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Among top insurance markets

- India ranked 11th among 88 countries in the life insurance business, with a share of 2.0 per cent during FY14
- The country ranked 21st in global non-life insurance market, with a share of 0.66 per cent in FY13

Rapidly growing insurance segments

- The life insurance premium market expanded at a CAGR of 14 per cent, from USD14.5 billion in FY04 to USD61.78 billion in FY15
- The non-life insurance premium market rose at a CAGR of 16.3 per cent, from USD3.4 billion in FY04 to USD10.17 billion in FY16*(Up to November 2015), registering a growth of 9.5 per cent

Increasing private sector contribution

- The market share of private sector companies in the non-life insurance premium market rose from 9.6 per cent in FY03 to 41 per cent in FY16*

Crop, health and motor insurance to drive growth

- In 2015, crop insurance market in India is the largest in the world and covers around 32 million farmers; which accounted for nearly 19 per cent of the total farmers in the country
- Strong growth in the automotive industry over the next decade to be a key driver of motor insurance

Source: Swiss-Re, IRDA Annual Report, Mckinsey estimates
Notes: CAGR - Compound Annual Growth Rate,
*: Upto November 2015;
Figures are as per latest data available

For updated information, please visit www.ibef.org
**INSURANCE**

**Advantage India**

**FY15**
- **Market size:** USD75.88 billion

**Strong demand**
- Growing interest in insurance among people; innovative products and distribution channels aiding growth
- Increasing demand for insurance offshoring
- Growing use of internet has started increasing demand

**FY20E**
- **Market size:** USD280 billion

**Attractive opportunities**
- Life insurance in low-income urban areas
- Health insurance, pension segment
- Strong growth potential for microinsurance, especially from rural areas

**Increasing investments**
- As per the latest data, rising participation by private players has increased their market share in the life insurance market to 24.6 per cent in FY14 from 2 per cent in FY03
- Increase in FDI limit to 49 per cent from 26 per cent, as proposed in 2012, will further fuel investments

**Policy support**
- Tax incentives on insurance products
- Passing of Insurance Bill gives IRDA flexibility to frame regulations
- Clarity on rules for insurance IPOs would infuse liquidity in the industry
- Repeated attempts to make the sector more lucrative for foreign participants

**Source:** IRDA

Notes: 2020E - Expected value for 2020; Estimate according to BCG, IRDA - Insurance Regulatory and Development Authority, IPO - Initial Public Offering, FDI - Foreign Direct Investment

For updated information, please visit [www.ibef.org](http://www.ibef.org)
MARKET OVERVIEW AND TRENDS

JANUARY 2016
The life insurance sector was made up of 154 domestic life insurers, 16 foreign life insurers and 75 provident funds.

All life insurance companies were nationalized to form LIC in 1956 to increase penetration and protect policy holders from mismanagement.

The non-life insurance business was nationalized to form GIC in 1972.

Malhotra Committee recommended opening up the insurance sector to private players.

IRDA, LIC and GIC Acts were passed in 1999, making IRDA the statutory regulatory body for insurance and ending the monopoly of LIC and GIC.

Post liberalisation, the insurance industry recorded significant growth; the number of private players increased to 44 in 2012.

The industry has been spurred by product innovation, vibrant distribution channels, coupled with targeted publicity and promotional campaigns by the insurers.

In December 2014, Government approved the ordinance increasing FDI limit in Insurance sector from 26 per cent to 49 per cent. This would likely to attract investment of USD7-8 billion.

In 2015, Government introduced Pradhan Mantri Suraksha Bima Yojna and Pradhan Mantri Jeevan Jyoti Bima Yojana.

Notes: * As of September 2012, LIC - Life Insurance Corporation of India, GIC - General Insurance Corporation of India, IRDA - Insurance Regulatory and Development Authority.

For updated information, please visit www.ibef.org
IRDA GOVERNS THE INDIAN INSURANCE SECTOR

- Insurance Regulatory and Development Authority (IRDA)
  - Established in 1999 under the IRDA Act
  - Responsible for regulating, promoting and ensuring orderly growth of the insurance and re-insurance business in India

**Ministry of Finance (Government of India)**
**Insurance Regulatory and Development Authority (IRDA)**

**Life insurance (24 players)**
- Public (1)
- Private (23)

**Non-life insurance (28 players)**
- Public (6)
- Private (22)

**Re-insurance (1 player)**
- Public (1)

Source: IRDA, TechSci Research
Growth of non-life insurance premium experienced a slowdown in FY15 but premiums are expected to grow in emerging economies by 10.7 per cent in 2016 and 2017. Global premium increased by 3.3 per cent in 2015.

