EXECUTIVE SUMMARY

- The insurance industry in India is expected to reach US$ 280 billion by 2020. Life insurance industry in the country is expected grow by 12-15 per cent annually for the next three to five years.
- Gross premiums written in India reached Rs 5.53 trillion (US$ 94.48 billion) in FY18, with Rs 4.58 trillion (US$ 71.1 billion) from life insurance and Rs 1.51 trillion (US$ 23.38 billion) from non-life insurance.
- Overall insurance penetration (premiums as % of GDP) in India reached 3.69 per cent in 2017 from 2.71 per cent in 2001.

Rapidly growing insurance segments

- The market share of private sector companies in the non-life insurance market rose from 13.12 per cent in FY03 to 55.70 per cent in FY20 (up to April 2019).
- In life insurance segment, private players had a market share of 25.29 per cent in new business in FY19.

Increasing private sector contribution

- Crop insurance segment contributed 21.6 per cent to gross direct premiums of non-life insurance companies in FY20 (up to December 2019).
- Customers can now pay their health insurance premium in instalments. Earlier, health insurance companies used to collect the insurance premiums from customers on annual basis.
- Enrolments under the Pradhan Mantri Suraksha Bima Yojana (PMSBY) reached 130.41 million in 2017-18.
- Strong growth in the automotive industry over the next decade to be a key driver of motor insurance.

Source: Swiss-Re, IRDAI, General Insurance Council, Life Insurance Council, Economic Survey 2017-18
ADVANTAGE INDIA
Growing interest in insurance among people; innovative products and distribution channels aiding growth.

Over FY12–18, new business premiums of life insurers in India have increased at a 14.44 per cent CAGR, while premiums for non-life insurers increased have increased at 16.65 per cent CAGR in the same period.

Growing use of internet has pushed the demand.

Insurance sector companies in India raised around Rs 434.3 billion (US$ 6.7 billion) through public issues in 2017.

Reduction in Net Owned Fund requirement from Rs 5,000 crore (US$ 720 million) to Rs 1,000 crore (US$ 140 million) proposed to facilitate on-shoring of international transactions.

As per Union Budget 2019-20, 100 per cent foreign direct investment (FDI) permitted for insurance intermediaries.

Note: Updated data for insurance penetration is expected after July 2019

Source: , IRDAI - Insurance Regulatory and Development Authority, Motilal Oswal Research
MARKET OVERVIEW
EVOLUTION OF THE INDIAN INSURANCE SECTOR

- All life insurance companies were nationalised to form LIC in 1956 to increase penetration and protect policy holders from mismanagement.
- The non-life insurance business was nationalised to form GIC in 1972.
- Post liberalisation, the insurance industry recorded significant growth; the number of private players increased to 46 in 2017.
- 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 US$ 7-8 billion.
- National Health Protection Scheme will be launched under Ayushman Bharat, as per Union Budget 2018-19.
- Insurance companies raised more than US$ 6 billion from public issues in 2017.

- Malhotra Committee recommended opening up the insurance sector to private players.
- IRDAI, LIC and GIC Acts were passed in 1999, making IRDAI the statutory regulatory body for insurance and ending the monopoly of LIC and GIC.
- Government introduced Atal Pension Yojana and Health insurance in 2015.

Notes: LIC - Life Insurance Corporation of India, GIC - General Insurance Corporation of India, IRDAI - Insurance Regulatory and Development Authority
Source: IRDAI
IRDAI GOVERNS THE INDIAN INSURANCE SECTOR

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

![Diagram showing the structure of insurance and re-insurance players in India]

Source: IRDAI
At 3.69 per cent, India was ranked 41st in 2017 in terms of insurance penetration with life insurance penetration 2.76 per cent and non-life insurance penetration at 0.93 per cent.

In terms of insurance density India was ranked 73rd in 2017 with overall density at US$ 73.

Source: Swiss Re Institute
Life insurance in India has a huge growth potential. By 2020, it is expected to account for 35 per cent of India’s total savings.

Gross premium collected by life insurance companies in India increased from Rs 2.56 trillion (US$ 39.7 billion) in FY12 to Rs 5.78 trillion (US$ 82.8 billion) in FY19.

