
**THE ROLE OF PROFESSIONAL ASSOCIATIONS IN INSURANCE
BUSINESS****– A STUDY OF SELECTED ASSOCIATIONS IN INDIA, SULTANATE
OF OMAN AND ETHIOPIA****Dr. T. Srinivas Prasad***

ABSTRACT

Insurance industry is part of immune and repair systems of an economy. Professional Associations in Insurance trade can play different roles in supporting the orderly development of insurance market. The main objective of this paper is to examine the role of professional associations in creating awareness among the public and developing professionalism in insurance business by taking some selected associations in India, Sultanate of Oman and Ethiopia for the case study. The study revealed that the selected professional associations are playing a tremendous role in developing professionalism in insurance business by undertaking various activities such as promoting the insurance industry and fostering public awareness, playing a leading role in insurance education, research and training and organizing workshops and conferences, maintaining of standards of ethics, organizing structured and proactive discussions with Government, lawmakers and regulators etc.

Key words: *Insurance, Association, Professionalism, Awareness, Business*

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INTRODUCTION

Insurance is a form of risk management primarily used to hedge against the risk of a contingent loss. It is defined as the equitable transfer of the risk of a loss, from one entity to another, in exchange for a payment², and can be thought of as a guaranteed and known small loss to prevent a large, possibly devastating loss. The system of insurance provides numerous direct and indirect benefits to the individual and his family as well as to industry and commerce and to the community and the nation as a whole. Further, it protects the capital in industry and releases the capital for further expansion and development of the business and industry. The deepening of insurance markets makes a positive contribution to economic growth¹. While life insurance is casually linked to growth in higher income economies, non-life insurance makes a positive contribution in both developing and higher income economies.

Insurance industry is part of immune and repair systems of an economy. Successful operation of the industry sets impetus for other industries and development of an economy. Professional associations in insurance industry play a tremendous role in developing professionalism and development of insurance business as well. It is a way that practitioners and academicians can increase the quality of knowledge through life long learning in the field. This includes training, conferences, publications, web-based information and other member services. Informally, they increase communication and reduce “Stove-piping” (narrow specialization and vertical rather than horizontal focus) among the professionals. In many respects, their role in improving the process of insurance is important as their role in improving its context and contents.

IMPORTANCE OF THE STUDY

A professional association (also called a professional body, professional organization, or professional society) is usually a nonprofit organization seeking to further a particular profession, the interests of individuals engaged in that profession, and the public interest³. Professional Associations in Insurance trade can play many different roles in supporting the orderly development of insurance market. These roles can be carried out by individual functional associations or by an integrated industry association or by a mixture of organizational structures⁴. Many markets around the world use trade associations as a cost efficient means of coordinating appropriate industry activities in a manner that does not harm competition, but that improves the professional standards and operations of the industry and helps members to comply with regulations and laws.

One critical function of an industry association is to develop industry priorities and be a strong advocate for those priorities with regulators, legislators and with the public. Industry association positions must be permitted to develop free of regulatory pressure, so as to maintain a proper balance of opinion and to avoid any bureaucratic self-interest. Advocacy activities tend to be largely reactive to defend industry priorities or proactive to promote industry priorities. Associations should consider developing a strategic plan to help position the industry to meet long term goals. To best represent the interests of the industry as a whole, and maintain the support of members, associations should have a well developed policy formulation and implementation structure which focuses member company resources, including expertise. Focus can be achieved by creating committees of various professional skills (e.g., risk managers, accountants, actuaries) or by product or subject.

There are a number of professional associations in the world, playing an important role in enhancing professionalism and developing insurance business. The International Association of Insurance Professionals located in Atlanta, USA is one among them which is best known for providing insurance education, skills enhancement and leadership development to its worldwide members⁵. This association serves its members by providing an environment in which to build business alliances and the opportunity to make connections with people of differing career paths and levels of experience within the insurance industry. Similarly, General Insurance Association of Japan is contributing in creating public awareness on earthquake risk and insurance, automobile theft prevention activities, Exploration for Disaster Prevention and Eco-safe driving besides the enhancement of consumer relations in Japan⁶. Likewise, many other associations such as African Insurance Organization, Insurance Association of China, General Insurance and Life insurance Associations of Indonesia, Philippine Life Insurance Association, Emirates Insurance Association etc., are also contributing to the growth of insurance sector in their respective countries. Since these professional associations play an important role in the insurance sector, there is a need to make a systematic study in this area by selecting some associations for the case study.

