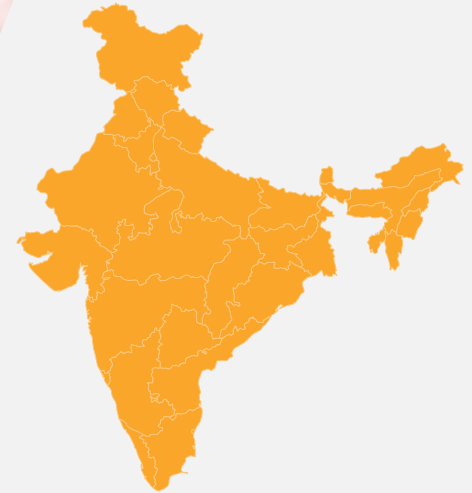
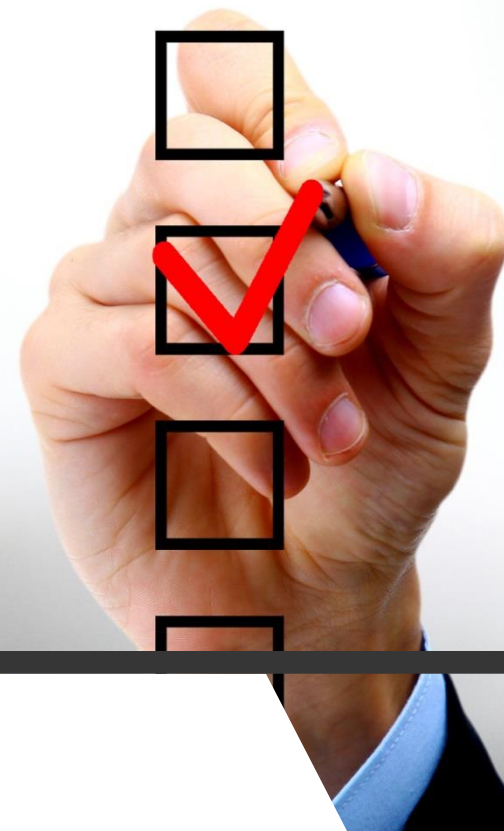


# INSURANCE



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## Rapidly growing insurance segments

- The insurance industry in India is expected to reach US\$ 280 billion by 2020. Life insurance industry in the country is expected to 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.

## 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 50.70 per cent in FY19 (up to November 2018).
- In life insurance segment, private players had a market share of 33.51 per cent in new business in FY19 (up to December 2018).

## Crop, health and motor insurance to drive growth

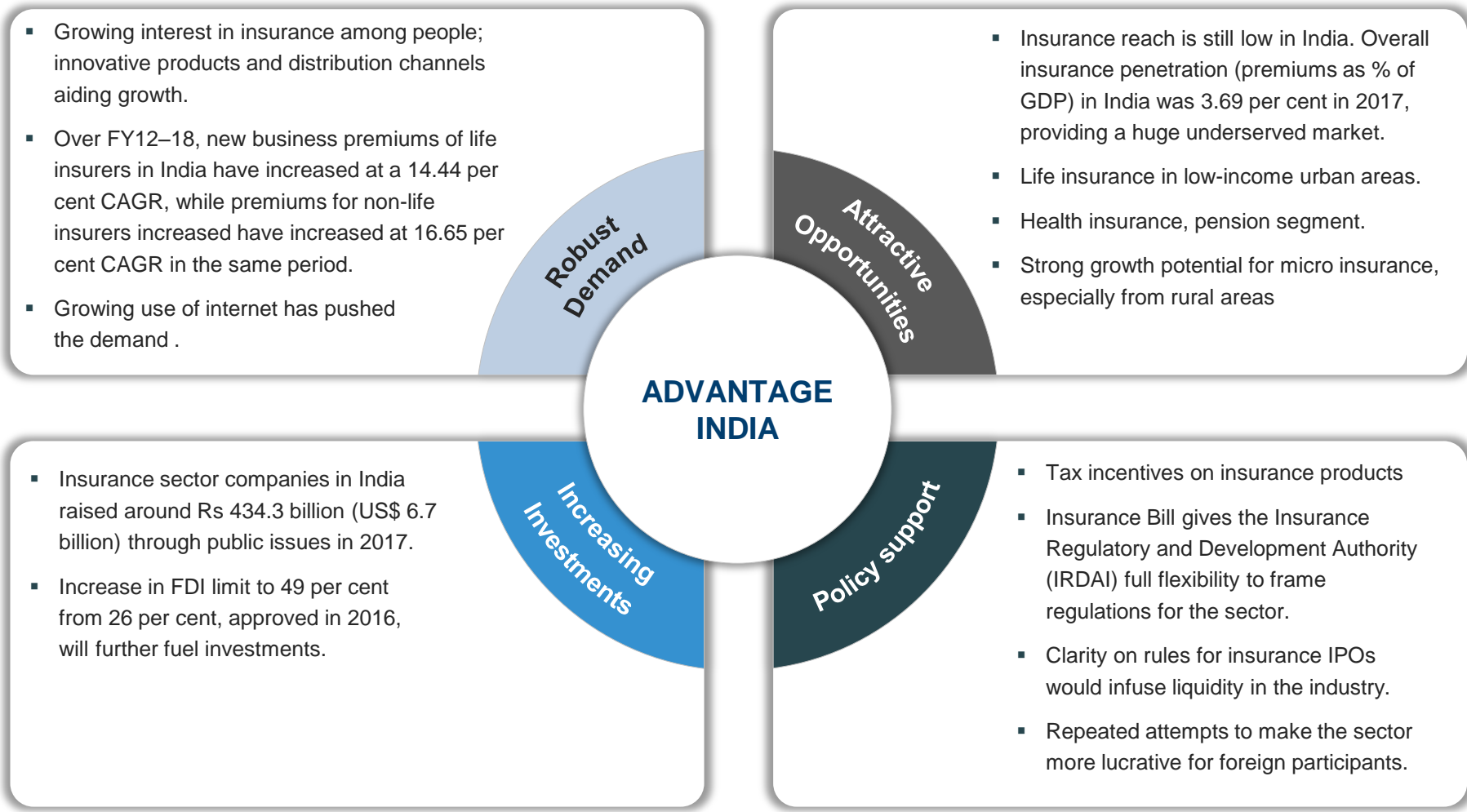
- Crop insurance segment contributed 17 per cent to gross direct premiums of non-life insurance companies in FY19 (up to November 2018), growing 17 per cent year-on-year.
- Enrolments under the Pradhan Mantri Suraksha Bima Yojana (PMSBY) reached 130.41 million in 2017-18.
- Strong growth in the automotive industry over the next decade to be a key driver of motor insurance.

