can see from all of this that a well-developed and evolved insurance sector benefits economic development and at the same time strengthens the risk-taking ability of the country.

Insurance has a role to play at the individual level too. Some of the benefits for the policyholder are shown below:

Investment option	Insurance products are an excellent investment option where the policyholder not only gets the advantage of insurance cover, but also a return on their investments based on their risk appetite.
Protection of financial security	Insurance companies provide compensation in case something happens to the assets or the individual insured, as per the terms and conditions of the policy. Life insurance protects the family against the loss of the income provider, helping to provide for the family's needs and the children's education and marriage. Hence the effect of loss is considerably reduced for an individual.
Tax benefits	Insurance offers considerable tax benefits under the **Income Tax Act 1961**. Premium paid up to Rs. 1,00,000 qualifies for deduction from taxable income under Section 80C of the Act, subject to certain terms and conditions. The death benefit or the maturity benefit received by the nominee or the policyholder is tax-free under Section 10 (10D) of the Act, as per prevailing laws, before premium paid up to Rs. 1,00,000.
Planning for life stage needs	Today the insurance products that are being offered by insurance companies are designed to suit the needs of individuals in different age groups. This allows individuals to invest in insurance policies to meet their various and changing priorities.

Example

- A young person who has just started earning can buy a term insurance plan for pure protection or an ULIP (unit-linked insurance plan) for high returns based on their risk appetite.
- An individual who is 25-30 years old and is looking to invest for their family's future, such as a child's education or a marriage, can invest in various child ULIPs or endowment plans based on their risk profile.
- An individual looking for retirement income can invest in pension plans.
- An individual can invest in a whole of life policy to provide cover over the course of their entire lifetime.

Develops the habit of saving	An individual learns to save a certain amount of money from their income in order to pay their insurance premium. This encourages the habit of saving among individuals.
Loan against insurance policy	Individuals can also take out a loan against their insurance policies, subject to the conditions and privileges of the policy, without affecting any policy benefits.
Releases capital and management	When the management of a company knows that many of the risks faced by that company are covered by insurance, they no longer need to set funds aside to cover the impact of

> those risks taking place. They are also free to concentrate on developing and growing their business. This makes the company more effective, which in turn helps to improve the overall
> economy of the country.

However, insurance can only make a positive contribution to society if people have confidence that they will only be sold a policy that meets their needs and that the policy will protect them should an insured event happen. If people don't feel this confidence, then they will not buy the insurance and all these benefits will be lost or reduced. Therefore, the insurance market needs to take a professional approach in all that it does.

C Benefits of a professional insurance market

A professional insurance market is one that is open and honest in its dealings with customers and one that keeps the interests of its customers at the forefront of all that it does. There are numerous benefits of taking such a professional approach as we shall see here.

Needs-based selling
A professional market ensures that the customer gets what they are looking for rather than what the company wishes to sell them. This is called '**needs-based selling**'. A customer who is confident that they will only be sold a product that meets their needs is more likely to buy and then buy again, and recommend insurance to others. The insurance industry's Regulator (the IRDA) has been proactively trying to address concerns about mis-selling, which is where a customer has been sold a policy that does not meet their needs in some way. When this happens the public becomes wary and cynical about the value of insurance.

Disclosure Similarly, a professional insurance market is one that is open in its dealings: where there is clear **disclosure** of all relevant information. For example, with unit-linked insurance plans (ULIPs) a break up of the premium (including all the charges) is given in the policy. The Regulator has made it mandatory for companies to disclose the commissions earned by agents on the product in the benefit illustration document. This practice makes the customer aware of how much money is going towards life cover, investments and other expenses
– information they need to know.

An insurance market that operates in this professional way will bring many benefits to its customers, itself, society and the wider economy:

Higher confidence among policyholders	A professional approach to insurance selling (incorporating needs-based selling and disclosure) combined with various steps like regulation, a grievance redressal system, the Ombudsman and the IRDA grievance call centre (see section D4) have greatly helped to build the public's confidence in the system. The public can be assured that they are being treated fairly by the industry and, if they have a legitimate concern, that the Regulator will support them. Therefore they are more likely to see insurance as a practical way of meeting their needs.
Increase in insurance penetration	India has the world's second largest population and thereby the potential to be the second biggest insurance market. The addressable market is so vast that there is scope for all insurers to find new customers rather than competing with each other for the same ones. This will increase the market penetration of insurance, but will only be true if the public has confidence that they are safe to address their needs through buying insurance.
Social benefits	As insurance spreads to more parts of the Indian community, with more people seeing it as a safe and valuable option, less people will be thrown into financial hardship as a result of a family tragedy or other unforeseen event.
Employment generation	An increase in the penetration of insurance will mean more employment opportunities. Insurance companies are continuously recruiting new employees and agents to sell their products. With a dynamic market and new roles emerging, professionals can keep looking for new opportunities. An insurance market that has a reputation as a professional industry will attract good quality personnel to a career in insurance, which will also help to promote the market's professionalism.
Increase in profits for the insurance company	A company that is professional in its approach to selling insurance and is, therefore, trusted by the public will find that it is able to sell more insurance. This, combined with the spread of insurance to new customers as confidence in insurance grows, will increase the profitability of the insurance company.