Over FY12–19, premium from new business of life insurance companies in India have increased at a 14.44 per cent CAGR to reach Rs 1.94 trillion (US$ 30.1 billion).

In FY19, premium from new life insurance business increased 10.73 per cent year-on-year to Rs 2.15 trillion (US$ 30.7 billion).

Source: Insurance Regulatory and Development Authority, Deloitte – Redefining Insurance
Over the years, share of private sector in life insurance segment has grown from around 2 per cent in FY03 to 33.8 per cent in FY19.

**Note:** Figures are as per latest data available, share based on new business premium collection

**Source:** IRDAI, Life Insurance Council
LIC CONTINUES TO DOMINATE LIFE INSURANCE SEGMENT

- As of FY19, life insurance sector had 24 private players in comparison to only four in FY02.
- With a 52.78 per cent share new business market share in FY19, Life Insurance Corporation of India, the only public sector life insurer in the country, continues to be the market leader.
- In FY2019, in the private sector, HDFC Standard Life Insurance is leading with a share of 14.25 per cent in new business premium, followed by SBI Life Insurance at 9.15 per cent and ICICI Prudential Life Insurance at 6.35 per cent.

**Source:** Life Insurance Council, IRDAI
STRONG GROWTH IN NON-LIFE INSURANCE MARKET

- Gross direct premiums of non-life insurers in India reached US$ 21.5 billion in FY20 (up to February 2020), gross direct premiums reached Rs 410.71 billion (US$ 5.87 billion), showing a year-on-year growth rate of 14.47 per cent.
- Over FY12-19, non-life insurance premiums (in Rs) increased at a CAGR of 14.75 per cent.
- The number of policies issued increased from 65.55 million in FY08 to 182.8 million in FY18, at a CAGR of 10.8 per cent.

Note: CAGR is up to FY18
Source: IRDAI, General Insurance Council
SHARES IN NON-LIFE INSURANCE MARKET: MOTOR INSURANCE LEADS

- Non-Life insurers include general insurers, standalone health insurers and specialised insurers.
- Motor insurance accounted for 36.6 per cent of non-life insurance premiums earned in India in FY20 (up to February 2020), followed by 27 per cent share by health insurance and 9 per cent by crop insurance.
- Private players accounted for a share of around 55.70 per cent in the gross direct premiums generated in non-life insurance sector while public sector companies and specialised insurers garnered around 44.30 per cent share in FY20 (up to April 2019).
- Major private players are ICICI Lombard, Bajaj Allianz, IFFCO Tokio, HDFC Ergo, Tata-AIG, Reliance, Cholamandalam, Royal Sundaram and other regional insurers.

Source: General Insurance Council, IRDAI
The market share of private sector companies in non-life insurance segment rose from 15 per cent in FY04 to 55.7 per cent in FY20 (up to April 2019).

The Gross Direct Premium of private companies increased at 15 per cent CAGR between FY08-18 to reach Rs 70,178 crore (US$ 10.89 billion ) in FY18. In FY19, it reached Rs 929.63 billion (US$ 13.30 billion).

In August’19, Non-Life insurance firms grew at 17 per cent in their combined new premium collection at Rs 15,964 crore (US$ 2.28 billion).

Source: General Insurance Council, IRDAI
There were 33 non-life insurers in India in FY18.

Public sector insurers lead the non-life insurance market in India with New India Assurance, United India Insurance and National Insurance having market shares of 14.07 per cent, 9.64 per cent and 8.85 per cent, respectively in FY19.

In the private sector, ICICI-Lombard is the leader in FY19 with a market share of 8.52 per cent, followed by Oriental at 7.79 per cent.

The public sector companies accounted for a cumulative share of about 45.30 per cent of the total Gross Direct Premium in the non-life insurance segment FY19.

Source: General Insurance Council
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 85.4 per cent in FY18.
NOTABLE TRENDS AND STRATEGIES
### NOTABLE TRENDS

**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.
- In October 2018, Indian e-commerce major Flipkart entered the insurance space in partnership with Bajaj Allianz to offer mobile insurance.
- Amazon India is also expected to enter the insurance market as an agent.
- In September 2018, India Post Payments Bank (IPPB) also partnered with Bajaj Allianz to distribute their products.