*Note: Updated data for insurance penetration is expected after June 2019*

*Source: Swiss-Re, IRDAI, General Insurance Council, Life Insurance Council, Economic Survey 2017-18*

# ADVANTAGE INDIA





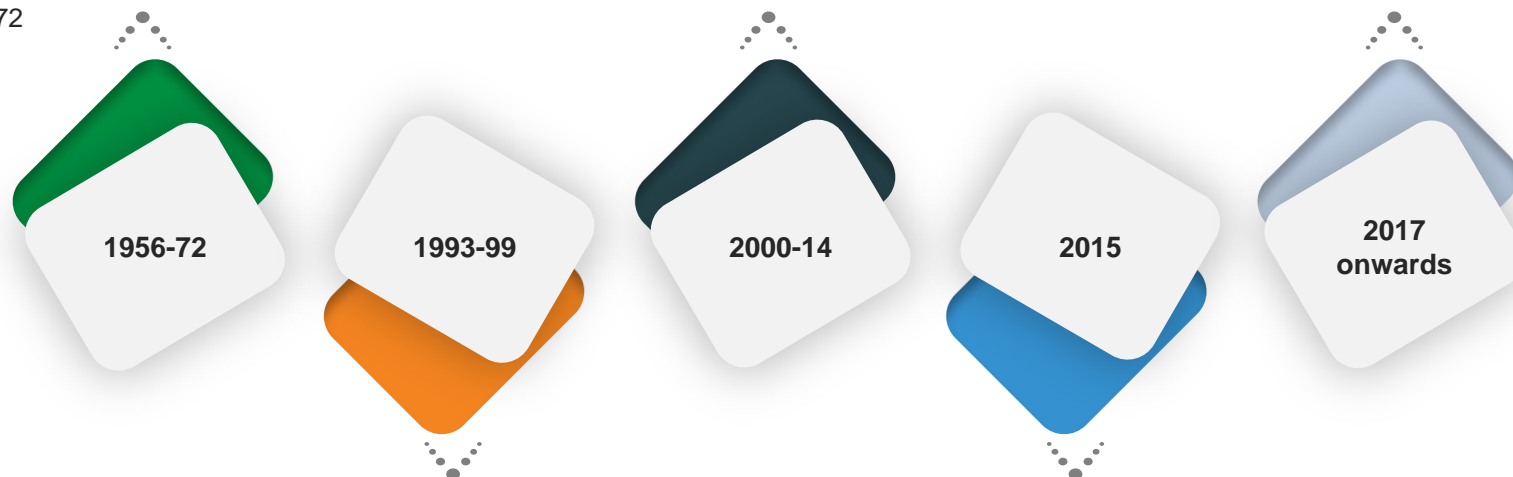
*Note: Updated data for insurance penetration is expected after June 2019*  
*Source: , IRDA - Insurance Regulatory and Development Authority, Motilal Oswal Research, Aranca Research*

# 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.



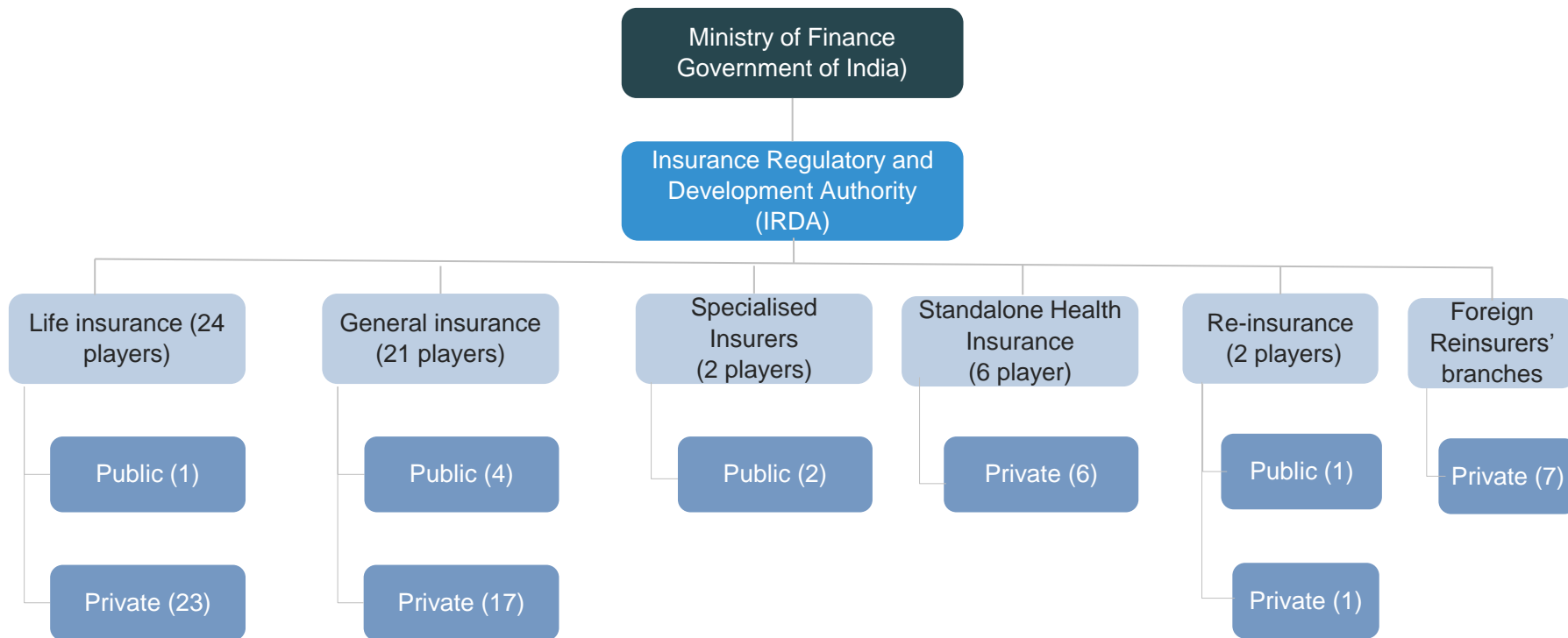
- Malhotra Committee recommended opening up the insurance sector to private players
- IRDA, LIC and GIC Acts were passed in 1999, making IRDA the statutory regulatory body for insurance and ending the monopoly of LIC and GIC.
- In 2015, Government introduced Pradhan Mantri Suraksha Bima Yojna and Pradhan Mantri Jeevan Jyoti Bima Yojana
- Government introduced Atal Pension Yojana and Health insurance in 2015.