We can see that these benefits of a **professional** insurance market will contribute to an increase in the overall benefits that insurance offers to the wider economy, as discussed in section B. More profitable companies, more jobs, and less financial hardship at an individual and corporate level will all enhance the overall economic success of the Indian economy and release more funds for investment in its businesses and infrastructure.

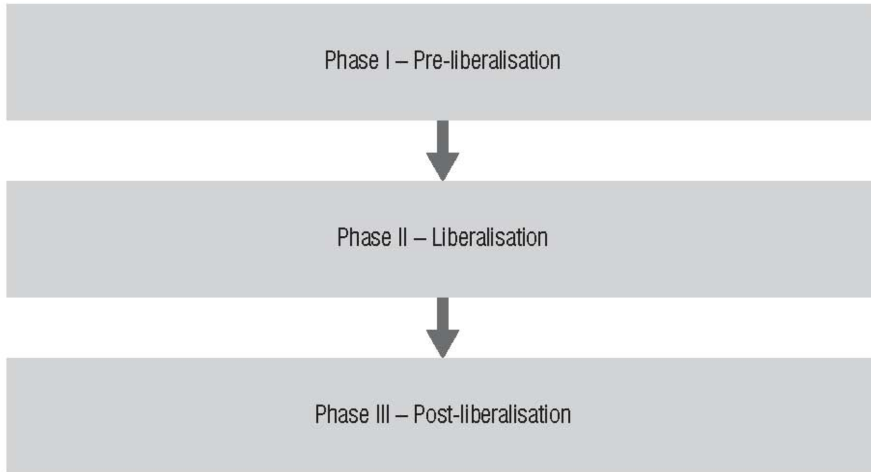
Now that we have looked at how insurance can benefit not just individuals but society as a whole, let's pause for a moment to consider how we came to be where we are today. The insurance market in India has not always been the way it is today, and we shall look at how it has developed over the years in the next section.

D History of insurance

The history of insurance in India is deep-rooted. Since the earliest times insurance has been carried out in some form or other. Insurance in India has developed over time and has taken ideas from other countries – England in particular.

The history of insurance in India can be divided into three phases as follows:

Figure 1.1



D1 Phase I – Pre-liberalisation D2 Phase II – Liberalisation

1818–1829	**First insurance company**: in 1818 the Oriental Life Insurance Company in Kolkata (then Calcutta) was the first company to start a life insurance business in India. However, the company failed in 1834. In 1829 the Madras Equitable had begun transacting life insurance business in the Madras Presidency.
1870	Following the enactment of the **British Insurance Act 1870**, the last three decades of the nineteenth century saw the creation of the Bombay Mutual (1871), Oriental (1874) and Empire of India (1897) in the Bombay Residency.
1912	The **Indian Life Assurance Companies Act 1912** was the first statutory measure to regulate life business.
1928	The **Indian Insurance Companies Act 1928** gave the Government the power to collect statistical information about both life and non-life business transacted in India by Indian and foreign insurers, including provident insurance societies.
1938	To protect the interest of the insuring public, the earlier legislation was consolidated and amended by the **Insurance Act 1938** which gave the Government effective control over the activities of insurers.
1950s	In the 1950s, competition in the insurance business was very high and there were allegations of unfair trade practices. The Government of India therefore decided to nationalize insurance business.
1957	Formation of the **General Insurance Council (GI Council)**: the GI Council represents the collective interests of the non-life insurance companies in India. The Council speaks out on issues of common interest, participates in discussions related to policy formation, and acts as an advocate for high standards of customer service in the insurance industry.
1972	The **General Insurance Business (Nationalisation) Act 1972 (GIBNA)** was passed. The **General Insurance Corporation of India (GIC)** was formed in pursuance of Section 9(1) of GIBNA. It was incorporated on 22 November 1972 under the **Companies Act 1956** as a private company limited by shares.

The start of reform

The international payment crisis of the 1990s forced the Government to re-think its industrial policies and regulations. The Government only had enough foreign currency reserves to finance a few days of imports.

1993	**Malhotra Committee**: in 1993 the Government set up a committee under the chairmanship of R N Malhotra, the former Governor of RBI, to make recommendations for the reform of the insurance sector. In its report in 1994, the committee recommended, among other things, that the private sector and foreign companies (but only through a joint venture with an Indian partner) be permitted to enter the insurance industry.
1999	**Formation of the IRDA**: following the recommendations of the Malhotra Committee report, the **Insurance Regulatory and Development Authority (IRDA)** was constituted as an autonomous body in 1999 to regulate and develop the insurance industry. The IRDA was incorporated as a statutory body in April 2000.

D3 Phase III – Post-liberalisation

As we have seen, following the recommendations of the Malhotra Committee, the insurance sector was opened to private companies. Foreign companies were also allowed to participate in the Indian insurance market through joint ventures (JVs) with Indian companies. Under current regulations the foreign partner cannot hold more than a 26% stake in the joint venture.

The key objectives of the IRDA include the promotion of competition with a view to increasing customer satisfaction through more consumer choice and lower premiums, while ensuring the financial security of the insurance market. The IRDA has the power to make regulations under section 114A of the Insurance Act 1938. Since 2000 it has introduced various regulations ranging from the registration of companies for carrying on insurance business to the protection of policyholders' interests.

The Insurance Act 1938 and GIBNA were amended which removed the exclusive privilege of GIC and its four subsidiaries to write general insurance in India. As a result, general insurance business was opened up to the private sector.