**Growing market share of private players**
- Over the years, share of private sector in life insurance segment has grown from around 2 per cent in FY03 to 31.8 per cent in FY19 (up to September 2018).
- In the non-life insurance segment, share of private sector increased to 55.70 per cent in FY20 (up to April 2019) 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.
- In September 2018, HDFC Ergo launched ‘E@Secure’ a cyber insurance policy for individuals.

**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.

*Source: IRDAI, General Insurance Council, Life Insurance Council. News sources*
## STRATEGIES ADOPTED

| Cost optimisation | Players in industry 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.
|                   | From October 2016, IRDAI has mandated having an E-insurance (electronic insurance) account to purchase insurance policies. |

| Differentiation   | Companies are trying to differentiate themselves by providing a wide range of products with unique features. For example, New India Assurance launched Farmers’ Package Insurance to cover farmers’ 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.
|                   | In March 2017, HDFC Life in collaboration with Haptik, has announced the launch of the country’s first life insurance chatbot which will help the customer as a financial guide to aid them to choose the most suitable plans befitting their needs. |

| Focus             | 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. |

*Source: TechSci Research*
GROWTH DRIVERS
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 channelled into different financial savings instruments like insurance and pension policies.

Per capita GDP of India is expected to reach US$ 3,274 in 2023 from US$ 2,135 in 2018.

In June 2019, LIC witnessed the double rise in its new premium collection to Rs 26,030.16 crore (US$ 3618.19 million)
| Growth in Financial Industry | ▪ Overall growth in the financial industry; increasing working population with higher disposable income.  
▪ Increasing awareness about financial products including insurance |
| Innovation and Efficiency | ▪ Increase in potential insurance customers – individuals and companies across different industries, small and medium enterprises, multinational companies.  
▪ Expansion due of insurance universe due to professionalization of companies |
| Competition | ▪ Increasing number of insurance providers with various sophisticated products at competitive prices.  
▪ Regulations which are conducive for growth of the industry. |
| Growth in specific segments | ▪ Increase in micro insurance due to increased focus of government on financial inclusion.  
▪ Increase in demand of motor insurance as a by-product of rapidly expanding auto industry.  
▪ Increase in health insurance due to focus on improvement in healthcare.  
▪ Group insurance has also been a big driver of insurance growth in the country. Number of lives covered under private life insurance companies reached 36.20 million up to June 2018, showing year-on-year growth rate of 27.48 per cent. |

*Source: EY - Insurance industry - Challenges, reforms and realignment*
# 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 US$409.43 from US$245.66 and for senior citizens tax deduction has been increased to US$ 491.32.

**Union Budget 2020-21**
- Fund of Rs 6,400 crore (US$ 887 million), has been allocated which is thrice of last years for 2020-21.
- Pradhan Mantri Jan Arogya Yojna (PMJAY), the world’s largest social health scheme is expected to provide coverage to around 50 crore people.

**Life Insurance Companies Allowed to Go Public**
- IRDAI 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.
- SBI Life has already raised funds through its IPO.

**Approval of Increase in FDI Limit and Revival Package**
- 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 per cent, providing safeguard and ownership control to Indian owners.
- The Insurance Regulatory Development Authority of India is in favour of 100 per cent Foreign Direct Investment (FDI) for entire insurance intermediaries.
- As per Union Budget 2019-20, 100 per cent foreign direct investment (FDI) permitted for insurance intermediaries.

*Source: Crisil*
In January 2019, online insurance distribution platform, Turtlemint raised US$ 25 million in funding.

True North, a private equity (PE) investor, will acquire a 51 per cent stake in Max Bupa Health Insurance Company for Rs 511 crore (US$ 71.80 million).

Global insurance broker Marsh, has raised its shareholding in its Indian joint venture to the maximum FDI limit of 49 per cent from 26 per cent.

In December 2017, the Insurance Regulatory and Development Authority of India (IRDAI) allowed private equity investors to become promoters in unlisted insurance companies. The move is expected to enhance PE investments in the sector.