*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

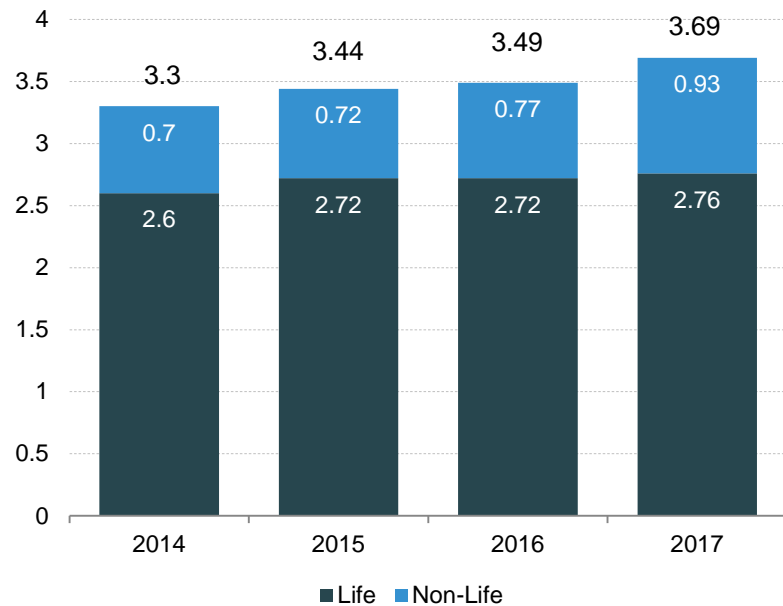


Source: IRDA

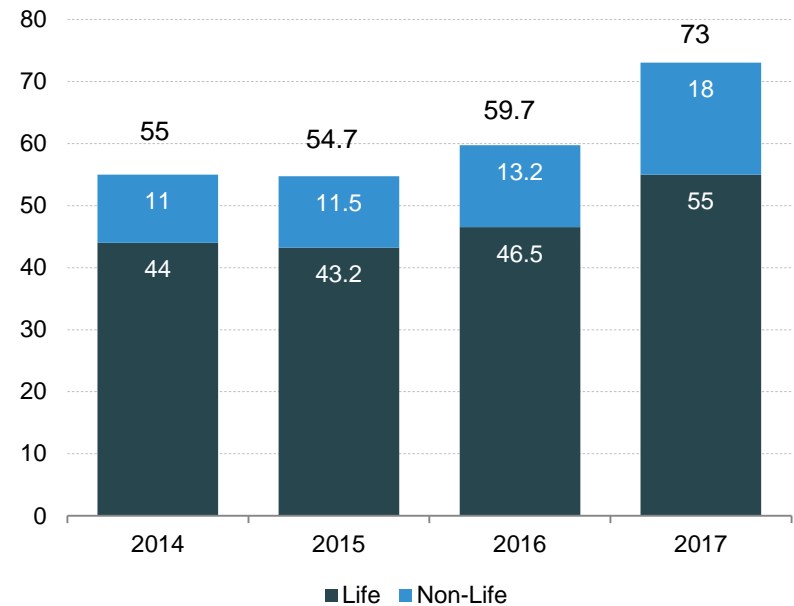


# INCREASING PENETRATION AND DENSITY OF INSURANCE OVER THE YEARS

**Insurance Penetration (Premiums as % of GDP)**



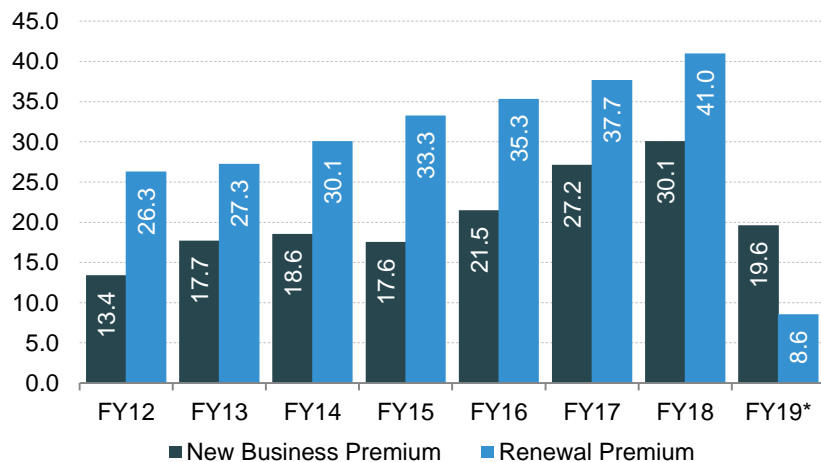
**Insurance Density (Premiums Per Capita) (US\$)**



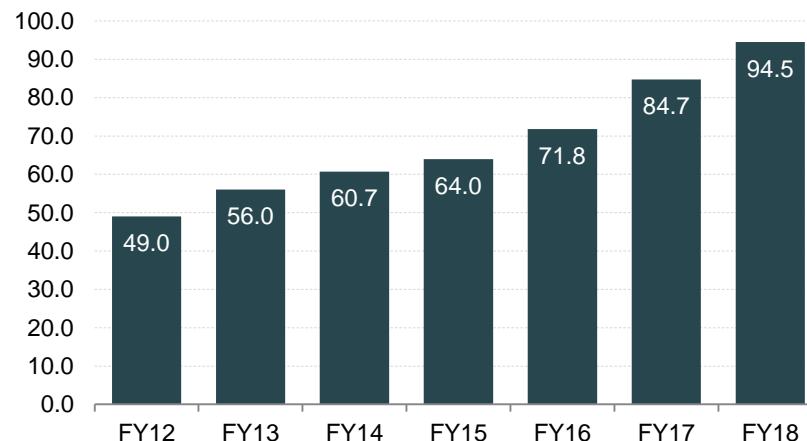
- At 3.69 per cent, India was ranked 41st in 2017 in terms of insurance penetration with life insurance penetration 2.76 per cent and non-life insurance penetration at 0.93 per cent.
- In terms of insurance density India was ranked 73<sup>rd</sup> in 2017 with overall density at US\$ 73.

