EXECUTIVE SUMMARY

Rapidly growing insurance segments
- The overall insurance industry is expected to reach US$ 280 billion by 2020
- The domestic life insurance industry registered 10.99 per cent y-o-y growth for new business premium in 2017-18, generating a revenue of Rs 1.94 trillion (US$ 30.1 billion).
- Gross direct premiums for non-life insurance industry increased by 17.54 per cent y-o-y in FY18.
- Overall insurance penetration* in India reached 3.49 per cent in FY17 from 2.71 per cent in 2001.

Increasing private sector contribution
- The market share of private sector companies in the non-life insurance market rose from 13.12 per cent in FY03 to 50.4 per cent in FY19 (up to May 2018).
- In life insurance segment, private players had a market share of 32.6 per cent in new business in FY19 (up to May 2018).

Crop, health and motor insurance to drive growth
- 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.

Notes: *As per latest available data, next update expected in 2019
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
Increasing demand for insurance offshoring
Growing use of internet has started increasing demand

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

Insurance sector companies in India raised around Rs 434.3 billion (US$ 6.7 billion) through public issues in 2017.
Increase in FDI limit to 49 per cent from 26 per cent, approved in 2016, will further fuel investments

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

Notes: 2020E - Expected value for 2020; Estimate according to BCG
Source: , IRDA - Insurance Regulatory and Development Authority, Motilal Oswal Research, Aranca Research
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
- 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 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.

1956-72
- 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

1993-99
- In 2015, Government introduced Pradhan Mantri Suraksha Bima Yojna and Pradhan Mantri Jeevan Jyoti Bima Yojana
- Government introduced Atal Pension Yojana and Health insurance in 2015

2000-14

2015

2017 onwards

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

Source: IRDA
Gross premium collected by life insurance companies in India increased from Rs 2.6 trillion (US$ 39.7 billion) in FY12 to Rs 4.2 trillion (US$ 64.8 billion) in FY17 and reached Rs 3.68 trillion (US$ 57.2 billion) in FY18 (up to December 2017).

In April-May 2018, premium from new life insurance business increased 7.33 per cent year-on-year to Rs 201.18 billion (US$ 3.12 billion).

Over FY12–18, 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).

Note: * up to December 2017; data for renewal premium (part of total life insurance premium) is up to December 2017

Source: Insurance Regulatory and Development Authority, Financial Express
INCREASING PENETRATION AND DENSITY OF LIFE INSURANCE OVER THE YEARS

- Life insurance penetration reached 2.72 per cent in 2016.
- Life insurance density in India increased from US$ 33.2 in 2006 to US$ 46.5 in 2016.

**Note:** Life insurance density is defined as the ratio of premium underwritten to the total population in a given year. Figures as per latest available data update is expected by 2018 end.  
**Source:** Insurance Regulatory and Development Authority (IRDA)
Over the years, share of private sector in life insurance segment has grown from around 2 per cent in FY03 to 30.6 per cent in FY18.

Note: Figures are as per latest data available, FY18 share based on new business premium collection,
Source: IRDA, Life Insurance Council
LIC CONTINUES TO DOMINATE LIFE INSURANCE SEGMENT

- As of May 2018, life insurance sector had 23 private players in comparison to only 4 in FY02.

- With a 67.4 per cent share new business market share in April-May 2018, Life Insurance Corporation of India, the only public sector life insurer in the country, continues to be the market leader.

- In the private sector, HDFC Life Insurance is leading with a share of 7.7 per cent in new business premium in April-May 2018, followed by SBI Life Insurance at 5.2 per cent and ICICI Prudential Life Insurance at 5 per cent.

**Market share of major companies in terms of first year life insurance premium collected (April-May 2018)**

- LIC: 67.4%
- HDFC Life Insurance: 14.7%
- SBI Life Insurance: 5.2%
- ICICI Prudential Life Insurance: 5.0%
- Others: 14.7%

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

- Gross direct premiums of non-life insurers in India reached Rs 1.51 trillion (US$ 23.38 billion) in FY18. In April-May 2018, the gross direct premiums reached Rs 24,397.09 crore (US$ 3.79 billion), showing a year-on-year growth rate of 11.96 per cent.
- Over FY12-18, non-life insurance premiums (in Rs) increased at a CAGR of 16.65 per cent.
- The number of policies issued increased from 65.55 million in FY08 to 161.17 million in FY17, at a CAGR of 10.5 per cent.

