

What Are We Waiting For?

Insurance brokers are the missing link in the insurance reform process. Recognising the institution of insurance brokers will improve customer service and facilitate product innovation

TO PROTECT the interests of policy holders, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental thereto. This is the IRDA mission statement.

The excitement and activity that followed the constitution of IRDA and the subsequent entry of private operators into insurance sector is there for all to see. Largely, it has been a saga of hopes realised and expectations fulfilled. But, we are still in the initial stages of insurance reforms waiting for actions on many fronts - legislative and otherwise. The insurance industry is eagerly looking forward to the passage of much-awaited IRDA (Amendment) bill 2001 in the Parliament, which is pending for more time than expected largely due to the indifference or misgivings in some circles.

One area touched by the Bill relates to permission to allow brokers to operate in Indian market. World over, it has been the brokers who are the decisive driving force for the growth of insurance sector. Insurance brokers are professionals who assess risk on behalf of a client, advise on mitigation of that risk, identify the optimal insurance policy structure, bring together the insured and insurers, carry out work preparatory to insurance contracts and where necessary assist in the administration and performance of such contracts including in the area of claims settlement. Keeping in tune with this trend, the Malhotra committee on reforms in the insurance sector submitted in its report that present system of insurance intermediaries needs a thorough revamping and a new category of insurance brokers in insurance should be brought in.

Why do we need insurance brokers?

Brokers will not only strengthen distribution channels for the insurance companies but will also help the customers get suitable policies at appropriate prices. One complaint against the insurance industry in India has been that it was low on innovation of products, which match, with the requirements of various sections of the society. Admitted, the new players are certainly in the take-off

period now. But, as yet the requisite enthusiasm and action are not evident as much as expected in this regard. This is where the brokers would play a significant role. They help develop innovative products to take care of the hitherto unaddressed and emerging needs of the market.

Customer is the fulcrum of any business activity. Brokers represent the insurance customers and provide a vital link between the contracting parties. For brokers the interest of the customer is paramount and the customer need not be bound to any one insurance company.

mium of RS 10300 crore recording an astounding 288 per cent growth over the new business collection in the first nine months of this fiscal. Imagine what reach and services can be achieved if brokers are allowed. As regards non-life insurance, the industry is feeling the absence of brokers and is unable to enlarge its base in the absence of new covers / services. The projected annual growth rate of around 17 per cent in non-life insurance in the next few years is possible only with the services of brokers.

One reason shown against the entry of

not added any value in the business process. With the emergence of brokers these agents may be spurred to take up insurance activities more professionally and productively.

Agents have dominated the Indian insurance industry, particularly life insurance, for long. While they did contribute to the growth of the industry, the scale and direction has not been what it ought to be. Insurance companies and insurance customers want an option, the option to choose distribution channels they trust. Various channels including the institution of brokers must be allowed to develop for the insurance industry to survive and thrive. Distribution channels and most importantly the brokers would determine the future of insurance industry including its growth path.

We are in the era of specialisation with organisations concentrating only on the areas of their core strengths and outsourcing others. Brokers will prove to be immensely useful to insurance companies in this matter. They can take over activities like risk assessment, policy design/issuance and small claims settlement etc. All this is likely to result in greater efficiency for the ultimate benefit to the customer and insurance industry.

Apart from all other benefits the employment opportunities the institution of brokers creates would also be significant. After the doors are opened for brokers, in the course of time the number of brokers is likely to go up to 500 through out the length and breadth of the country creating good employment opportunities. Let us open our minds to all these direct and indirect benefits.

When so many direct and indirect advantages are there and the industry and economy are going to be benefited by the presence of brokers, it is time the authorities have opened the doors for insurance brokers. Growth, more particularly orderly growth of insurance sector is facilitated with the entry of insurance brokers.

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Depending on the insurance needs as professionally analysed by the brokers, suitable insurance policies and insurance companies are chosen.

Insurance companies find it convenient to deal with the brokers, as they are well positioned to articulate the customers' position to bring about fruition of well-informed sales. Further, brokers assist in creating insurance awareness, increasing market penetration and act as a catalyst to enhancing competition and customer service.

The emergence of brokers on the Indian insurance horizon need not be a cause of worry to any one. What the magic of competition does, is seen in the performance of LIC, which collected a total pre-

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