With the **General Insurance Business (Nationalisation) Amendment Act 2002**, effective from 21 March 2003, GIC ceased to be a holding company of its four subsidiaries. Their ownership was vested with the Government of India. GIC was notified as a reinsurance company.

? Question 1.2

Why did the Government think it necessary to nationalise the life insurance industry in the 1950s?

In appendix 1 we have provided lists of the life and general insurance companies that are active in India at the present time. Take a look at it now and get a feel for how many companies operate in the different sectors.

Be aware

At the time of writing (January 2011) a proposal to increase the Foreign Direct Investment (FDI) limit in the insurance sector from the current 26% to 49% is awaiting approval in Parliament.

D4 Recent developments in the insurance industry

By 2010 India was the fifth largest insurance market in the world and it is still growing rapidly.

There has been a lot of change in the decade since the market was opened up to the private sector. In this section we will look at some of the important developments of the last few years.

Growing importance of IT	All insurance companies now use information technology (IT) to benefit their business and to improve convenience for their customers. Today, customers can pay their premiums and check the status and other details of their policy using the company's website. Updates relating to the receipt of premiums or changes to their policy are sent to the customer through mobile SMS.
Bancassurance	Many banks have joined with insurance companies to cross-sell insurance products to their customers. Insurance companies benefit from the wide network and loyal customer base of banks, and the contribution that bancassurance makes to insurance sales has steadily grown over the last few years. The banks benefit through being able to provide value-added products to their customers and from the fee income they receive in return from the insurance companies. Many banks have started their own life insurance subsidiaries.
Online sales	Most of the insurance companies have now started selling insurance products online. This eliminates the need for an intermediary and reduces costs. This saving can be passed to customers in the form of reduced premiums.
Micro-insurance	Micro-insurance guidelines were issued by the IRDA in 2005. Micro-insurance products provide insurance protection to people in lower income groups, such as self-help group (SHG) members, farmers, rickshaw pullers and others against the risks that they and their assets are exposed to. The premiums for these products may be as low as Rs. 15 and are collected on a weekly basis. The minimum life insurance cover specified by the Regulator for this category is Rs. 5,000 and the maximum cover that can be provided is Rs. 50,000. People who work in agriculture and allied activities are exposed to the hazards of nature so they need protection against risks like monsoon failure, floods etc. This is where micro-insurance can come to their rescue.
Grievance redressal	Whenever any industry is experiencing fast growth there are bound to be concerns, and the insurance industry is no different. There has been an increase in complaints from customers about the settlement of their claims and customer service in general. As we saw earlier, the IRDA has taken steps to protect the interest of the policyholders. It has asked insurance companies to set up internal customer grievance redressal cells/departments, and an Insurance Ombudsman has been established. The latest initiative from the IRDA is the setting up of a call centre which an insured can contact to seek the resolution of a grievance they have against their insurer. The unhappy customer can either call a toll-free number (155255) or email complaints@irda.gov.in to register their complaint.

Question 1.3

What is bancassurance?

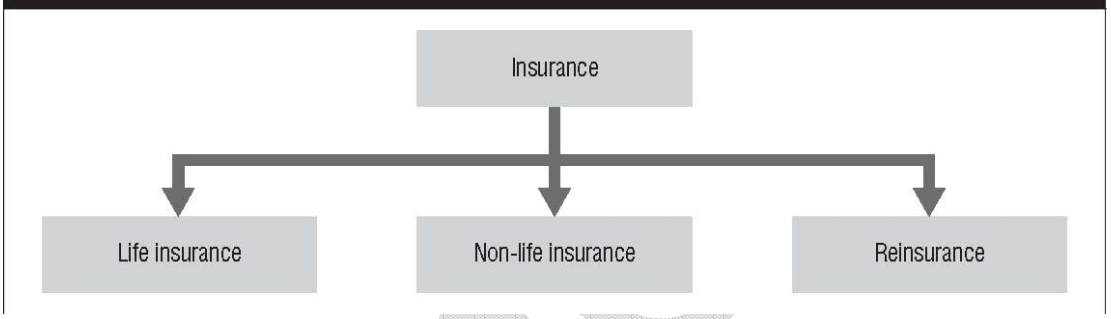
We will return to some of these topics in more detail later in this chapter. First, however, we will continue our overview of the insurance industry in India by looking at the organisations and roles that feature within it.

E Insurance organisations and roles E1 Types of

insurance organisations

Insurance organisations are divided into three main categories, as the following figure shows. We will look briefly at the various products the different types of insurance organisations offer in section G.

Figure 1.2: Types of insurance organisation



E1A Life insurance companies

Life insurance companies cover risks that relate to human lives. They offer different benefits under different types of products and cover the risk of early death, as well as the risk of living into old age. Under traditional plans, like term insurance plans, insurance companies provide death cover. If the insured person dies within the term of the policy then the nominee/beneficiary is paid a specified amount (also known as the sum insured). We saw an example of this when we looked at the case of Ajay at the start of this chapter. Under pension plans, insurance companies offer periodic monthly payments (annuities) to support the insured during their retirement.