**Note:** *up to May 2018, Exchange rate used is average of 2017-18 i.e. USD = INR 64.45
Source: IRDAI*
SHARES IN NON-LIFE INSURANCE MARKET: MOTOR INSURANCE LEADS

- Non-Life insurers include general insurers, standalone health insurers and specialized insurers.
- Motor insurance accounted for 36.6 per cent of non-life insurance premiums earned in India in April-May 2018, followed by 31.4 per cent share of health insurance.
- Private players accounted for a share of around 50.44 per cent in the gross direct premiums generated in non-life insurance sector while public sector companies and specialised insurers garnering around 49.56 per cent share in April-May 2018.
- 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
HIGHER PRIVATE SECTOR PARTICIPATION IN NON-LIFE SEGMENT

- The market share of private sector companies in non-life insurance segment rose from 15 per cent in FY04 to 46.6 per cent in FY18.
- 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 April-May 2018, it reached Rs 12305.96 crore (US$ 1.91 billion).

**Note:** * up to May 2018

**Source:** General Insurance Council, Aranca Research
KEY PLAYERS IN THE NON-LIFE INSURANCE SEGMENT

- 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 Company having market shares of 15.1 per cent, 11.5 per cent and 10.9 per cent, respectively in FY18.
- In the private sector, ICICI Lombard was the leader in FY18 with a market share of 8.2 per cent, followed by Bajaj Allianz at 6.3 per cent.
- The public sector companies accounted for a cumulative share of about 53.39 per cent of the total Gross Direct Premium in the non-life insurance segment FY18.

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 86.21 per cent in FY18*

Notes: *Growth rate in INR terms, * renewal premium as of December 2017
Source: IRDA 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
- In April 2017, IRDAI started a web portal – isnp.irda.gov.in – that will allow the insurers to sell and register policies online. This portal is open to intermediaries in insurance business as well.
- India Post Payments Bank (IPPB) plans to start selling insurance products and mutual funds of other companies by early 2018, and is to be open only to "non- exclusive" tie-ups. Nearly 100 firms, domestic as well as foreign, have showed keen interest in partnering with the bank

#### 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 32.6 per cent in April-May 2018.
- In the non-life insurance segment, share of private sector increased to 46.6 per cent in FY18 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
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 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.
|                   | In March 2017, HDFC Life in collaboration with Haptik, has announced the launch of the country’s 1st 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: Aranca 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.

**Notes:** * estimates after 2013  
**Source:** International Monetary Fund, World Economic Outlook Database, April 2018
### GROWTH DRIVERS FOR INSURANCE IN INDIA… (2/2)

<table>
<thead>
<tr>
<th>Category</th>
<th>Growth Drivers</th>
</tr>
</thead>
</table>
| **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.      |

*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 2018-19
- The government will merge three of the public sector insurance companies - The Oriental Insurance Co. Ltd, National Insurance Co. Ltd and United India Insurance Co. Ltd and list the merged entity.
- National Health Protection Scheme will be launched under Ayushman Bharat to provide coverage of up to Rs 500,000 (US$ 7,723) to more than 100 million vulnerable families.
- As of June 2018, 20 states have agreed on implementing the Ayushman Bharat Health scheme.

### 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
- 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
RISING PRIVATE SECTOR INVESTMENT IN INSURANCE

- In 2017, insurance sector in India saw 10 merger and acquisition (M&A) deals worth US$ 903 million.
- In May 2018, digital insurance startup Acko raised US$ 12 million in a funding round led by Amazon.
- 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 2017

<table>
<thead>
<tr>
<th>Company</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kotak Mahindra Bank</td>
<td>US$ 201.7 million for 26 per cent stake in Kotak Mahindra Old Mutual Life Insurance</td>
</tr>
<tr>
<td>Tokio Marine Holdings</td>
<td>Increased its stake in IFFCO-Tokio General Insurance Company Limited from 26 per cent to 49 per cent for US$ 392.7 million</td>
</tr>
</tbody>
</table>

**Source:** Towers Watson; Assorted 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 7.01 per cent CAGR between FY13-18 to reach 24.97 million vehicles.

Proposed IRDA draft envisages a 10–80 per cent rise in premium rates for the erstwhile loss-making 3rd party motor insurance

In FY18, Motor insurance constituted 39.40 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: IRDA, ACMA, SIAM, Aranca Research
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 378.97 billion (US$ 5.88 billion) in FY18 and contributed 25.2 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.
- Introduction of health insurance portability expected to boost the orderly growth of the health insurance sector.
- In July 2016, IRDA 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.

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 47.9 million farmers were benefitted under Pradhan Mantri Fasal Bima Yojana (PMFBY) in 2017-18.

- 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)

- A total of 12.04 farmers benefitted through various crops insurance schemes in 2016-17.