*Note: Updated data expected after June 2019*  
*Source: Swiss Re Institute*

### Life Insurance Premiums (US\$ billion)



### Gross Premiums Written in India (US\$ billion)



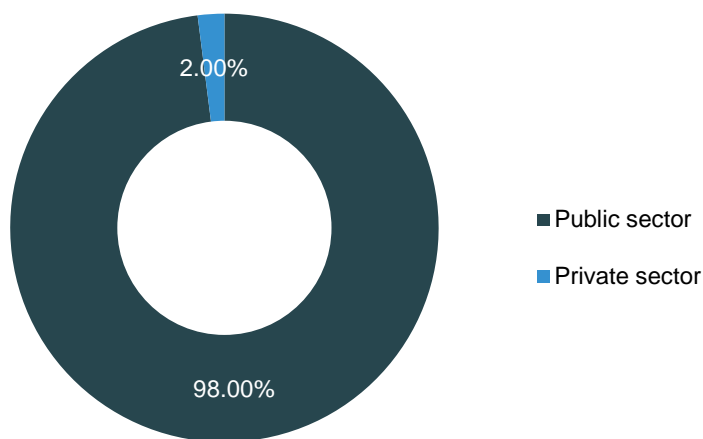
- Life insurance in India has a huge growth potential. By 2020, it is expected to account for 35 per cent of India's total savings.
- Gross premium collected by life insurance companies in India increased from Rs 2.56 trillion (US\$ 39.7 billion) in FY12 to Rs 4.58 trillion (US\$ 71.1 billion) in FY18.
- 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).
- In FY19 (up to December 2018), premium from new life insurance business increased 2.41 per cent year-on-year to Rs 1.42 trillion (US\$ 19.62 billion).

*Note:* \* New business premium is up to December 2018 and Renewal premium is up to June 2018

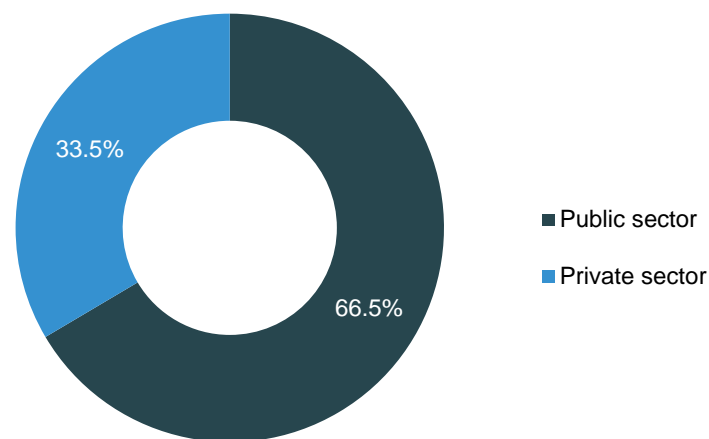
*Source:* Insurance Regulatory and Development Authority, Deloitte – Redefining Insurance

# INCREASING PRIVATE SECTOR ACTIVITY IN LIFE INSURANCE SEGMENT

Share of public and private sector in life insurance segment (%)  
FY03



Share of public and private sector in life insurance segment (%)  
FY19 (up to December 2018)



- Over the years, share of private sector in life insurance segment has grown from around 2 per cent in FY03 to 33.51 per cent in FY19 (up to December 2018).

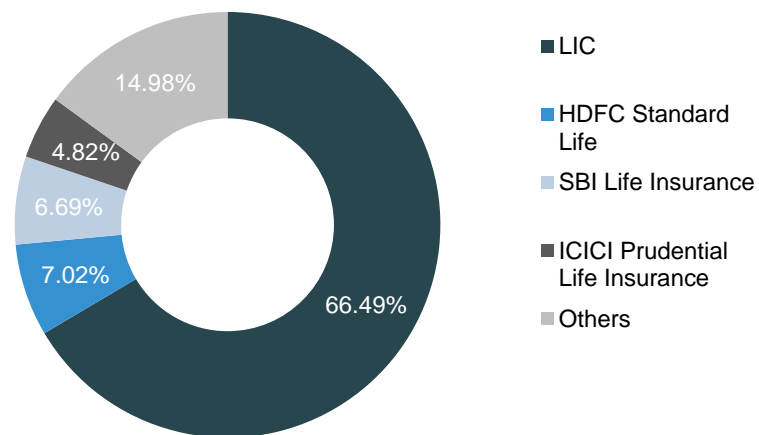
*Note: Figures are as per latest data available, share based on new business premium collection*

*Source: IRDA, Life Insurance Council*

# LIC CONTINUES TO DOMINATE LIFE INSURANCE SEGMENT

- As of FY19 (up to November 2018), life insurance sector had 23 private players in comparison to only four in FY02.
- With a 66.49 per cent share new business market share in FY19 (up to December 2018), Life Insurance Corporation of India, the only public sector life insurer in the country, continues to be the market leader
- As of December 2018, in the private sector, HDFC Standard Life Insurance is leading with a share of 7.02 per cent in new business premium, followed by SBI Life Insurance at 6.69 per cent and ICICI Prudential Life Insurance at 4.82 per cent.

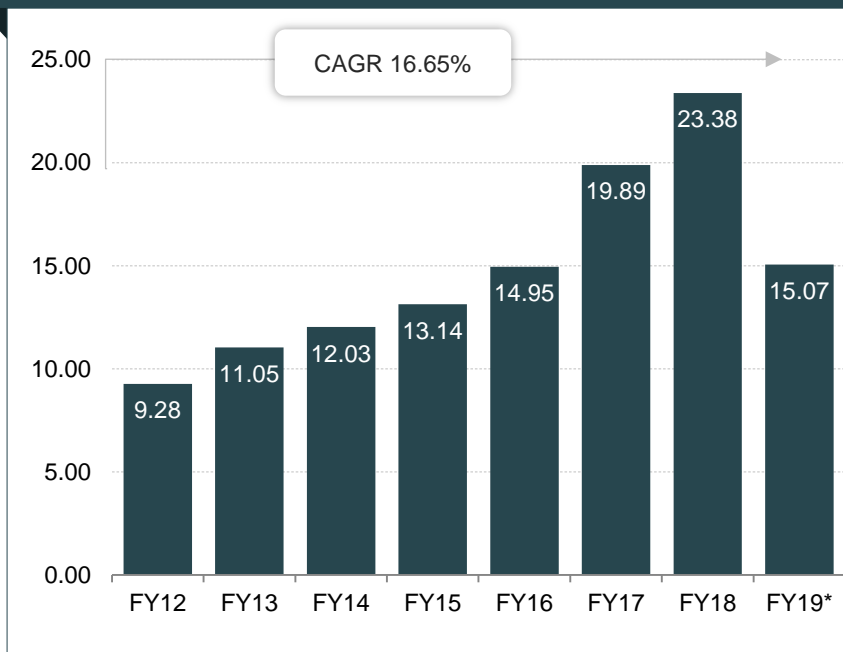
Market Share in First Year Life Insurance Premiums (Apr-Dec 2018)