The insurance industry is expected to rise and reach USD280 billion in 2020. In 2015, the industry comprised of 24 private players while Life Insurance Corporation constituted 71 per cent of the insurance market in the country.

Life insurance premium growth rates* in India, emerging markets and the world

Non-life insurance premium growth rates* in India, emerging markets and the world

Source: Swiss Re, IRDA Annual Report FY14, TechSci Research
Notes: Growth rate in USD terms and is inflation adjusted
* Figures for India correspond to FY11, FY12, FY13 and FY14
IRDA - Insurance Regulatory and Development Authority:
Figures are as per latest data available

For updated information, please visit www.ibef.org
The total insurance market expanded from USD23 billion in FY05 to USD75.68 billion in FY15.

Over FY02–FY15, total gross written premiums increased at a CAGR of 12.6 per cent.

Gross premium written in India for non life insurance sector for FY15 is USD13.9 billion and in FY16 (till November 2015), the gross premium written in India for non life insurance sector stood at USD10.2 billion.

**Source:** Insurance Regulatory and Development Authority, TechSci Research

**Note:** CAGR - Compound Annual Growth Rate
The life insurance market grew from USD10.5 billion in FY02 to USD52.14 billion in FY14

Over FY02–FY14, life insurance premiums expanded at a CAGR of 14.7 per cent

The life insurance industry has the potential to grow 2-2.5 times by 2020 in spite of multiple challenges supported by long-term trends and fundamentals underlying household savings

The life insurance premium market expanded at a CAGR of 14 per cent, from USD14.5 billion in FY04 to USD61.78 billion in FY15

Source: Swiss Re, BCG, Insurance Regulatory and Development Authority, TechSci Research
Note: CAGR - Compound Annual Growth Rate; Figures are as per latest data available

For updated information, please visit www.ibef.org
Insurance density in India increased from 3.57 in FY05 to 11.23 in FY15 at a CAGR of 12.1 per cent.

Insurance penetration reached 3.3 per cent in FY15.

**Source:** Insurance Regulatory and Development Authority (IRDA), TechSci Research

**Notes:** Life insurance density* is defined as the ratio of premium underwritten to the total population in a given year, CAGR - Compound Annual Growth Rate
INCREASING PRIVATE SECTOR ACTIVITY IN LIFE INSURANCE SEGMENT

Share of private sector has been growing over the years, from around 2 per cent in FY03 to 25 per cent in FY15 between FY04-14.

The total number of life insurance companies increased from 5373 in FY07 to 11032 in FY14.

Share of public and private sector in life insurance segment (%)

FY03
- Public: 98.0%
- Private: 2.0%

FY15
- Public: 73%
- Private: 27%

Size: USD11.5 billion

Size: USD61.78 billion

Source: Insurance Regulatory and Development Authority, TechSci Research
Note: Figures are as per latest data available

For updated information, please visit www.ibef.org
LIC CONTINUES TO DOMINATE LIFE INSURANCE SEGMENT

- In 2015, the life insurance sector has 29* private players compared to only four in FY02
- LIC is still the market leader, with 69 per cent share in FY15, followed by ICICI Prudential, with 6.0 per cent share
- LIC issued 20.1 million new policies in FY15

![Market share of major companies in terms of total life insurance premium collected (FY15)](#)

**Source:** TechSci Research

**Notes:** * As of April 2015,

LIC - Life Insurance Corporation of India
The industry is witnessing a shift towards the traditional non-linked insurance plans.

The share of non-linked insurance increased from 59.1 per cent in FY09 to 88 per cent in FY15.

**Share of linked and non-linked insurance premium**

<table>
<thead>
<tr>
<th>Year</th>
<th>Linked Premium</th>
<th>Non-linked Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY09</td>
<td>41%</td>
<td>59%</td>
</tr>
<tr>
<td>FY10</td>
<td>42%</td>
<td>58%</td>
</tr>
<tr>
<td>FY11</td>
<td>37%</td>
<td>63%</td>
</tr>
<tr>
<td>FY12</td>
<td>24%</td>
<td>76%</td>
</tr>
<tr>
<td>FY13</td>
<td>17%</td>
<td>83%</td>
</tr>
<tr>
<td>FY14</td>
<td>15%</td>
<td>85%</td>
</tr>
<tr>
<td>FY15</td>
<td>12%</td>
<td>88%</td>
</tr>
</tbody>
</table>

Source: IRDA Annual Report, KPMG Analysis

Notes: *Growth rate in INR terms, Linked Plans - In linked plans, a part of the investment goes towards providing you life cover while the residual portion is invested in a fund which in turn invests in stocks or bonds; the value of investments alters with the performance of the underlying fund.