E1B Non-life insurance companies

Non-life insurance companies generally cover risks other than those relating to human lives. The exceptions to this are personal accident and health insurance, which are provided by non-life insurance companies. Any asset either gives a monetary return (e.g. a house given on rent), or offers convenience (e.g. a car which can be used to travel from one place to another) can be insured. All assets are exposed to various risks: they can be damaged or destroyed by fire, earthquake, riot, theft, flooding, cyclones etc. If the asset is damaged by any of these risks, the owner will be at a disadvantage and they will lose the income or the convenience the asset provided. Non-life insurance companies offer products that cover these risks and compensate the owner should the asset be damaged by one of them. It is a product from this type of company that an individual would buy to protect their assets, for example, their home against fire etc.

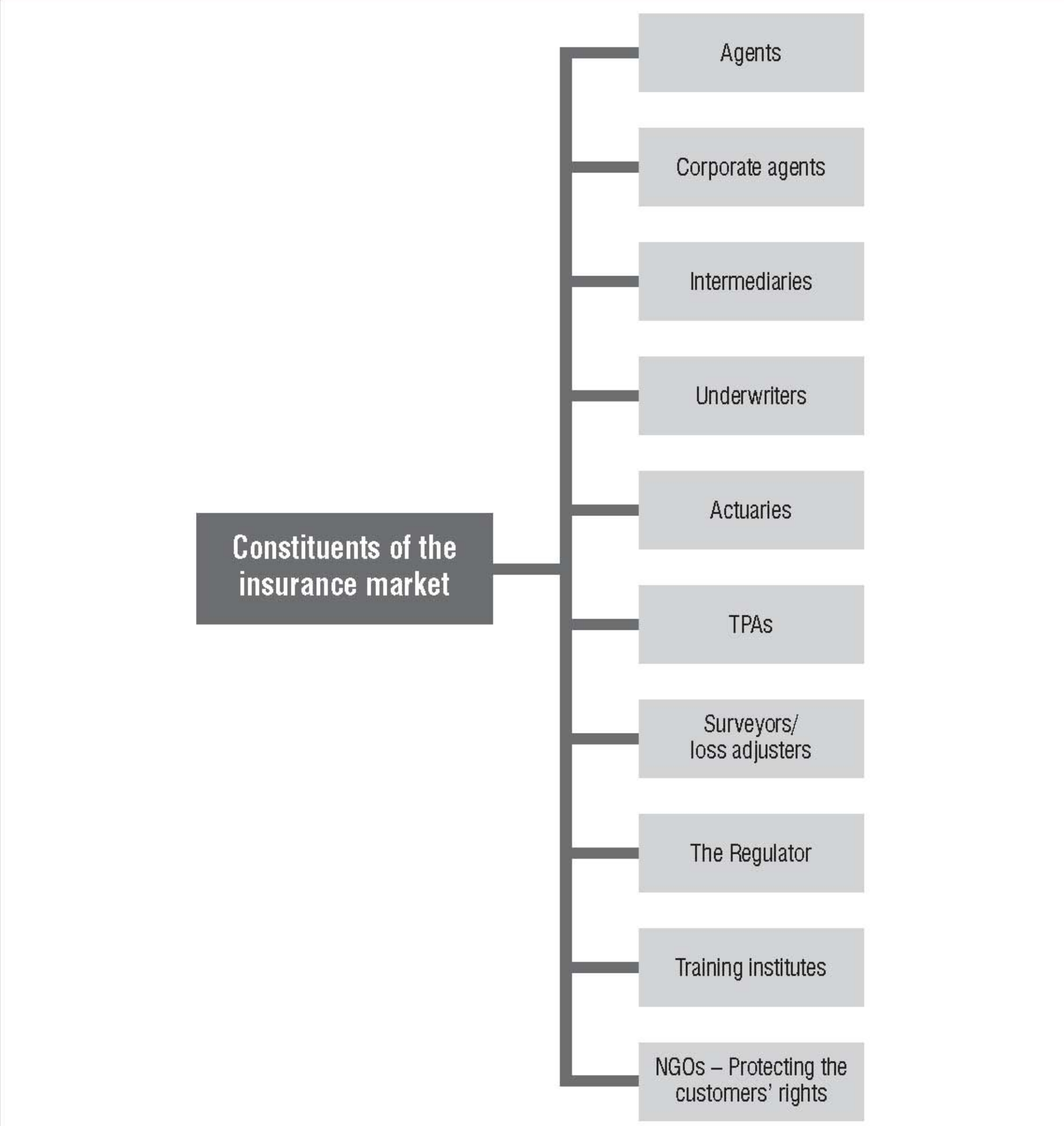
E1C Reinsurance companies

We saw in section A2 earlier that insurance is a risk transfer mechanism. Risk is transferred from those who are unable to bear it to those who can. However, insurance companies can only take on so much risk. Once that limit is reached, the insurer itself is exposed to the risk of loss. When this happens insurers look to transfer some of their risks to someone else to shield themselves from overexposure. This is where reinsurance companies come into use. A reinsurance company is an insurer for the insurance company. Reinsurance companies take on a certain percentage of the risks on the insurance company's books, in return for the payment of a consideration.

E2 Roles in the insurance industry

Apart from the insurer and the insured the other roles in the insurance industry include the following.