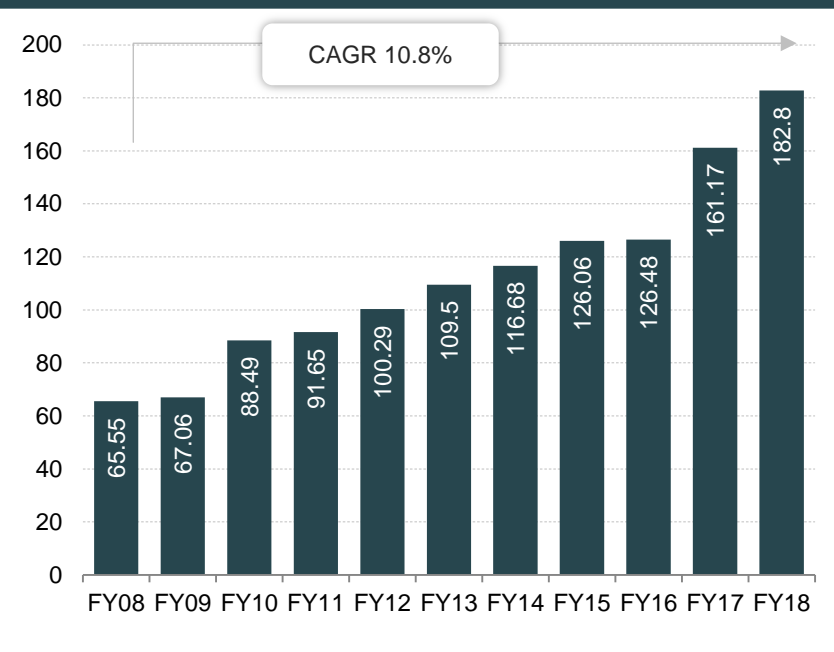
Source: Life Insurance Council, IRDAI

# STRONG GROWTH IN NON-LIFE INSURANCE MARKET

**Gross Direct Premiums of Non-Life Insurers (US\$ billion)**



**Number of Non-Life Insurance Policies (million)**



- Gross direct premiums of non-life insurers in India reached Rs 1.51 trillion (US\$ 23.38 billion) in FY18. In FY19 (up to November 2018), gross direct premiums reached Rs 1.09 trillion (US\$ 15.07 billion), showing a year-on-year growth rate of 13.14 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 182.8 million in FY18, at a CAGR of 10.8 per cent.

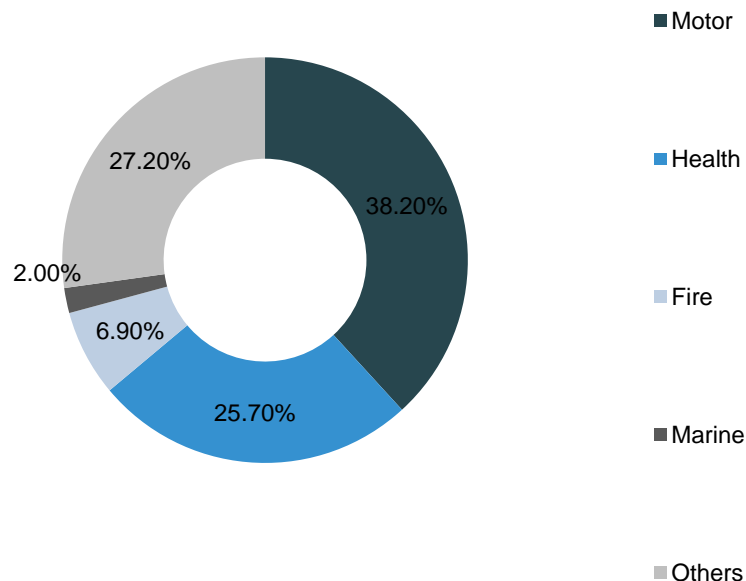
*Note: \* up to October 2018, CAGR is up to FY18*

*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 38.2 per cent of non-life insurance premiums earned in India in Apr-Nov 2018, followed by 25.7 per cent share by health insurance and 17 per cent by crop insurance.
- Private players accounted for a share of around 50.7 per cent in the gross direct premiums generated in non-life insurance sector while public sector companies and specialised insurers garnered around 49.3 per cent share between Apr-Nov 2018.
- Major private players are ICICI Lombard, Bajaj Allianz, IFFCO Tokio, HDFC Ergo, Tata-AIG, Reliance, Cholamandalam, Royal Sundaram and other regional insurers

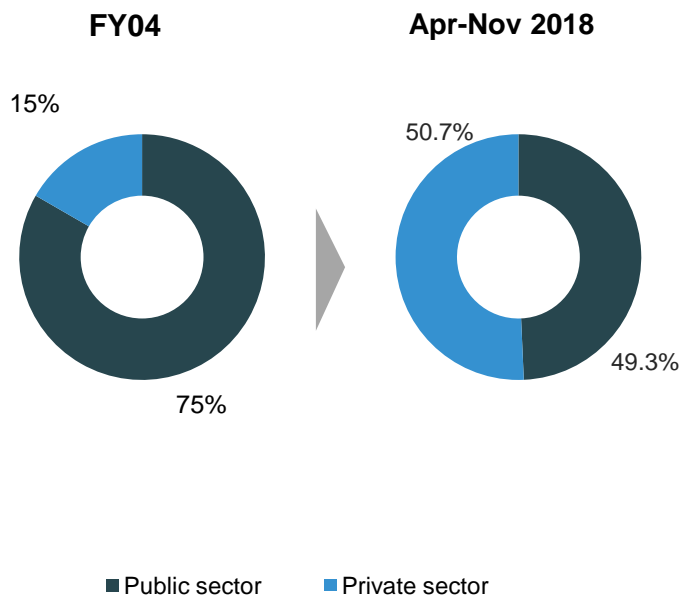
**Non-Life Insurance Gross Direct Premiums (Apr-Nov 2018)**