In Non-Linked plans, a major chunk of investible funds are in debt instruments, giving steady and almost assured returns over the long term.

** Data for FY15 is till August 2015
The non-life insurance market grew from USD2.6 billion in FY02 to USD13.9 billion in FY15

Over FY02–15, non-life insurance premiums increased at a CAGR of 13.8 per cent

The number of policies issued increased from 43.6 million in FY03 to 126 million in FY15, at a CAGR of 9.2 per cent

Growth in non-life insurance premium (USD billion)

Number of non-life insurance policies (million)

Source: IRDA, TechSci Research
Notes: CAGR - Compound Annual Growth Rate
FY16: Till November 2015
**INSURANCE**

**PENETRATION AND DENSITY LOWER, INDICATING ROOM FOR GROWTH**

- The non-life insurance penetration rate is in the range of 0.64–0.7 per cent over 2004–15
- Non life insurance density increased from USD4.0 in FY04 to USD10.42 in FY15 at a CAGR of 9.09 per cent

**Non-life insurance penetration (%)**

- 0.64, 0.61, 0.6, 0.6, 0.6, 0.71, 0.7, 0.78, 0.8, 0.7

**Non-life insurance density (USD)**

- CAGR: 9.09%
- 4, 4.4, 5.2, 6.2, 6.2, 6.7, 8.7, 10, 10.5, 11, 10.42

Source: IRDA Annual Report, Swiss Re, TechSci Research

Note: CAGR - Compound Annual Growth Rate

For updated information, please visit [www.ibef.org](http://www.ibef.org)
Motor insurance accounted for 39.41 per cent of the gross direct premiums earned in FY16* (up from 41 per cent in FY06), at USD1.01 billion till September’15.

At USD0.71 billion (Till September’15), the health segment seized 27.75 per cent share in gross direct premiums.

Private players contributes around 50.2 per cent in the total revenue generated in non life insurance sector while public companies contributes around 49.8 per cent share by September’15.

Major private players are ICICI Lombard, Bajaj Allianz, IFFCO Tokio, HDFC Ergo, Tata-AIG, Reliance, Cholamandalam, Royal Sundaram and other regional insurers.

Source: IRDA Annual Report, TechSci Research
Note: *FY16: September 2015
The market share of private sector companies rose from 15 per cent in FY04 to 45 per cent in FY16.

The Gross Direct Premium of private companies increased from USD0.8 billion in FY05 to USD6.3 billion in FY15 at a CAGR of 22.9 per cent between FY02-15.

Growing share of private sector

Size: USD 3.4 billion
FY04
85%
15%

Size: USD 14.0 billion
FY16*
55%
45%

Non-life insurance premium of private sector (USD billion)

FY05 FY06 FY07 FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16*
0.8 1.2 1.9 2.7 2.7 2.9 3.8 4.7 5.1 5.7 6.3 4.2

CAGR: 22.9%

Source: IRDA, TechSci Research
Note: CAGR - Compound Annual Growth Rate
Note: FY16* till November’15

For updated information, please visit www.ibef.org
The number of companies increased from 15 in FY04 to 28 in FY15; six of these companies are in the public sector.

The public sector companies together accounted for about 57.2 per cent of the total Gross Direct Premium in the non-life insurance segment.

New India leads the market with 13 per cent share.

Private players are not far behind and compete better in the non-life insurance segment.

**Market share of major companies in terms of Gross Direct Premium collected (FY16*)**

- New India: 39%
- United India: 11%
- National: 11%
- ICICI Lombard: 11%
- Oriental: 8%
- Bajaj Allianz: 8%
- HDFC Ergo: 6%
- Others: 4%

Total size: USD14.0 billion

*Source: IRDA Business Report, TechSci Research
Notes: * Till August 2015
NOTABLE TRENDS IN THE INSURANCE SECTOR

Emergence of new distribution channels
- New distribution channels like bancassurance, online distribution and NBFCs have widened the reach and reduced costs
- Firms have tied up with local NGOs to target lucrative rural markets

Growing market share of private players
- In the life insurance segment, private sector share in total premiums increased to 27.1 per cent in FY16* from 2.0 per cent in FY03
- In the non-life insurance segment, share of the private sector increased to 42.7 per cent in FY16* from 14.5 per cent in FY04

Launch of innovative products
- The life insurance sector has witnessed the launch of innovative products such as Unit Linked Insurance Plans (ULIPs)
- Other traditional products have also been customised to meet specific needs of Indian consumers