Figure 1.3: Roles in the insurance industry



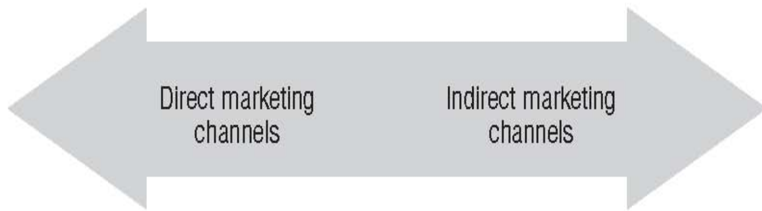
Agents	These contribute the major percentage of insurance sales in India. It is the agent's primary responsibility to meet the prospective client, understand their needs, and accordingly recommend suitable products. We shall discuss the role of agents in more detail in section H.
Corporate agents	These include banks and brokers. More details about these are included in section F2.
Intermediaries	These can be individuals as well as organisations, like firms, banks and composite brokers. Intermediaries solicit and procure business from prospective clients for the insurance company.
Underwriters	These decide whether to accept or reject the insurance proposal. If the proposal is to be accepted, then the underwriter decides at what price it should be accepted.
Actuaries	These calculate the standard price of products. They take into account statistical data and the past claims experience of the company. Apart from pricing individual products, they also do an overall financial assessment of the insurance company from time to time to make sure that the company has sufficient reserves to pay for future liabilities.
Third party administrators (TPAs)	These do the work of building hospital networks. They also help with approvals at the time of cashless admission to a hospital and with settling the bill with the insurer on discharge.
Loss adjusters/ surveyors	These do the work of assessing and certifying a loss when a claim is made on the insurance company. They have a major role to play in non-life insurance business.
The Regulator	The Regulator has the responsibility of ensuring the smooth running of the insurance sector. The Insurance Regulatory and Development Authority (IRDA) is the insurance Regulator in India. The IRDA grants licences to insurance companies and makes sure all insurance companies are in compliance with the regulations at all times. It also has a responsibility to protect the interests of the small policyholders against the mighty insurance companies.
Training institutes	These have the responsibility of supplying trained manpower to meet the ever growing need for skilled labour in the insurance industry. The Insurance Institute of India (III), Insurance Institute of Risk Management (IIRM) and the National Insurance Academy (NIA) are premier training institutes in the field of insurance.
NGOs – Protecting the customers' rights	Non-Governmental Organisations (NGOs) play an important role in spreading awareness about insurance products and protecting the rights of the customers. The role of NGOs is more important in the rural areas where they work with Self Help Groups (SHGs) and insurance companies on deeper penetration of micro-insurance products at the grassroots level.

You will see that some of these roles in the market are to do with the selling of insurance products – or insurance distribution as it is known. How do they do this? Let's take a look in this next section.

F Insurance distribution

Marketing of insurance products is done through two channels:

Figure 1.4



Consider this…

Look at the constituents of the insurance market described in section E. Of those involved in the distribution of insurance which do you think would be a direct marketing channel and which an indirect marketing channel?

F1 Direct marketing channels

A direct marketing channel may involve a sales force employed by the insurer and will certainly include the activities of the insurer's full-time staff based in the office. Advertising will focus on the target audience, whether it is done through television, email marketing, newspapers, hoardings or online advertising. The contract is concluded between the insurance company and the insured with no middleman.

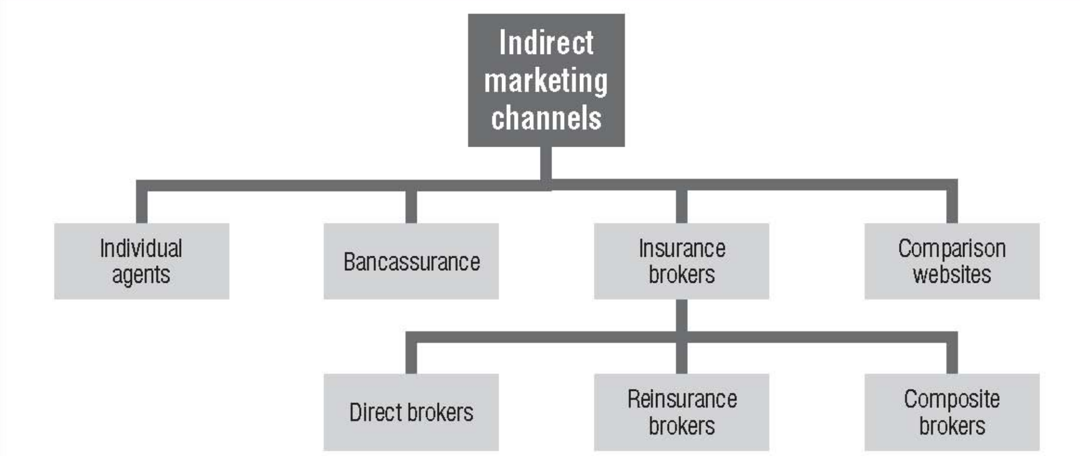
F1A E-sales

E-sales refer to sales of insurance products through the internet. This channel for the sale of insurance products is relatively new in India, but is fast catching up with more traditional methods. For some time, insurance companies have been using online payment gateways to collect renewal premiums and their websites to solicit sales inquiries for their insurance products, but it was only late in 2009 that insurance companies in India introduced products that are exclusively sold via the internet. Because these online products are being sold directly to the end customer, with no intermediaries, insurance companies can sell these products much cheaper, as the intermediary commissions are eliminated.

