INSURANCE
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EXECUTIVE SUMMARY

- The insurance industry in India is expected to reach US$ 280 billion by the end of 2020. Life insurance industry in the country is expected to grow 12-15% annually over the next three to five years.

Rapidly growing insurance segments

- The market share of private sector companies in the non-life insurance market rose from 15% in FY04 to almost 56% in FY21 (till April 2020).
- In life insurance segment, private players had a market share of 31.3% in new businesses in FY20.

Increasing private sector contribution

- Crop insurance segment contributed 20% to gross direct premiums of non-life insurance companies in FY20.
- 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 154.7 million till December 2019 since the launch of this scheme.
- Strong growth in the automotive industry over the next decade will be a key driver of motor insurance.

Crop, health and motor insurance to drive growth

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

Growing use of internet has pushed the demand.

Insurance reach is still low in India. Overall insurance penetration (premiums as % of GDP) in India was 3.71% in FY19, providing a huge underserved market.

IRADI set up a plan to develop a standard structure for title insurance for home buyers, which is mandatory for RERA projects.

- Life insurance in low-income urban areas.
- Strong growth potential for micro insurance, especially from rural areas.

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% foreign direct investment (FDI) was permitted for insurance intermediaries.

Tax incentives on insurance products.

Insurance Bill gives the Insurance Regulatory and Development Authority (IRDAI) full flexibility to frame regulations for the sector.

Clarity on rules for insurance IPOs would infuse liquidity in the industry.

Repeated attempts to make the sector more lucrative for foreign participants.

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% to 49%. 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.

Notes: LIC - Life Insurance Corporation of India, GIC - General Insurance Corporation of India, IRDAI - Insurance Regulatory and Development Authority Source: IRDAI

1956-72
1993-99
2000-14
2015
2017 onwards

- 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.
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

Source: IRDAI
The overall market size of the insurance sector is expected to reach US$ 280 billion by the end of 2020.

India’s insurance penetration was pegged at 3.71% in FY19, with life insurance penetration at 2.74% and non-life insurance penetration at 0.97%.

In terms of insurance density, India’s overall density stood at US$ 74 in FY19.

Source: Invest India, Swiss Re Institute
Life insurance in India has a huge growth potential. By 2020, it is expected to account for 35% 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 7.31 trillion (US$ 94.7 billion) in FY20.

During FY12-FY20, premium from new business of life insurance companies in India increased at a 15% CAGR to reach Rs 2.13 trillion (US$ 37 billion).

**Note**: New Business Premium Value is till October 2020, Renewable Premium Value and Gross Premiums Written in India Value is till June 2020

**Source**: Insurance Regulatory and Development Authority, Deloitte - Redefining Insurance
Over the years, share of private sector in life insurance segment grew from around 2% in FY03 to over 31.3% in FY20.

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 FY20, life insurance sector had 24 private players in comparison to only four in FY02.
- With nearly 53% of the new business market share in FY20, Life Insurance Corporation of India, the only public sector life insurer in the country, continued to be the market leader.
- Among private sector lenders, HDFC Standard Life Insurance was leading in new business premium with a market share of over 14%, followed by SBI Life Insurance (~ 9%) and ICICI Prudential Life Insurance (~ 6%) in FY20.
- Life insurers reported 14% YoY growth in individual annualised premium equivalent (APE) in October 2020, compared with 4% YoY in September 2020.

Source: Life Insurance Council, IRDAI
Gross direct premiums of non-life insurers in India reached US$ 27.09 billion in FY20 from US$ 14.95 in FY16.

The number of policies issued increased from 65.55 million in FY09 to 182.8 million in FY19.

**Note:** CAGR is up to FY20, *- till June 2020

**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% of non-life insurance premiums earned followed by 27.3% share by health insurance in FY20.
- The market share of private sector companies in the non-life insurance market rose from 13.12% in FY03 to 55.8% in FY21 (till April 2020).
- Major private players are ICICI Lombard, Bajaj Allianz, IFFCO Tokio, HDFC Ergo, Tata-AIG, Reliance, Cholamandalam, Royal Sundaram along-with regional insurers.

Source: General Insurance Council, IRDAI

Non-Life Insurance Gross Direct Premiums (FY20)

Motor Total: 36.6%
Health: 27.3%
Personal Accidents: 8.4%
Fire: 2.7%
Marine Total: 1.9%
The market share of private sector companies in the non-life insurance market rose from 15% in FY04 to almost 56% in FY21 (till April 2020).

**Source:** General Insurance Council, IRDAI
There were 33 non-life insurers in India in FY20.

Public sector insurers lead the non-life insurance market in India with New India Assurance, United India Insurance and National Insurance having market share of 14.6%, 8.8% and 7.8%, respectively, in FY20.

In the private sector, ICICI Lombard was the leader in FY20 with a market share of 7.1%, followed by Oriental at 7.1%.

The public sector companies accounted for a cumulative share of about 45.30% of the total gross direct premium in the non-life insurance segment in FY20.

On July 09, 2020, Union Cabinet approved capital infusion of Rs 12,450 crore (US$ 1.77 billion), including Rs 2,500 crore (US$ 354.66 million) infused in FY20, in three Public Sector General Insurance Companies - Oriental Insurance Company Limited, National Insurance Company Limited (NICL), and United India Insurance Company Limited.