Mounting focus on EV over profitability
- Large insurers continue to expand, focusing on cost rationalisation and aligning business models to realise reported Embedded Value (EV), and generate value from future business rather than focus on present profits

Notes: NBFC - Non Banking Financial Company,
NGO - Non-Governmental Organisation, EV - Embedded Value,
FY16* - Till August 2015
PORTERS FIVE FORCES ANALYSIS

Competitive Rivalry
- Insurance industry is becoming highly competitive with 52 players operating in the industry
- Companies are competing on price and also using low price and high returns strategy for customers to lure them

Threat of New Entrants
- Other financial companies can enter the industry
- Overall threat is medium given that entry is subject to license and regulations

Substitute Products
- Similarity in services makes switchover a potent threat
- Investment oriented customers have switched to other avenues

Bargaining Power of Suppliers
- Supplier being the distributor or agent have high bargaining power because they have customer database and can influence customers in making choices

Bargaining Power of Customers
- Bargaining power of customers especially corporate is very high because they pay huge amount of premium

Source: TechSci Research

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Players in industry are trying to come up with innovative low cost products to achieve cost advantage. They are investing in Information Technology to automate various processes and cut costs without affecting service delivery. It is estimated that digitisation will reduce 15-20 per cent of total cost for life insurance and 20-30 per cent for non-life insurance.

Companies are trying to differentiate themselves by providing wide range of products with unique features. For example, New India Assurance launched Farmers’ Package Insurance to covering farmer’s house, assets, cattle etc. United India launched Workmen Medicare Policy to cover hospitalisation expenses arising out of accidents during and in the course of employment.

Focus on providing one kind of service help insurance companies in differentiation. For example, SBI is concentrating on individual regular premium products as against single premium and group products.

The Insurance Law (Amendment) Bill, was passed in 2015 raises the foreign investment cap in the sector from 26 percent to 49 percent.

Source: TechSci Research
INSURANCE

GROWTH DRIVERS

JANUARY 2016
India’s robust economy is expected to sustain the growth in insurance premiums written

Higher personal disposable incomes would result in higher household savings that will be channeled into different financial savings instruments like insurance and pension policies

Household savings are expected to grow to USD397.78 billion by 2015E from USD89 billion in 2000

Financial savings are expected to grow to USD202.36 billion by 2015 from USD45 billion in 2000

Household and financial savings projections

Source: ICICI, RBI Annual Report, TechSci Research
Notes: Financial savings denote investment in equity and debt instruments, E - Estimates

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Rising income; growing middle class
- Per capita income and rural income are increasing
- The number of middle class households (earning between USD 4,413.1 and USD 22,065.3 per annum) is estimated to increase more than fourfold to 148 million by 2030 from 32 million in 2010
- Rising per capita income leads to increased spending on medical and healthcare services

Higher incidence of chronic lifestyle diseases
- Lifestyle diseases are set to account for a greater part of the healthcare market
- Lifestyle diseases such as cardiac diseases, cancer and diabetes are treated with the help of biotechnology products, thereby boosting revenues of biotech companies

Notes: Greater distributional efficiencies and increasing demand (especially from rural areas) due to rising disposable incomes have created new markets for products within the country, F - Forecast


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KEY REGULATORY CHANGES … (1/2)

1999
- IRDA cleared bill
- Liberalisation of sector and formation of an independent regulator

2001
- IRDA issues TPA regulations
- Foreign players allowed to enter with 26% FDI cap
- Entry of TPAs specifically focused on servicing health insurance business
- Entry of foreign players infusing capital and technical expertise

2002
- IRDA insurance brokers and corporate agent regulation
- Thrust on insurance distribution through corporate intermediaries

2006
- Entry of stand-alone health insurance players

Source: KPMG, TechSci Research
Note: TPA - Third Part Administrator
**KEY REGULATORY CHANGES … (2/2)**

**2007**
- Creation of Indian Motor Third Party Insurance Pool
- Mechanism to equitably share CVTP losses
- Significant change in the premium rates for the commercial lines

**2010**
- IRDA came out with new guidelines for equity-linked insurance products
- Reduced the first-year agent commission and lock in period extended

**2011**
- Merger and Acquisition guidelines
- Enabled consolidation, inorganic transactions in the industry

**2012**
- Introduction of Declined Risk pool, TP premium increase
- Improvement in overall profitability of the CV segment

**2013**
- FDI cap raised from 26 to 49 per cent under automatic route by cabinet
- Cabinet approval still pending on the FDI cap increase

**2015**
- FDI cap raised from 26 to 49 per cent
- Indian parliament passed bill to increase FDI in insurance.

**Source:** KPMG, TechSci Research

Favourable policy measures aid the sector

- **Tax incentives**
  - Insurance products are covered under the exempt, exempt, exempt (EEE) method of taxation. This translates to an effective tax benefit of approximately 30 per cent on select investments (including life insurance premiums) every financial year.
  - In 2015, tax deduction under Health Insurance Scheme has been increased to USD409.43 from USD245.66 and for senior citizens tax deduction has been increased to USD491.32.