OBJECTIVE AND METHODOLOGY

The main objective of this paper is to examine the role of professional associations in creating awareness and developing professionalism in insurance business by taking some selected associations in India, Sultanate of Oman and Ethiopia for the case study. The associations selected for the study are Life Insurance Council and General Insurance Council

of India located in Mumbai, Oman Insurance Association located in Muscat, and the Society of Insurance Professionals, Ethiopia located in Addis Ababa. The present study is based on the secondary data and the required data was collected from the various reports, articles in journals, websites of the selected organizations and other information obtained from internet.

RESULTS AND DISCUSSION

4.1 Role of selected associations in creating awareness and developing professionalism in Indian insurance sector

4.1.1 Brief profile of Insurance business in India

In India, insurance has a deep-rooted history. Insurance in its current form has its history dating back until 1818, when Oriental Life Insurance Company was started in Kolkata to cater to the needs of European community. In the year 1912, the Life Insurance Companies Act and the Provident Fund Act were passed to regulate the insurance business. The Government of India issued an Ordinance on 19 January 1956 nationalizing the Life Insurance sector and Life Insurance Corporation came into existence. The General Insurance business was nationalized in 1973 and 107 insurers were amalgamated and grouped into four companies, namely National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd and the United India Insurance Company Ltd. The General Insurance Corporation of India was incorporated as a company in 1971 and commenced business on January 1, 1973.

The insurance sector has gone through a number of phases by allowing private companies to solicit insurance and also allowing foreign direct investment. India allowed private companies in insurance sector in 2000, setting a limit on FDI to 26%, which was increased to 49% in 2014. However, the largest life-insurance company in India i.e. Life Insurance Corporation of India is still owned by the government and carries a sovereign guarantee for all insurance policies issued by it⁷. The primary regulator for insurance business is the Insurance Regulatory and Development Authority (IRDA) which was established in 1999. It controls all the Insurance business in India by setting up the structure and boundaries for the insurance companies to act within. It also protects customer interests in the country.

4.1.2 Role of Life Insurance Council

Life Insurance Council was constituted under Sec.64A of Insurance Act 1938. It is a forum that connects the various stakeholders of the sector and develops and coordinates all discussions between the Government, Regulatory Board and the Public. In short, it is the face of the Life Insurance industry. The Life Insurance Council functions through several sub-

committees and includes all life insurance companies in India. In total, there are 24 life insurers who offer a variety of traditional and new innovative products⁸.

The Life Insurance Industry in India has witnessed an immense growth in the past few years. Today, it is the second only to banks in mobilization of savings and forms a formidable part of the capital market. It comprises of over 11063 branches, more than 21.52 lakh agents, 2.44 lakh direct employees and growing significantly Rs. 32.80 Crores in-force policies as of 30th September 2013. (Source: Life Insurance Council). The life insurance sector in India controls more than Rs. 35,641 crores of deployed capital, over Rs. 22, 13,897 crores of managed assets⁹. The main objective of the Life Insurance council is to play a significant and complementary role in transforming India's life insurance industry into a vibrant, trustworthy and profitable service, helping people in their journey to prosperity. The council has been playing its role in the development of professionalism and Indian Life Insurance business by:

- Creating a positive image of the industry and enhancing consumer confidence.
- Maintaining high standards of ethics and governance.
- Promoting awareness of the role and benefits of life insurance.
- Organizing structured and proactive discussions with Government, lawmakers and regulators.
- Conducting research in life insurance and publish monographs.
- Acting as forum of interaction with other organizations in the financial services sector.
- Playing a leading role in insurance education, research, training and conferences.
- Acting as a link between the Indian life insurance industry and the global markets.

4.1.3 Role of General Insurance Council

The General Insurance Council was established in 1957 under the Indian Insurance Act 1938 with an objective to regulate the growth of the general insurance industry and maintains high quality customer service¹⁰. It designed a code of good business practices to set standards of business practice that are good for the image of the insurers and in the best interests of their policyholders. Further, the insurance industry in India has transformed considerably since the establishment of IRDA. The Industry is poised for radical evolution in times to come due to changes in the overall economic environment, its bearing on the financial sector and related need for risk management. The General Insurance Council recognizes its role in the changing business environment and accomplishes it by undertaking various activities such as:

- Promotion of a better understanding of non-life insurance amongst the public by providing inputs to the media about the developments in the industry.

- Developing codes of conduct for member companies, strengthening non-life insurance companies' disclosure, developing compliance programs to observe laws and regulations, etc.
- Representing the non-life insurance industry in the presentation of regulatory reform requests, and of opinions to insurance administration.
- Promoting dialogue and information exchange with overseas insurance associations, participating in international organizations' activities and international meetings.
- Carry out activities to realize the establishment and revision of laws and regulations beneficial to the general insurance industry and society by making requests and proposals to the related parties.