**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% in FY09 to 85% in FY19.

**Notes:** *Growth rate in Rs terms, Data will be available in Handbook 2019-20*

**Source:** IRDAI Annual Report, Life Insurance Council
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.  
Amazon India is also expected to enter the insurance market as an agent.  
In June 2020, HDFC Ergo tied up with tech firm Tropogo to offer commercial drone owners and operators third-party liability cover for property damages and physical injuries from flying machines.  
In October 2020, PhonePe launched cashless repair services, which will be available through a countrywide network of third-party garages associated with Bajaj Allianz General Insurance.  
In November 2020, Airtel Payments Bank tied up with Bharti AXA General Insurance to offer comprehensive car insurance to customers. |
| **Growing market share of private players** | In life insurance segment, private players had a market share of 31.3% in new business in FY20.  
The market share of private sector companies in the non-life insurance market rose from 15% in FY04 to almost 56% in FY21 (till April 2020). |
| **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. |

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

### Cost optimisation
- Players in the 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% of the total cost for life insurance companies and 20-30% for non-life insurance companies.
- Starting 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 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
- 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.

**Source:** International Monetary Fund, World Economic Outlook Database, April 2018
### Growth in financial industry
- Overall growth in the financial industry - increasing working population with higher disposable income.
- Increasing awareness about financial products including insurance.
- 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.
- The scope of IoT in Indian insurance market continues to go beyond telematics and customer risk assessment. Currently, there are 110+ InsurTech start-ups operating in India.

### Innovation and efficiency
- Increasing number of insurance providers with various sophisticated products at competitive prices.
- Regulations which are conducive for growth of the industry.

### Competition
- 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.

### Growth in specific segments
- The Government of India has released four flagship schemes under insurance:
  - Pradhan Mantri Jan Suraksha Bima Yojana: This scheme focuses on providing affordable insurance to people who are below the poverty line in rural areas
  - Pradhan Mantri Jeevan Jyoti Bima Yojana: This scheme provides life insurance for people employed in the unorganised sector
  - Atal Pension Yojana: This guarantees pension coverage to all citizens (in the unorganised sector) who join the National Pension System (NPS)
  - Ayushman Bharat Yojana: Under this scheme, each beneficiary family will receive medical insurance cover of Rs 5 lakh (US$ 6,712.3), which can be used to get treatment at public or private hospitals.

Source: EY - Insurance industry - Challenges, reforms and realignment, Invest India website
### 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% on select investments (including life insurance premiums) every financial year.

#### Union Budget 2020-21
- Fund of Rs 6,400 crore (US$ 887 million) has been allocated 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% to 49%, providing safeguard and ownership control to Indian owners.
- As per Union Budget 2019-20, 100% foreign direct investment (FDI) was permitted for insurance intermediaries.

*Source: Crisil*
RISING PRIVATE SECTOR INVESTMENT IN INSURANCE

- In January 2019, online insurance distribution platform, Turtlemint, raised US$ 25 million in funding.
- True North, a private equity (PE) investor, acquired 51% stake in Max Bupa Health Insurance Company for Rs 511 crore (US$ 71.80 million).
- Global insurance broker, Marsh, raised its shareholding in its Indian joint venture to the maximum FDI limit of 49% from 26%.
- In December 2017, IRDAI allowed PE investors to become promoters in unlisted insurance companies. The move is expected to enhance PE investments in the sector.
- Most of the existing players are tying up with banks to expand their distribution network.
- In April 2020, Axis Bank acquired an additional 29% stake in Max Life Insurance.
- In November 2020, the Competition Commission of India (CCI) approved the acquisition of General Insurance Business of Bharti AXA General Insurance Company Limited (Bharti AXA) by ICICI Lombard General Insurance Company Limited (ICICI Lombard).

Source: Towers Watson; News articles
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 a CAGR of 1.29% between FY16-FY20 with 21.55 million vehicles being sold in FY20.

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

In FY20, motor insurance constituted 36.60% 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 1.5-2.0% of total healthcare expenditure in India is currently covered by insurance providers.
- Only 18% of people in urban areas and 14% 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 (till May 2019) and contributed 30.2% 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 IRDAI.
- Introduction of health insurance portability expected to boost the orderly growth of the health insurance sector.
- Private insurance coverage is estimated to grow by nearly 15% annually till 2020.
- Government-sponsored programmes are 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, and MGNREGA workers among others.

**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%, 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 FY20.
- To provide crop insurance to farmers, the 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, the Government 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.
- In October 2020, the Andhra Pradesh rolled out free of cost crop insurance scheme for the state farmers.
- In October 2020, the Reliance General Insurance and SatSure partnered to launch the satellite-based crop monitoring and predictive analytics support for better risk management and to improve efficiency of its crop insurance business operations.

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

## Insurance Regulatory and Development Authority (IRDAI)

3rd Floor, Parirama 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
USEFUL INFORMATION
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
- Rs: 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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### Exchange Rates (Calendar Year)

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<td>68.36</td>
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**Source:** Reserve Bank of India, Average for the year
India Brand Equity Foundation (IBEF) engaged Sutherland Global Services private Limited to prepare/update this presentation.

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