- **Union Budget 2015–16**
  - The Insurance (Amendment) Bill 2015 is expected to empower IRDA to introduce regulations for promoting sustainable growth, providing the flexibility to frame regulations and increase the FDI limit to 49 per cent.
  - The government has also extended Rashtriya Swasthya Bima Yojana (RSBY) to cover unorganised sector workers in hazardous mining and associated industries.
  - In 2015, under National Insurance Scheme PM Suraksha Bima Yojana has been introduced. Under new scheme up to INR 2 Lakh life insurance cover will be provided with a premium of INR 12 per day.

- **Life insurance companies allowed to go public**
  - IRDA recently allowed life insurance companies that have completed 10 years of operations to raise capital through Initial Public Offerings (IPOs).
  - Companies will be able to raise capital if they have embedded value of twice the paid up equity capital.

- **Approval of increase in FDI limit and revival package**
  - Increase in FDI limit will help companies raise capital and fund their expansion plans.
  - Revival package by government will help companies get faster product clearances, tax incentives and ease in investment norms. FDI limit for insurance company has been raised from 26 per cent to 49 percent, providing safeguard and ownership control to Indian owners.

Notes: RSBY - Rashtriya Swasthya Bima Yojana, FDI - Foreign Direct Investment
RISING PRIVATE SECTOR INVESTMENT IN INSURANCE

- Investments from the private sector are increasing, as they see a huge opportunity in the growing insurance sector of the country

- Most of the existing players are tying up with banks to expand their distribution network

- Few players like HDFC Life are planning to go public; others are selling stakes to generate funds

- In 2015, Insurance Bill was passed that will increased raise the stake of foreign investors in the insurance sector to 49% per cent, fueling the participation of private sector investment in the insurance sector in the country

<table>
<thead>
<tr>
<th>Insurer</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Religare Health Insurance</td>
<td>USD110.4 million by 2016</td>
</tr>
<tr>
<td>AEGON Religare Life</td>
<td>USD71 million in 2010; plans to invest USD445 million through 2016</td>
</tr>
<tr>
<td>HDFC Life</td>
<td>Planning to raise USD 3.9 Billion with 10% stake sale. Through IPO which is expected in September 2015</td>
</tr>
</tbody>
</table>

Source: Towers Watson; Assorted news articles; TechSci Research

For updated information, please visit www.ibef.org
INDIA’S INSURANCE MARKET OFFERS A HOST OF OPPORTUNITIES ACROSS BUSINESS LINES

- Crop insurance
- Low-income urban and pension markets
- Micro-insurance
- Motor insurance markets
- Health insurance markets

Source: TechSci Research
LIFE INSURERS: LOW-INCOME URBAN AND PENSION MARKETS … (2/2)

- Increasing life expectancy, favourable savings and greater employment in the private sector will fuel demand for pension plans
- Proposed new pension bill by government will further provide new opportunities to insurers
- There is scope to introduce new-generation pension products such as Variable Annuity and Inflation Indexed Annuity
- As on March 2014, asset under management under Pension & Annuity was USD47 billion which is estimated to increase to USD84 billion by 2025*
- By 2030, India will have around 180 million people in the age bracket of 60+ years
- In 2015, three schemes related to insurance and pension, Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana and Atal Pension Yojana were launched

- As on October 2015, Indian Retirement system was ranked last in the global pension index which witnessed a fall in value from 43.5 in 2014 to 40.3 in 2015

Notes: PFRDA - Pension Fund Regulatory and Development Authority,
* Expected value, at 2009-10 rates, CAGR - Compound Annual Growth Rate

Financial Assets in terms of Provident & Pension Funds

Notes: PFRDA - Pension Fund Regulatory and Development Authority,
* Expected value, at 2009-10 rates, CAGR - Compound Annual Growth Rate
Strong growth in the automotive industry over the next decade will be a key driver of motor insurance

Proposed IRDA draft envisages a 10–80 per cent rise in premium rates for the erstwhile loss-making third-party motor insurance

In 2015, number of commercial vehicles and cars in the country were 0.60 million and 2.60 million while the number of 2&3 wheelers were 16.50 million

In FY15, Motor and Health sector constituted 67.70 percent of the non-life insurance market

Notes: E in the axis for the figures above refer to estimates, GDP - Gross Domestic Product, CAGR - Compound Annual Growth Rate, ACMA - Automotive Component Manufacturers Association of India

* Till July 2015
Only 1.5–2 per cent of total healthcare expenditure in India is currently covered by insurance providers.