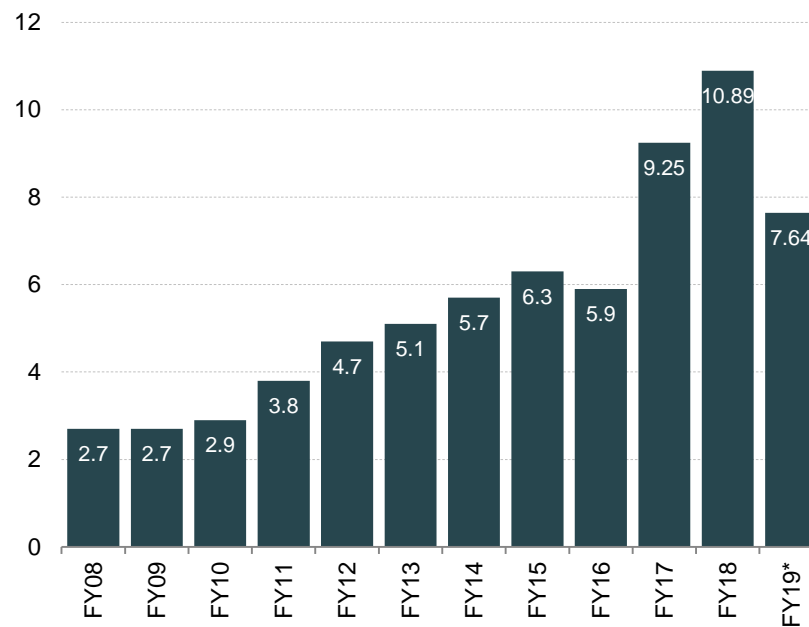
Source: General Insurance Council, IRDAI

# HIGHER PRIVATE SECTOR PARTICIPATION IN NON-LIFE SEGMENT

## Growing share of private sector



## Non-life insurance premium of private sector (US\$ billion)



- 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. Between Apr-Nov 2018, it reached Rs 551.21 billion (US\$ 7.64 billion).

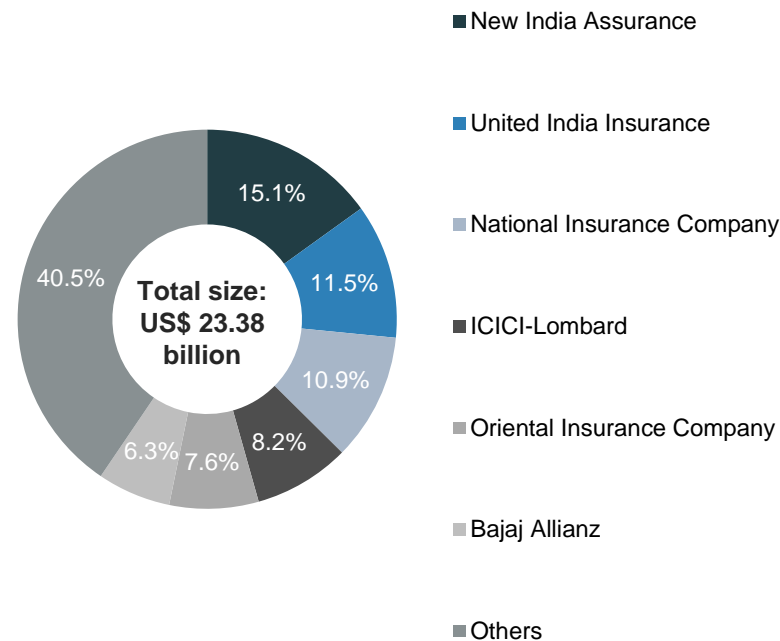
*Note: \* up to November 2018*

*Source: General Insurance Council, IRDAI*

# 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.

## Market share of major companies in terms of Gross Direct Premium collected (FY18)



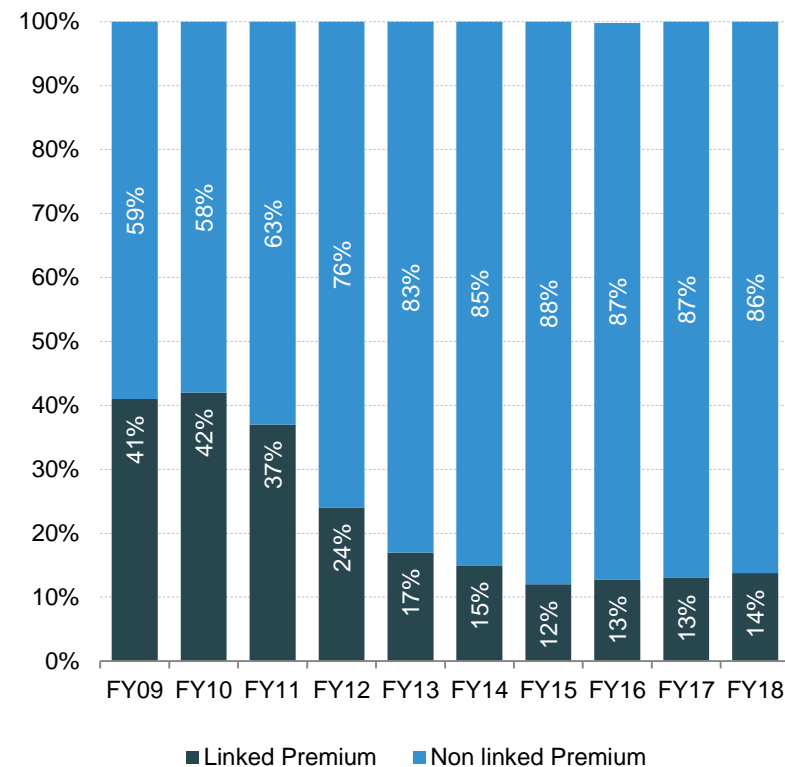
Source: General Insurance Council



# SHIFT TOWARDS NON-LINKED INSURANCE PLANS

- 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.