F2 Indirect marketing channels

Although, as we have seen, online insurance sales are increasing at a fast rate, intermediaries still make a major contribution to the sale of insurance company products. Intermediaries include the following: Now that we have established how we are going to sell our insurance products and who is going to do it, we need some products to sell. What sort of products are available? We will be taking the time to look at life insurance products later in this study text. For now, we will give a very brief overview of the types of insurance that are available.

Figure 1.5: Indirect marketing channels



Individual agents	These are hired by insurance companies and given the required training. After passing the prescribed examination and getting their licence, these agents seek and gain insurance business for the insurer. Agents are not on the payroll of the insurance company but are paid commission based on the sales they make. Current regulations in India mean that an individual can act as an insurance agent for only one life insurance company at a time.
Bancassurance	As we saw in section D4, insurance companies partner with banks to sell their products through them. Current regulations in India state that a bank can only act as an insurance agent for one life insurance company at a time.
Insurance brokers	These can sell the products of a number of life insurance companies. They have the advantage of being able to compare the insurance products of various insurance companies and then offer a plan that best suits the requirements of the customer. The broker represents the client: they keep in mind the customer's requirements rather than favouring any specific products of any specific insurance company.
Comparison websites	These are a recent phenomenon and use the internet to collect together and provide quotes from various life insurance companies. An individual can input their details and compare quotes from different companies. They can then choose the one that best suits their needs. However, these websites are not regulated so the customer would be wise to check with the insurance company before making a final decision on the purchase.

Consider this…

Which is better – selling insurance by direct marketing or indirect marketing? Why do you think this?

Question 1.4

Why are insurers who sell their products direct to the customer over the internet able to offer much lower premiums?

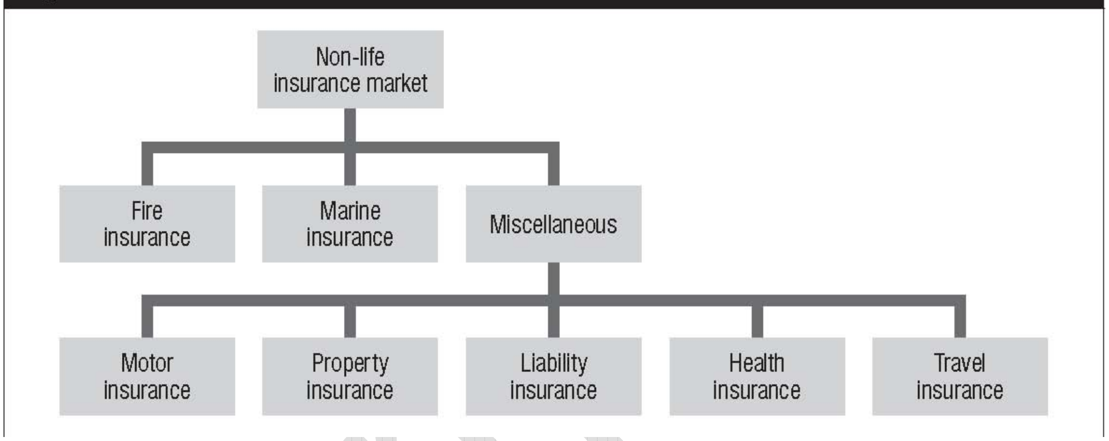
G Insurance products

As we saw in section E1, apart from reinsurance, the insurance market is broadly divided into two categories
– **life insurance** and **non-life insurance**. Life insurance covers risks related to human lives. All other risks are covered under non-life insurance or **general insurance**.

G1 Non-life insurance market

The non-life insurance market is further divided into sub-categories.

Figure 1.6: Non-life insurance market

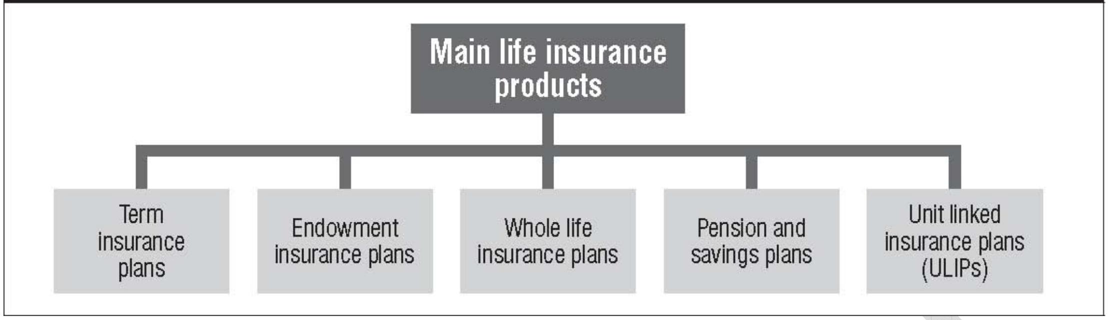


It is a continuously developing market with new products being introduced from time to time as society has a need for them.

G2 Life insurance market

There are many products available in the life insurance market and we will consider them in detail in chapters 5, 6 and 7. However, here we will give a brief description of the main types of product so that you can start to see what sort of products you could be involved in selling. The main products offered under life insurance are show below.

Figure 1.7: Main life insurance products



A discussion of specific general insurance products is outside the scope of this book.