From 13.3 per cent of the total non-life insurance premium in FY07, health insurance currently contributes 27.43 per cent.

Total health insurance premiums increased from USD733.1 million in FY07 to USD2,902 million in FY14 at a CAGR of 21.7 per cent.

In FY16 (Up to October 2015) gross direct premium income underwritten under health insurance is USD2.29 billion.

Absence of a government-funded health insurance makes the market attractive for private players.

IRDA recommended the government to reduce capital requirements for stand-alone health insurance companies from USD21 million to USD10 million.

Health insurance penetration (million policies)

Notes: E- Estimates
Introduction of health insurance portability expected to boost the orderly growth of the health insurance sector

Increasing penetration of health insurance likely to be driven by government-sponsored initiatives such as RSBY and ESIC

In FY15, population covered under health insurance through government sponsored schemes reached 351 million

Government-sponsored programmes expected to provide coverage to nearly 380 million people by 2020

Private insurance coverage is estimated to grow by nearly 15 per cent annually till 2020

Health insurance coverage to cross 630 million people by 2015

Source: World Bank, Mckinsey estimates, TechSci Research
Notes: E-Estimates, RSBY - Rashtriya Swasthya Bima Yojna
ESIC - Employees State Insurance Corporation, E - Estimated
The business environment in India’s microinsurance sector supports healthy growth

<table>
<thead>
<tr>
<th>Level</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macro level</td>
<td>IRDA drafted microinsurance guidelines in 2010, which contain numerous favourable measures such as • Lower threshold limits for agents’ commissions • Rural areas must account for 7 per cent of new life insurance policies in the first year of firm’s operation and rise to 20 per cent over the next 10 years</td>
</tr>
<tr>
<td>Intermediate level</td>
<td>• In order to reduce microinsurance distribution costs, IRDA proposed microinsurance schemes to supplement existing government insurance schemes • The number of regional rural banks and NGOs operating in the rural sector will aid distribution of microinsurance products</td>
</tr>
<tr>
<td>Micro level</td>
<td>• The annual income growth rate in rural India is expected to increase to 3.6 per cent over 2010–30 from 2.8 per cent during 1990–2010 • About 5 million people currently have microinsurance, while the entire market is expected to be in the range of 140–300 million</td>
</tr>
</tbody>
</table>

Source: IRDA, McKinsey, TechSci Research
Total number of business premium reached USD22.6 million during FY15

The total number of micro-insurance policies reached 50,36,000 in FY13 from 21,52,000 in FY09, registering a growth of 23.6 per cent during FY09-13

Public sector constituted the maximum share in the total micro-insurance policies with 86.18 per cent during FY13; while private sector constituted around 13.82 per cent

New business premium* (USD million)

Source: IRDA, McKinsey, TechSci Research

* - Premium is group premium
Crop insurance market in India is the largest in the world, covering around 30 million farmers.

To provide crop insurance to farmers, Government has launched various schemes like National Agriculture Insurance Scheme (NAIS), Modified National Agriculture Insurance Scheme (MNAIS) and Weather-based Crop Insurance Scheme (WBCIS).

Total sum insured under crop insurance is USD 836.6 million.

Government of India plans to increase the coverage to 50 million during the 12th Five-Year Plan.

Source: Agricultural Insurance Company of India Annual Report, Department of Agriculture and Cooperation, IRDA, TechSci Research
It is estimated that by 2020 three in every four insurance policies would be influenced by online channel.

It is estimated that insurance sales through online channel will grow 20 times from now by 2020.

Source: BCG, Gartner, TechSci Research
Notes: ** Retention ratios are from FY14
SUCCESS STORIES

JANUARY 2016
SBI Life Insurance is a joint venture between Indian banking giant State Bank of India (74 per cent) and France headquartered BNP Paribas Assurance (26 per cent).

The company primarily deals in life insurance and pension plans with 758 offices across India. In FY14, it issued around 10.4 lakh insurance policies.

Between FY08 and FY15, SBI Life’s profits increased at a CAGR of 48.85% per cent; in FY15, its annual profits increased to USD136 million. It had the market share of 13.9 per cent among all private sector companies in FY15 in the life insurance new business premium.