Share of linked and non-linked insurance premium



Notes: \*Growth rate in INR terms

Source: IRDA Annual Report, Life Insurance Council

# NOTABLE TRENDS AND STRATEGIES



## 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 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
- 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

## 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 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

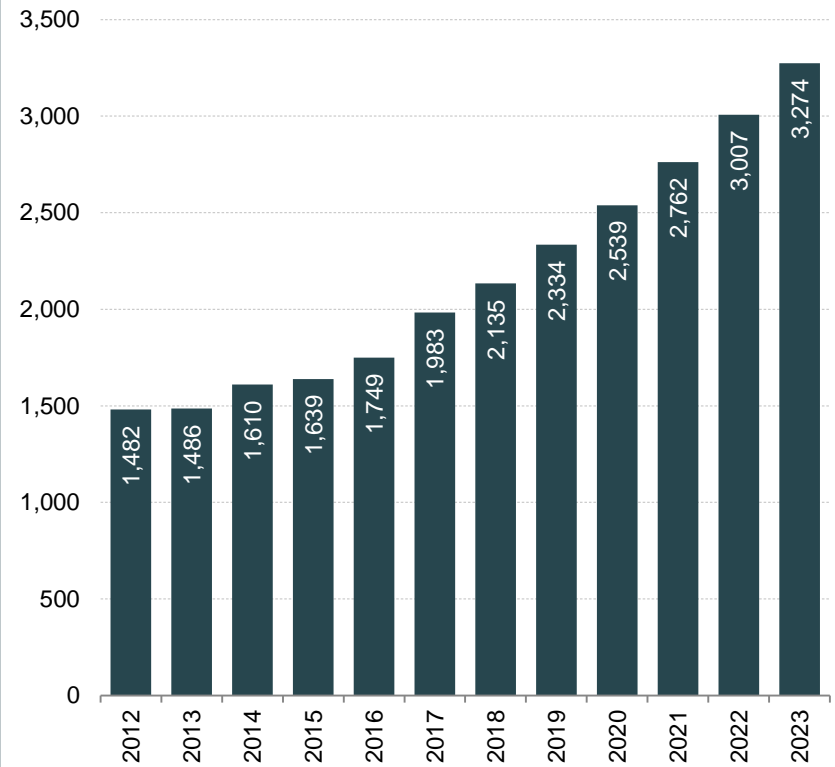
# GROWTH DRIVERS



# GROWTH DRIVERS FOR INSURANCE IN INDIA... (1/2)

- 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.

**GDP Per Capita at Current Prices\* (US\$)**



*Notes: \* estimates after 2013*

*Source: International Monetary Fund, World Economic Outlook Database, April 2018*

# GROWTH DRIVERS FOR INSURANCE IN INDIA... (2/2)

## 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 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. The merger is expected to be finalised by FY21.
- In September 2018, National Health Protection Scheme was launched under Ayushman Bharat to provide coverage of up to Rs 500,000 (US\$ 7,723) to more than 100 million vulnerable families. The scheme is expected to increase penetration of health insurance in India from 34 per cent to 50 per cent, according to a report by Crisil.

## 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.

Source: Crisil



# RISING PRIVATE SECTOR INVESTMENT IN INSURANCE

- In January 2019, online insurance distribution platform, Turtlemint raised US\$ 25 million in funding.
- As of November 2018, HDFC Ergo is in advanced talks to acquire Apollo Munich Health Insurance at a valuation of around Rs 2,600 crore (US\$ 370.05 million).
- In August 2018, a consortium of WestBridge Capital, billionaire investor Mr Rakesh Jhunjunwala announced that it would acquire India's largest health insurer Star Health and Allied Insurance in a deal estimated at around US\$ 1 billion.
- In June 2018, Warburg Pincus invested US\$ 104 million as growth capital in IndiaFirst Life Insurance.
- In 2017, insurance sector in India saw 10 merger and acquisition (M&A) deals worth US\$ 903 million.
- 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

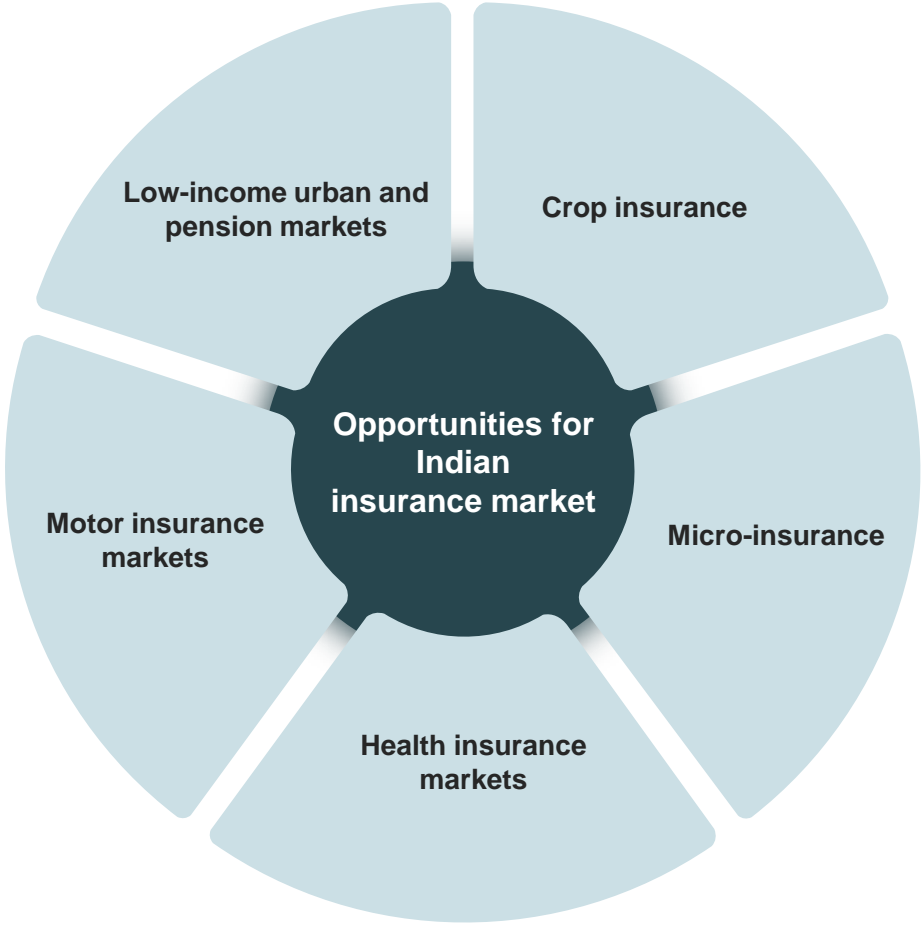
Company	Investor	Deal Size (US\$ million)
Star Health and Allied Insurance Co Ltd	Madison India, Westbridge Capital	1,000
ICICI Lombard General Insurance Company Ltd	Warburg Pincus	282
Star Health and Allied Insurance Co Ltd	Motilal Oswal, Apis Growth, Sequoia & Others	745