In a bid to create awareness for insurance needs and on insurance products for health, motor, home and travel insurance, the General Insurance Council with support from IRDA conducted awareness campaign in the year 2013 in television, newspaper and other media with a total budget of Rs 16 crores¹¹. This pan-India advertisement campaign was rolled out on television, radio and print in 11 different languages in a month's time aimed to make consumers realize the fact that in case of a damage/loss, an insurance policy can help them to get back to the position before the loss. The move to run the pan-India awareness campaign is a result of the survey conducted by IRDA in 2011 across 30,200 households throughout the country which figured out that the awareness of non-life insurance products was low at 54 per cent and recommended for a consumer awareness advertising campaign¹².

4.2 Role of Oman Insurance Association in creating awareness and developing professionalism

4.2.1 Brief Profile of Insurance Business in Sultanate of Oman

Oman's insurance market has grown rapidly in recent years and continues to offer growth opportunities. Oman's insurance market is modest, even by Gulf Cooperation Council (GCC) Standards, with a total premium of OMR 282 million (USD 733 million) in 2011. The insurance sector is similar in size to that of Qatar, Bahrain and Kuwait; but significantly smaller than that of the UAE and Saudi Arabia. The Capital Market Authority (CMA) regulates the insurance market in Oman in accordance with the Insurance Companies Law (Royal Decree 12/79). The 1979 insurance law was updated many times and these updates amended the amount of money a foreign insurance company must deposit with the CMA, required brokers to apply for a license prior to operating within the Sultanate, and allowed for insurance to be sold through banking channels. The approval of 70% Foreign Direct

Investment in 2008 in the insurance industry increased the level of competition in the insurance market¹³.

At present there are 23 insurance companies serving the market and National companies have the biggest share in insurance market. Among the top five, there are four national companies representing together 53% of the total direct insurance premiums. Dhofar Insurance Company occupies the first place. Its share in the total direct premiums is RO 62.4 million or 17.2%, followed by National Life & General Insurance Company 15.4%, and Oman United Insurance Company 11% according to the Capital Market Authority's Insurance Report, 2013¹⁴.

Oman is making significant efforts to enhance its insurance market. The regulatory framework has been effectively upgraded in recent years to implement the international best practices and address regulatory gaps. However, the sector needs to undergo some changes to achieve prosperity and profitability. The consolidation in the sector is crucial, as the market's overcapacity is having a negative impact on the supply as a whole. In addition, a significant shortage of skills will hinder the growth of the sector in the near future. The professional associations can play a greater role in the area of skill enhancement.

4.2.2 Role of Oman Insurance Association

Oman Insurance Association was established in 2010 as a trade body consisting of Insurance Companies, Insurance Brokers and Loss Adjusters and others licensed by Capital Market Authority, Oman, with the following main objectives¹⁵:

- Interfacing with the Central Bank of Oman and other appropriate authorities and bodies in other industries to represent members' interests.
- Promoting the insurance industry and fostering public awareness in Oman.
- Promoting sound, ethical and professional standards within the insurance industry.
- Facilitating exchange of information and statistics and the resolution of issues on specific and non-competitive developments impacting the insurance industry.

In line with its ongoing commitment to 'underwrite Oman's progress,' Oman Insurance Association approved and implemented a two-year plan for the industry in 2014 with a seven objectives that would raise the level of customer service, strengthen consultations with government and other stakeholders, and improve consistency and raise standards. The first objective is 'optimizing the utilization of e-Insurance,' which encompassed key elements to strengthen the governance and involvement of insurers in the drive to increase e-insurance use in Oman. The second aims on providing training to the Omani youth combined with certification programmes that will improve professionalism, help career growth, attain higher

positions and increase the attraction of high caliber Omanis to the insurance sector. The other objectives include increasing the level of consultation with Capital Market Authority and the insurance industry; propose legal and regulatory framework for credit control; increase insurance awareness; standardize fire policy wording and improving the customer experience¹⁶.

Further, the Oman Insurance Association is taking several measures to enhance awareness on the benefits of insurance in the country, in an apparent move to develop the sector and thereby enhance insurance penetration levels without compromising on ethical and professional standards. In this regard, it is organizing lectures, seminars, conferences to spread awareness about the role of insurance and about the career opportunities offered by the insurance sector for high quality graduates that have traditionally looked to banking and oil and gas as more attractive destinations¹⁷. It is aimed to promote the sector as a destination for ambitious graduates looking for their long term careers in the insurance sector in Oman.