Total premium collected (USD billion)

Net profit (USD million)

Source: SBI Life Annual Report, IRDA, Company website, TechSci Research
Notes: CAGR - Compound Annual Growth Rate
* FY16 (Till September 2015)
Tata AIA Life Insurance Company Limited (Tata AIA Life) is a joint venture between Tata Sons (74 per cent) and AIA Group Limited (26 per cent)

The life insurance premium increased from USD198.8 million in FY06 to USD351 million in FY15 at a CAGR of 6.51 per cent

The sum assured increased from USD3.5 billion in FY06 to USD24.7 billion in FY16*, rising at a CAGR of 19.9 per cent

Total life insurance premium (USD million)  
Total sum assured (USD billion)

Source: Company website, IRDA, TechSci Research
Notes: CAGR - Compound Annual Growth Rate
*: Upto September 2015
### Objective for establishing micro insurance

- Fulfilment of corporate social responsibility
- Increase brand recognition to boost market entry – today’s micro clients maybe tomorrow’s high-premium clients
- To target untapped markets and income groups of rural India

### Key strategic decisions

- The micro insurance business model must be separated from business model
- Selling micro insurance would require new, alternative distribution mechanisms

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**The micro insurance business model**

<table>
<thead>
<tr>
<th>New business unit</th>
<th>Partnering with NGOs</th>
<th>Forming CRIGs</th>
<th>Local operations managed by NGOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>- A special microinsurance team called the Rural &amp; Social Team is formed</td>
<td>- Identify and partner with credible NGOs operating in the local community</td>
<td>- A group of micro-agents called a Community Rural Insurance Group (CRIG) is formed; it relies on direct marketing of microinsurance policies to local community members</td>
<td>- Local operations like collecting and aggregating the premiums, training micro-agents, and helping to distribute benefits looked after by the NGO; this saves administrative costs for Tata-AIG</td>
</tr>
</tbody>
</table>

Source: Company website, TechSci Research

For updated information, please visit [www.ibef.org](http://www.ibef.org)
Robust growth in micro-insurance expected

Number of policies

FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16*
113524.9 156831.6 176842.5 179329 149897.7 119904.7 107896.5 97490.7 41197.9

Premium – First Year (FYP) and Renewals (RYP) (USD Million)

FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16*
First Year Premium
211.89 347.82 457.99 581.55 573.97 405.13 313.53 300.22 122.16
Renewal Premium
268.64 231.95 268.58 242.81 156.22 76.33 55.40 48.76 35.21

Source: Company website, TechSci Research
Notes: * - Up to September 2015
INSURANCE

SUCCESS OF NEW INDIA ASSURANCE

- New India Assurance a wholly owned subsidiary of Government of India; it is the largest non-life insurance company in India with a market share of 16.3 per cent in FY14 in the non-life insurance segment.

- It is the largest non-life insurer in Afro-Asia, excluding Japan.

- New India Assurance has been selected as the Best General Insurance Company by IBN Lokmat Channel in association with Maharashtra Chamber of Commerce, Industry & Agriculture (MACCIA).

- The company has overseas presence in 22 countries: Japan, UK, Middle East, Fiji and Australia.

- It has been rated as "A-" (Excellent) for six consecutive years, indicating its excellent risk-adjusted capitalisation, prospective improvement in underwriting performance and leading business profile in the direct insurance market in India.

- Gross Direct Premium increased from USD1,193.94 million in FY09 to USD1914.41 million in FY14, at a CAGR of 9.9 per cent.

---

Gross Direct Premium (USD million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Premium (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY09</td>
<td>1193.94</td>
</tr>
<tr>
<td>FY10</td>
<td>1274.25</td>
</tr>
<tr>
<td>FY11</td>
<td>1555.71</td>
</tr>
<tr>
<td>FY12</td>
<td>1822.28</td>
</tr>
<tr>
<td>FY13</td>
<td>1848.27</td>
</tr>
<tr>
<td>FY14</td>
<td>1914.41</td>
</tr>
<tr>
<td>FY16*</td>
<td>1143.4</td>
</tr>
</tbody>
</table>

Source: IRDA, Company website, New India Assurance Annual Report, A.M. Best Europe Ltd, Alfred Magilton Best Company Limited
Notes: CAGR - Compound Annual Growth Rate
* - Up to September 2015

For updated information, please visit www.ibef.org
ICICI Lombard GIC Ltd is a 74:26 joint venture between ICICI Bank Limited, India’s second largest bank, and Fairfax Financial Holdings Limited, a Canada-based diversified financial services company.

It has a market share of 9.7 per cent in the non-life insurance sector in FY14.

As of FY15, it had 253 pan India branches with an employee strength of 7,736.

Its Gross Direct Premium increased from USD812.5 million in FY09 to USD1,146.98 million in FY15 at a CAGR of 5.91 per cent.

