

Introduction:

Participation of 720 delegates, with many participants coming from foreign countries also, indicates the importance of the Indian insurance sector in the global system. A country having population of more than 1.2 billion and growing economy offers a good opportunity for professionals from India and abroad. The conference, thus promote and showcase India to attract talent to this industry. The theme, 'Evolving frontiers and exciting prospects' sounds very interesting and would really catch the imagination of professionals.

Need of Actuaries:

Demand of actuaries in insurance industry is increasing. Also, in non-insurance industries like asset management and project appraisals, the actuarial skill to forecast economic consequences over long term would be very useful in decision making process. There are around 60000 actuaries, across the globe. With more than 1.2 billion population, India should have proportionately, about 10,000 actuaries. As India has got only 4% insurance penetration as against world average of 6%, if 10,000 is too big a number, at least 5000 actuaries? This is the demand before Institute of Actuaries of India. During 2004-2014, the increase is from 209 to 270 actuaries. Though it may be a profession with difficult passing criteria, there are other professions in India, which may be equally difficult. To become a neuro-surgeon is not very easy, but supply of neuro-surgeons has increased. The situation clearly highlights the gap in the supply and demand. IRDA implemented 'appointed actuary' system to give impetus to the profession and focus the importance of this profession in the insurance industry. Cut off age was set for the same, so that young people are motivated. Efforts of the institute to attract talent had resulted in having 8000 student members. Recognizing the courses offered by reputed Indian institutes of higher learning in the areas of mathematics, statistics and economics which are aligned with the standards of actuaries could play a facilitating role in increasing the supply of actuaries.

Growth in Insurance Sector:

Indian economy is emerging and we are witnessing decent growth. Indian insurance industry is growing rapidly. At a penetration level of 4% of GDP, it collected around US\$ 60 billion, i.e. Rs. 3, 50,000 crore. In the given situation, insurance coverage needs of the population increase rapidly every year. Though, lower income group people may not recognize it as a primary need, when income levels rise insurance becomes a need. In the last decade, we observed that the growth of industry is much more than the economic growth. With new lives adding to the working population, new risks like, cars, vehicles, houses increasing, prospects of the industry is good. In this context, the industry has to think about what type of products should be offered in the market?

Life Products:

One of the primary responsibilities given to IRDA is, to protect the policy holders' interests. In the area of products, the regulator heavily relies on the judgment of Appointed Actuaries, who calculate the premium and allow for expenses under products. In case of any innovation in product design, the questions that would arise are 'Who is benefitted out of this innovation? Is it the policy holder?'. Also, whether reasonable expectations of policy holders are enhanced by that, and whether all the stakeholders are also more or less equally benefitted out of it? Whether it is going to use the efficiency of the system, efficiency of the technology, efficiency of the investment market? The innovation shall not be solely for enhancing profitability.

It is expected that Appointed Actuaries ensure that the products are fairly priced and the interests of policy holders are taken a step further in any innovation. Regulator expects highest level of professionalism from actuaries. Actuaries shall not to be swayed by the short term goals, of the industry or the CEO. It is a reasonable expectation from a regulator, to see that customers are given a fair deal, better deal. Better means, it is going to be better and better on the way forward, it's not a static goal, a product coming next time, must be better than the previous one. India had different type of products. ULIP products have taken a backseat now and traditional products, particularly with profit products, are coming forward. With profit policies offer relatively low transparency, it is not easy to understand how premium is calculated, how bonus is declared, than some of these products like ULIP. Hence, the regulator has prescribed specific norms for managing with profit products.

In life insurance, huge cost is incurred upfront, for designing a product, getting a product on board, which is only recovered over a period of time. In this context, persistency of the policy is very important. It is felt that persistency levels of life insurance policies in India should be improved. This is the reason behind issuing detailed guidelines on persistency to strengthen internal controls to ensure that the insurer's board addresses areas of concern, relating to persistency experience, in a timely manner.

Non-Life Products:

Erstwhile, India had a tariff advisory committee, which used to determine the tariff of each line of non-life business. Now we have a detariffed scenario, where the non-life industry is allowed to quote the premium. But, by and large, non-life companies are not making profits. The situation clearly highlights the need for rationalization in the pricing approach and not to chase just the top line. Non-life product pricing is an area where actuaries have to play an active role along with underwriters. Presence of actuaries is more required today in Indian non-life insurance sector, which is really in short supply. The institute shall focus more on the issue.

Affordability and profitability:

As highlighted by Mr. Burr (previous speaker), "access, affordability, information, ease of claims choice" shall be focus areas for enhancing the role of insurance industry. In this context, one choice made recently by the regulator is to advise the banks to distribute products offered

by various insurers. In India, government and regulators are focused for providing affordable insurance to all segments of people. Today with the advancement of technology, we are better placed to design such low ticket products, and making them available to across the society and we expect actuaries to contribute a lot to this area. Critical balance between product pricing and profitability shall be maintained by actuaries in such products.

Control on Expenses:

In India, the expense limits for insurance business were set by a law which is more than 70 years old. With rapid advancement in information and communication technology and increase in volume of the business, it may not be appropriate to push the expenses to the statutory upper limits. By the new product regulations, the expenses are expected to come down. Amendment of the insurance act is on the parliament's agenda for quite some time and we hope that it will be completed sooner rather than later and there will be rationalization of statutory limits on expense levels.

Investment:

'Investments' is a very critical area for insurance industry. 82% of the premium is collected by life insurers, towards long term liabilities. In this area, the regulator has come out with guidelines in addition to statutory norms on where & how it has to be invested, and exposure in particular companies, group companies, particular sector. Compliance in this area is closely monitored by the regulator. Insurers have to act as trustees of the insurance money placed with them and as it is a long term activity, it should not be subjected to high risk investments. With this approach, maybe returns are not very high and because of lower risk, it maybe inherent in it.

Mis-sale:

Many times life insurance sale happens in India, on the basis of IRR comparison with other products or investments etc. But the essential feature; the lower riskiness of the product is not getting highlighted. The other assumption usually made is that the person is going to survive the policy period. The situation clearly warrants focus to bring right perspective during sales process. The communication as to what are the benefits of insurance product and the suggested sales process should be made clear to the sales personnel.

Health Insurance:

Health insurance in India is coming into big focus as is also observed in other jurisdictions. For effective delivery of health insurance, the persons who are providing the service, the hospitals, the doctors and other related professionals have to be consulted in designing the health insurance product and it's pricing. Hence a need for coordinated effort is more relevant this area. With growing public awareness and transparency laws, involvement of legal experts is required in the area of developing appropriate policy wordings.

Conclusion:

Emerging trends in global regulatory environment is an important consideration and we cannot isolate ourselves and we need to follow them closely and address the emerging issues. The latest example in this regard being US decisions on quantitative easing. IAIS principles, the global solvency norms do impact us and we need to understand what is happening across the globe and align ourselves to them to maintain our place at global level. We need support of actuaries and other professionals in this area, not only from India but abroad also. I am sure this global conference will serve as a platform, to contribute knowledge, understand topics relevant for India and which can be adopted. I wish all the success, for this conference, thank you very much.