Source: Towers Watson; Assorted news articles, EY

# OPPORTUNITIES

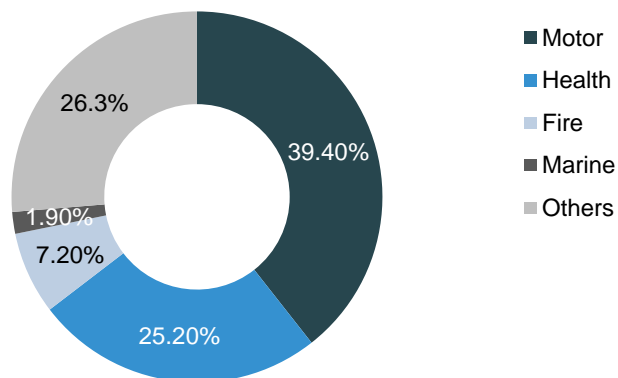


# INDIA'S INSURANCE MARKET OFFERS A HOST OF OPPORTUNITIES ACROSS BUSINESS LINES

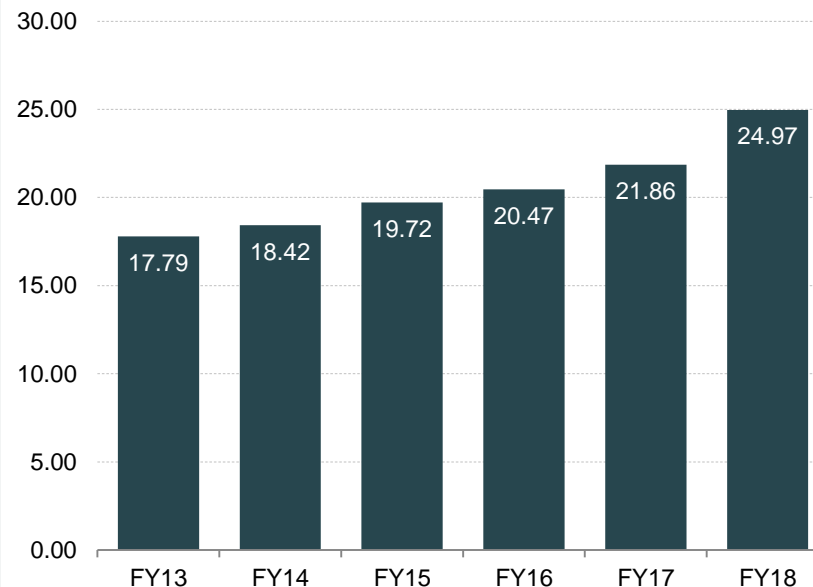


# NON-LIFE INSURERS: MOTOR INSURANCE MARKETS

Breakup of non-life insurance market in India FY18



Automobile Sales in India (million units)



- 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 third 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

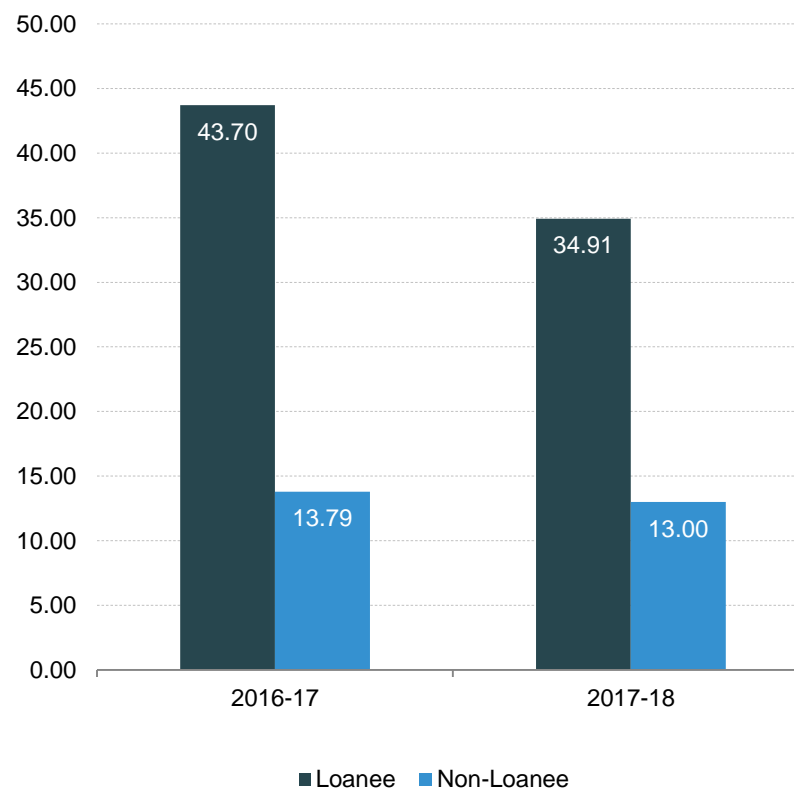
- Only 1.5–2 per cent of total healthcare expenditure in India is currently covered by insurance providers.
- Only 18 per cent of people in urban areas and 14.1 per cent in rural areas are covered under any kind of health insurance scheme..
- Gross direct premium from health insurance reached Rs 378.97 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. 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, 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.

**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 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)
- 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.

Farmers Insured Under PMFBY



*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



## 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](mailto: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](mailto: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](mailto:ninad.narwilkar@lifeinscouncil.org)



- 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

# ANNEXURE...(2/2) - EXCHANGE RATES

## Exchange Rates (Fiscal Year)

Year INR	INR Equivalent of one US\$
2004-05	44.95
2005-06	44.28
2006-07	45.29
2007-08	40.24
2008-09	45.91
2009-10	47.42
2010-11	45.58
2011-12	47.95
2012-13	54.45
2013-14	60.50
2014-15	61.15
2015-16	65.46
2016-17	67.09
2017-18	64.45
Q1 2018-19	67.04
Q2 2018-19	70.18

## Exchange Rates (Calendar Year)

Year	INR Equivalent of one US\$
2005	44.11
2006	45.33
2007	41.29
2008	43.42
2009	48.35
2010	45.74
2011	46.67
2012	53.49
2013	58.63
2014	61.03
2015	64.15
2016	67.21
2017	65.12

Source: Reserve Bank of India, Average for the year

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