**Gross Written Premium (USD million)**

<table>
<thead>
<tr>
<th>Year</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>812.5</td>
<td>723.6</td>
<td>966.4</td>
<td>1143.1</td>
<td>1182</td>
<td>1183.5</td>
<td>1146.9</td>
<td>575</td>
</tr>
</tbody>
</table>

**Number of policies issued (million)**

<table>
<thead>
<tr>
<th>Year</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>4</td>
<td>4.5</td>
<td>5.6</td>
<td>7.6</td>
<td>9.2</td>
<td>11.2</td>
<td>13.8</td>
<td>7.27</td>
</tr>
</tbody>
</table>

Source: ICICI Lombard Annual Report, IRDA, Company website, TechSci Research

Notes: CAGR - Compound Annual Growth Rate
FY16*: till September 2015
Insurance Regulatory and Development Authority (IRDA)
3rd Floor, Parisrama Bhavan, Basheer Bagh, Hyderabad–500 004
Phone: 91-040-23381100
Fax: 91-040-66823334
E-mail: irda@irda.gov.in

Life Insurance Council
4th Floor, Jeevan Seva Annexe Bldg. S. V. Road, Santacruz (W),
Mumbai–400054
Phone: 91-22-26103303, 26103306
E-mail: ninad.narwilkar@lifeinscouncil.org

General Insurance Council
5th Floor, Royal Insurance Building, 14, Jamshedji TATA Road, Churchgate,
Mumbai–400020
Phone: 91-22-22817511, 22817512
Fax: 91-22-22817515
E-mail: gicouncil@gicouncil.in
GLOSSARY … (1/2)

* **CAGR**: Compound Annual Growth Rate
* **IRDA**: Insurance Regulatory and Development Authority
* **IPO**: Initial Public Offering
* **FDI**: Foreign Direct Investment
* **LIC**: Life Insurance Corporation of India
* **GIC**: General Insurance Corporation of India
* **NBFC**: Non-Banking Financial Company
* **NGO**: Non-Governmental Organisation
* **RSBY**: Rashtriya Swasthya Bima Yojana
* **PFRDA**: Pension Fund Regulatory and Development Authority
* **GDP**: Gross Domestic Product
* **ESIC**: Employees State Insurance Corporation
FY: Indian Financial Year (April to March)

So, FY12 implies April 2011 to March 2012

GOI: Government of India

INR: Indian Rupee

USD: US Dollar

Where applicable, numbers have been rounded off to the nearest whole number.
## Exchange Rates

### Exchange rates (Fiscal Year)

<table>
<thead>
<tr>
<th>Year</th>
<th>INR equivalent of one USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004–05</td>
<td>44.81</td>
</tr>
<tr>
<td>2005–06</td>
<td>44.14</td>
</tr>
<tr>
<td>2006–07</td>
<td>45.14</td>
</tr>
<tr>
<td>2007–08</td>
<td>40.27</td>
</tr>
<tr>
<td>2008–09</td>
<td>46.14</td>
</tr>
<tr>
<td>2009–10</td>
<td>47.42</td>
</tr>
<tr>
<td>2010–11</td>
<td>45.62</td>
</tr>
<tr>
<td>2011–12</td>
<td>46.88</td>
</tr>
<tr>
<td>2012–13</td>
<td>54.31</td>
</tr>
<tr>
<td>2013–14</td>
<td>60.28</td>
</tr>
<tr>
<td>2014–15</td>
<td>61.06</td>
</tr>
<tr>
<td>2015-16(Expected)</td>
<td>61.06</td>
</tr>
</tbody>
</table>

### Exchange rates (Calendar Year)

<table>
<thead>
<tr>
<th>Year</th>
<th>INR equivalent of one USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>43.98</td>
</tr>
<tr>
<td>2006</td>
<td>45.18</td>
</tr>
<tr>
<td>2007</td>
<td>41.34</td>
</tr>
<tr>
<td>2008</td>
<td>43.62</td>
</tr>
<tr>
<td>2009</td>
<td>48.42</td>
</tr>
<tr>
<td>2010</td>
<td>45.72</td>
</tr>
<tr>
<td>2011</td>
<td>46.85</td>
</tr>
<tr>
<td>2012</td>
<td>53.46</td>
</tr>
<tr>
<td>2013</td>
<td>58.44</td>
</tr>
<tr>
<td>2014</td>
<td>61.03</td>
</tr>
<tr>
<td>2015(Expected)</td>
<td>63.72</td>
</tr>
</tbody>
</table>

Source: Reserve bank of India, Average for the year.
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