Suggested activity

Ask your family members or friends about the life insurance plan(s) they have. Ask them why they chose that particular plan.

We have now concluded our overview of the insurance market, the roles within it and the products it provides. Before we move on in the next chapter to look at the concepts behind insurance, let's conclude this one by looking at what it means to be an agent.

H Role and functions of an agent H1

Becoming an agent

There are a number of steps that you as an individual need to take and a number of criteria that you will need to fulfil if you wish to become a life insurance agent. The Insurance Act requires that an insurance agent must have a licence, and the IRDA deals with all issues of licences and other matters relating to agents. There are **regulations** which must be complied with at all stages in the process. Full details of these regulations and requirements will be covered later in the study text. In this introductory chapter we shall just outline the process of becoming an agent and explain what an agent does.

H2 Role of an agent

As stated in section F2, agents are hired by insurance companies and they act as the main link between the insurance company and the insured. Their role is to recommend to clients the right products that address the clients' needs. At the same time they must act in the interests of the insurance company by using their unique position of knowing their clients well enough to protect the insurance company from any undue adverse product selection.

This makes the role of the agent in the entire insurance business very crucial.

Agents facilitate the smooth sale of insurance products by assisting their clients with completing the paperwork involved, and after the policy is sold the agent should ensure it is serviced properly until maturity or in the event of a claim. At the time of a claim, the agent should also assist the client to complete the required formalities to ensure quick settlement.

In India, life insurance agents deal with a range of insurances which are generally considered under the following headings:

. • basic life insurance products, such as term insurance and whole life plans;
. • savings products; and • other financial products, such as health insurances and accidental death plans.

All these products will be looked at in later chapters.

Once licensed and appointed, the agent is an **independent professional**. At the heart of this is the need for agents to put the interests of their clients above all else.

H3 Code of Conduct for agents

In supporting agents to carry out their role in a professional manner, every licensed agent must adhere to the Code of Conduct specified by the IRDA in the **Insurance Regulatory and Development Authority (Licensing of Insurance Agents) Regulations 2000** as per Regulation 8. In the Code of Conduct the IRDA gives details as to what an agent shall and shall not do. For instance, the agent should disclose all information relating to the insurance company that they represent and the products they are recommending. They should act in the best interests of the client while at the same time making sure that there is no adverse selection against the insurance company (we will discuss adverse selection further in chapter 4).

In addition, the insurance agent needs to take steps to keep the business they have secured for their company. To do this they need to make every attempt – both orally and in writing – to ensure that the policyholder pays the premium within the required time.

We will return to the Code of Conduct for agents later.

Key points

Role of financial services

Benefits of professional insurance market

History of insurance

t_ *OTVSBODF_JT_TPME_UISPVHI_EJSFDU_NBSLJOH_DIBOOFMT_
FNQMPZFFT_BOE_JOUFSOFU_TBMFT
_BOE_JOEJSFDU_NBSLFUJOH_DIBOOFMT_
(agents, bancassurance, brokers).

Insurance products
• Products offered by life insurance companies include term insurance plans, endowment insurance plans, whole life plans, pension and savings plans and unit-linked insurance plans.

Becoming an agent
• To become an agent a person has to submit the necessary form and fees, have the required qualification, undergo practical training and pass the required examination.
• An agent should recommend to clients the best products that address their needs and at the same time make sure there is no adverse selection for the insurer.
• An agent should continuously strive to improve their knowledge of their own insurer's products, competing insurers' products and other competing investment products on the market.
• All licensed agents have to comply with the Code of Conduct at all times.

Question answers

1.1 The answer is a) risk transfer. You are transferring the risk you face to the insurance company to bear for you.

1.2 There was a great deal of competition and allegations of unfair practice.

1.3 Bancassurance is when banks partner with insurance companies to offer insurance products to the bank's customers.

1.4 By removing the need for a middleman and so the need to pay any commission, the insurance company can pass on the savings made to their customers.

Self-test questions

1. 1.

Why do people need life insurance?

.2.

What are the benefits of having a professional insurance market?

.3.

a) What are the three phases of the development of the insurance sector in India? b) Describe what happened in the most recent phase.

.4.

List the participants who make up the insurance market.

.5.

What indirect marketing channels are available to insurance companies?

.6.

What are the different types of products sold by life insurance companies?

You will find the answers on the next page

1.

People need life insurance to help take care of their obligations should they die prematurely. These include the:

t_ JODPNF_OFFET_PG_UIF_GBNJMZ_
t_ DIJMESFO_T_FEVDBUJPO__BOE
t_ DIJMESFO_T_NBSSJBHF_

2.