Note: Figures are as per latest available data
Source: Agricultural Insurance Company of India Annual Report, Department of Agriculture and Cooperation, IRDA, Livemint, PTI
USEFUL INFORMATION
<table>
<thead>
<tr>
<th>Industry Organisation</th>
<th>Address</th>
<th>Phone Numbers</th>
<th>Fax Numbers</th>
<th>Email Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance Regulatory and Development Authority (IRDA)</td>
<td>3rd Floor, Parisrama Bhavan, Basheer Bagh, Hyderabad–500 004</td>
<td>91-040-23381100</td>
<td>91-040-66823334</td>
<td><a href="mailto:irda@irda.gov.in">irda@irda.gov.in</a></td>
</tr>
<tr>
<td>General Insurance Council</td>
<td>5th Floor, Royal Insurance Building, 14, Jamshedji TATA Road, Churchgate, Mumbai–400020</td>
<td>91-22-22817511, 22817512</td>
<td>91-22-22817515</td>
<td><a href="mailto:gicouncil@gicouncil.in">gicouncil@gicouncil.in</a></td>
</tr>
<tr>
<td>Life Insurance Council</td>
<td>4th Floor, Jeevan Seva Annexe Bldg. S. V. Road, Santacruz (W), Mumbai–400054</td>
<td>91-22-26103303, 26103306</td>
<td></td>
<td><a href="mailto:ninad.narwilkar@lifeinscouncil.org">ninad.narwilkar@lifeinscouncil.org</a></td>
</tr>
</tbody>
</table>
GLOSSARY

- 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
- US$: 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 (Fiscal Year)</th>
<th>INR Equivalent of one US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004–05</td>
<td>44.95</td>
</tr>
<tr>
<td>2005–06</td>
<td>44.28</td>
</tr>
<tr>
<td>2006–07</td>
<td>45.29</td>
</tr>
<tr>
<td>2007–08</td>
<td>40.24</td>
</tr>
<tr>
<td>2008–09</td>
<td>45.91</td>
</tr>
<tr>
<td>2009–10</td>
<td>47.42</td>
</tr>
<tr>
<td>2010–11</td>
<td>45.58</td>
</tr>
<tr>
<td>2011–12</td>
<td>47.95</td>
</tr>
<tr>
<td>2012–13</td>
<td>54.45</td>
</tr>
<tr>
<td>2013–14</td>
<td>60.50</td>
</tr>
<tr>
<td>2014–15</td>
<td>61.15</td>
</tr>
<tr>
<td>2015–16</td>
<td>65.46</td>
</tr>
<tr>
<td>2016–17</td>
<td>67.09</td>
</tr>
<tr>
<td>2017–18</td>
<td>64.45</td>
</tr>
</tbody>
</table>

### Exchange Rates (Calendar Year)

<table>
<thead>
<tr>
<th>Year (Calendar Year)</th>
<th>INR Equivalent of one US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>44.11</td>
</tr>
<tr>
<td>2006</td>
<td>45.33</td>
</tr>
<tr>
<td>2007</td>
<td>41.29</td>
</tr>
<tr>
<td>2008</td>
<td>43.42</td>
</tr>
<tr>
<td>2009</td>
<td>48.35</td>
</tr>
<tr>
<td>2010</td>
<td>45.74</td>
</tr>
<tr>
<td>2011</td>
<td>46.67</td>
</tr>
<tr>
<td>2012</td>
<td>53.49</td>
</tr>
<tr>
<td>2013</td>
<td>58.63</td>
</tr>
<tr>
<td>2014</td>
<td>61.03</td>
</tr>
<tr>
<td>2015</td>
<td>64.15</td>
</tr>
<tr>
<td>2016</td>
<td>67.21</td>
</tr>
<tr>
<td>2017</td>
<td>65.12</td>
</tr>
</tbody>
</table>

*Source: Reserve bank of India, Average for the year*
India Brand Equity Foundation (IBEF) engaged Aranca to prepare this presentation and the same has been prepared by Aranca in consultation with IBEF.

All rights reserved. All copyright in this presentation and related works is solely and exclusively owned by IBEF. The same may not be reproduced, wholly or in part in any material form (including photocopying or storing it in any medium by electronic means and whether or not transiently or incidentally to some other use of this presentation), modified or in any manner communicated to any third party except with the written approval of IBEF.

This presentation is for information purposes only. While due care has been taken during the compilation of this presentation to ensure that the information is accurate to the best of Aranca and IBEF’s knowledge and belief, the content is not to be construed in any manner whatsoever as a substitute for professional advice.

Aranca and IBEF neither recommend nor endorse any specific products or services that may have been mentioned in this presentation and nor do they assume any liability or responsibility for the outcome of decisions taken as a result of any reliance placed on this presentation.

Neither Aranca nor IBEF shall be liable for any direct or indirect damages that may arise due to any act or omission on the part of the user due to any reliance placed or guidance taken from any portion of this presentation.