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

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

### Major Deals in Insurance Sector in 2018

<table>
<thead>
<tr>
<th>Company</th>
<th>Investor</th>
<th>Deal Size (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Star Health and Allied Insurance Co Ltd</td>
<td>Madison India, Westbridge Capital</td>
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<tr>
<td>ICICI Lombard General Insurance Company Ltd</td>
<td>Warburg Pincus</td>
<td>282</td>
</tr>
<tr>
<td>Star Health and Allied Insurance Co Ltd</td>
<td>Motilal Oswal, Apis Growth, Sequoia &amp; Others</td>
<td>745</td>
</tr>
</tbody>
</table>

Source: Towers Watson; Assorted news articles, EY
OPPORTUNITIES
India’s insurance market offers a host of opportunities across business lines.

Opportunities for Indian insurance market:
- Low-income urban and pension markets
- Crop insurance
- Motor insurance markets
- Micro-insurance
- Health insurance markets
Strong growth in the automotive industry over the next decade will be a key driver of motor insurance. Automobiles sales in India increased at 7.01 per cent CAGR between FY13-19 to reach 26.26 million tonnes.

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

In FY20 (up to February 2020), Motor insurance constituted 36.60 per cent of the non-life insurance market in India.

Note: E-estimates, CAGR - Compound Annual Growth Rate, ACMA - Automotive Component Manufacturers Association of India
Source: IRDAI, ACMA, SIAM
NON-LIFE INSURERS: HEALTH INSURANCE MARKETS

- Only 1.5–2 per cent of total healthcare expenditure in India is currently covered by insurance providers.
- Only 18 per cent of people in urban areas and 14.1 per cent in rural areas are covered under any kind of health insurance scheme.
- Gross direct premium from health insurance reached Rs 848.4 lakhs (US$ 1.21 billion) in FY20 (up to May 2019) and contributed 30.2 per cent to the gross direct premiums of non-life insurance companies in India.
- Absence of a government-funded health insurance makes the market attractive for private players. In August 2018, coverage of mental illness under health policies was also mandated by the URDAI.
- Introduction of health insurance portability expected to boost the orderly growth of the health insurance sector.
- In July 2016, IRDAI issued Health Insurance Regulations, 2016. These regulations replace the Health Insurance Regulations, 2013. As per these new norms, companies will provide better data disclosure, pilot products, coverage in younger years, etc.
- Private insurance coverage is estimated to grow by nearly 15 per cent annually till 2020.
- Government-sponsored programmes expected to provide coverage to nearly 380 million people by 2020, driven by initiatives such as RSBY and ESIC.
- RSBY is a centrally sponsored scheme to provide health insurance to Below Poverty Line (BPL) families and eleven other defined categories of unorganised workers, namely building and other construction workers, licensed railway porters, street vendors, MGNREGA workers, etc.

**Note:** RSBY - Rashtriya Swasthya Bima Yojana, ESIC – Employees’ State Insurance Corporation, MREGA – Mahatma Gandhi National Rural Employment Guarantee Act., NSSO
STRONG POTENTIAL IN CROP INSURANCE

- Awareness about crop insurance in India is 38.8 per cent and still crop insurance market in India is the largest in the world.
- Over 53.8 million farmers were benefitted under Pradhan Mantri Fasal Bima Yojana (PMFBY) in 2019-20.
- 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)
- In September 2018, Government of India increased the number of risks to be covered in the Pradhan Mantri Fasal Bima Yojana (PMFBY) to empower farmers in a better way. From now, farmers will be protected against hailstorms, crop fires, damage from animals, landslides and rainstorms.

**Source:** Agricultural Insurance Company of India Annual Report, Department of Agriculture and Cooperation, IRDAI, Livemint, PTI
USEFUL INFORMATION
## INDUSTRY ORGANISATIONS

### Insurance Regulatory and Development Authority (IRDAI)

3rd Floor, Parisrama Bhavan, Basheer Bagh, Hyderabad–500 004  
Phone: 91-040-23381100  
Fax: 91-040-66823334  
E-mail: irda@irda.gov.in

### 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

### 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
GLOSSARY

- CAGR: Compound Annual Growth Rate
- IRDAI: 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
- US$: US Dollar
- Where applicable, numbers have been rounded off to the nearest whole number
## EXCHANGE RATES

### Exchange Rates (Fiscal Year)

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<th>INR Equivalent of one US$</th>
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<td>2005–06</td>
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<td>2019–20</td>
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### Exchange Rates (Calendar Year)

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<td>2005</td>
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<td>2019</td>
<td>69.89</td>
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*Source: Reserve Bank of India, Average for the year*
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