The benefits of a professional insurance market that focuses on needs-based selling and disclosure include:

t_ IJHIFS_DPOmEFODF_BNPOH_QPMJDZIPMEFST_
t_ BO_JODSFBTF_JO_JOTVSBODF_QFOFUSBUJPO_
t_ TPDJBM_CFOFmUT_
t_ FNQMPZNFOU_HFOFSBUJPO_
t_ JODSFBTFE_QSPmUT_GPS_JOTVSBODF_DPNQBOJFT_
t_
QSFNJVNT_BWBJMBCMF_UP_DIBOOFM_JOUP_JOWFTUNFOU_
QSPKFDUT__BOE
t_
BO_JNQSPWFNFOU_JO_UIF_PWFSBMM_HSPXUI_PG_UIF_FDPO
PNZ_

3.

a) The history of insurance in India can be divided into 3 phases as follows:

_ t_ 1IBTF_*_o_1SF_MJCFSBMJTBUJPO_
_ t_ 1IBTF_**_o_-JCFSBMJTBUJPO__BOE
_ t_ 1IBTF_***_o_1PTU_MJCFSBMJTBUJPO_

b) In Phase III, following the recommendations of the Malhotra Committee, the insurance sector was opened up to private companies. Foreign companies were also allowed to participate in the Indian insurance market through joint ventures (JVs) with Indian companies. Under current regulations the foreign partner cannot hold more than a 26% stake in the joint venture.

The IRDA has the power to make regulations under Section 114A of the Insurance Act 1938. Since 2000 it has introduced various regulations ranging from the registration of companies for carrying on insurance business to the protection of policyholders' interests.

4.

The constituents of the insurance market include:

t_ BHFOUT_
t_ DPSQPSBUF_BHFOUT_
t_ JOUFSNFEJBSJFT_
t_ VOEFSXSJUFST_
t_ BDUVBSJFT_
t_ UIJSE_QBSUZ_BENJOJTUSBUPST_ 51"T
_
t_ TVSWFZPST_MPTT_BEKVTUFST_
t_ UIF_3FHVMBUPS_
t_ USBJOJOH_JOTUJUVUFT__BOE
t_ /(0T_o_XPSLJOH_UP_QSPUFDU_DVTUPNFST__SJHIUT_

5.

The indirect marketing channels include:

t_ JOEJWJEVBM_BHFOUT_ t_ CBODBTTVSBODF_DPSQPSBUF_BHFOUT_ t_ JOTVSBODF_CSPLFST__UIFTF_BSF_GVSUIFS_TVC_DMBTTJmFE_BT_EJSFDU_CSPLFST_SFJOTVSBODF_CSPLFST_BOE_DPSQPSBUF_

brokers; and

t_ DPNQBSJTPO_XFCTJUFT_
UIPVHI_UIFTF_BSF_OPU_SFHVMBUFE
_

6.

The different types of products sold by life insurance companies include:

t_ UFSN_QMBOT_
t_ FOEPXNFOU_JOTVSBODF_QMBOT_
t_ NPOFZ_CBDL_QMBOT_
t_ XIPMF_MJGF_JOTVSBODF_QMBOT_
t_ QFOTJPO_BOE_TBWJOHT_QMBOT__BOE
t_ VOJU_MJOLFE_JOTVSBODF_QMBOT_ 6-*1T
_

Appendix 1.1: Insurance companies active in India (January 2011)

Sr. No.

Name of the Life Insurance Company

HDFC Standard Life Insurance Co. Ltd.

Max New York Life Insurance Co. Ltd.

ICICI Prudential Life Insurance Co. Ltd.

Kotak Mahindra Old Mutual Life Insurance Co. Ltd.

Birla Sun Life Insurance Co. Ltd.

Tata AIG Life Insurance Co. Ltd.

SBI Life Insurance Co. Ltd.

ING Vysya Life Insurance Co. Ltd.

Bajaj Allianz Life Insurance Co. Ltd.

Met Life India Insurance Co. Ltd.

Reliance Life Insurance Co. Ltd. (Earlier AMP Sanmar Life Insurance Company from 3 January 2002 to 29 September 2005)

Aviva Life Insurance Company India Limited

Sahara India Life Insurance Co. Ltd.

Shriram Life Insurance Co. Ltd.

Bharti AXA Life Insurance Co. Ltd.

Future Generali India Life Insurance Company Ltd.

IDBI Federal Life Insurance Company Ltd.

Canara HSBC OBC Life Insurance Company Ltd.

Aegon Religare Life Insurance Company Ltd.

DLF Pramerica Life Insurance Co. Ltd.

Life Insurance Corporation of India

Star Union Dai-ichi Life Insurance Co. Ltd

IndiaFirst Life Insurance Company Limited

Appendix 1.1: Insurance companies active in India (January 2011)

Sr. No.	Name of the General Insurance Company
1	Bajaj Allianz General Insurance Company Limited
2	IFFCO Tokio General Insurance Company Limited
3	HDFC ERGO General Insurance Company Limited
4	ICICI Lombard General Insurance Company Limited
5	The New India Assurance Company Limited
6	The Oriental Insurance Company Limited
7	Max Bupa Health Insurance Company Limited
8	Royal Sundaram Alliance Insurance Company Limited

9	United India Insurance Company Limited
10	SBI General Insurance Company Limited
11	Tata AIG General Insurance Company Limited
12	Reliance General Insurance Company Limited
13	Cholamandalam MS General Insurance Company Limited
14	National Insurance Company Limited
15	Shriram General Insurance Company Limited
16	Bharti Axa General Insurance Company Limited
17	Future Generali India Insurance Company Limited
18	Agriculture Insurance Company of India
19	Star Health and Allied Insurance Company Limited
20	Apollo Munich Health Insurance Company Limited
21	Universal Sampo General Insurance Company Limited
22	Export Credit and Guarantee Corporation of India Limited
23	Raheja QBE General Insurance Company Limited
24	L&T General Insurance Company Limited