4.3 Role of the Society of Insurance Professionals, Ethiopia in creating awareness and developing professionalism

4.3.1 Brief Profile of Insurance Business in Ethiopia:

The modern form of insurance service, which was introduced in Ethiopia by Europeans, trace its origin as far back as 1905 when the Bank of Abyssinia began to transact fire and marine insurance as an agent of a foreign insurance company. In 1954, there were 9 insurance companies providing insurance service in the country. In 1970, the Proclamation No. 281/1970 was issued to provide for the control & regulation of insurance business in Ethiopia. Four years after the enactment of the proclamation, the military government that came to power in 1974 put an end to all private entrepreneurship. Then all insurance companies operating were nationalized and from January 1, 1975 onwards the government took over the ownership and control of these companies and merged them into a single unit called Ethiopian Insurance Corporation. Following the hang in the political environment in 1991, the proclamation for the licensing and supervision of insurance business heralded the beginning of a new era¹⁸. Immediately after the enactment of the proclamation, private insurance companies began to flourish. At present there are 16 private insurance companies in operation in Ethiopia which account for 81.3 percent of the total branches. Out of the total capital of insurance companies about Birr 2.0 Billion, these private insurance companies account for 78.6 percent while the share of the state owned Ethiopian Insurance Corporation is 21.4 per cent¹⁹.

4.3.2 Role of the Society of Insurance Professionals

The **Society of Insurance Professionals (SIP)**, Ethiopia, was established in 2003 by a group of committed individuals to create a forum to exchange experience and develop professional capability in the insurance field; exert joint effort and coordination to harmonize the application of the insurance practice and principles and to encourage members to contribute towards that objective, which ultimately benefits the public as well as the industry by promoting mutual understanding. The broad aims of SIP are to bring together men and women from the insurance sector who are keen to increase their level of professionalism, voice their opinions, influence decisions, broaden their range of contracts and develop better understanding of insurance practices. As per the mission statement, the SIP is dedicated to meet the career development needs of its members so that they serve the insured public and the insurance sector in a competent and ethical manner²⁰.

SIP provides an ongoing forum for its members to discuss their mutual interest, needs and concerns. Becoming a member of SIP will enable the member to keep up-to-date information about the latest trends and developments in the field of insurance through Newsletters and discussion forums. SIP organizes symposia, workshops and seminars that deal with topical professional issues from different perspectives and dimensions and submit workshop proceedings to the regulatory bodies and pertinent government organs to facilitate them in the policy making. Insurance professionals who join SIP take their commitment to ethical behavior one step further by agreeing to be bound to an enforceable code of ethics and pleading the society's creed. Insurance professionals also join SIP to take advantage of continuing education, networking, and other skill development opportunities such as leadership skills, public speaking, job enhancement, change management and career building. SIP members also work to spread the message about the value of insurance to the wider public through consumer education efforts and campaigns to be designed from time to time. Further, the market-oriented regime and the current capacity-building drive of government in Ethiopia is the precursor to the emergence of more knowledgeable workforce whose best talents and innovative energies must be enhanced and reinforced by systematic training and purposeful infusion of a true sense of professionalism.

Since its establishment, the SIP has conducted a number of workshops in which professional papers that dealt with varied topical issues exploring in Insurance Industry were presented and provided training to a good number of Ethiopian professionals. Further, the strength of SIP has also shown significant increase over the past years. Even though much remains to be

done in the future, SIP has built sound organizational capacity to sustain itself and is now in a position to run all its activities on its own.

CONCLUSION

Professional associations have become the voice of an industry in a growing trend towards transparent discussion of how to ensure open and fair competition for the industry, consumer choice and protection. Every association has two roles: one is the setting of standards and the other is to ensure compliance with those standards on the part of its members. In a country where there are a large number of professionals exist, the professional body can exert a high influence on the profession to have sophisticated, principle based and self regulated. In insurance markets like India, Oman and Ethiopia, where penetration rates are low and client's price is sensitive, the sector has to be more innovative to build value around insurance products and earn the trust of the consumer. Thus, the targets of the professional associations selected for the study to become strong body of professionals who proactively influence the development of the insurance industry in their respective countries are very significant in this context. We are hopeful that all these organizations will become strong forums where the better learned and better experienced people get the opportunity to impart their knowledge and experience to the others leading to the enhancement of professional skills and expertise and the development of insurance business by creating adequate awareness among the public as well.

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