



INDIAN INSURANCE INDUSTRY ANALYSIS

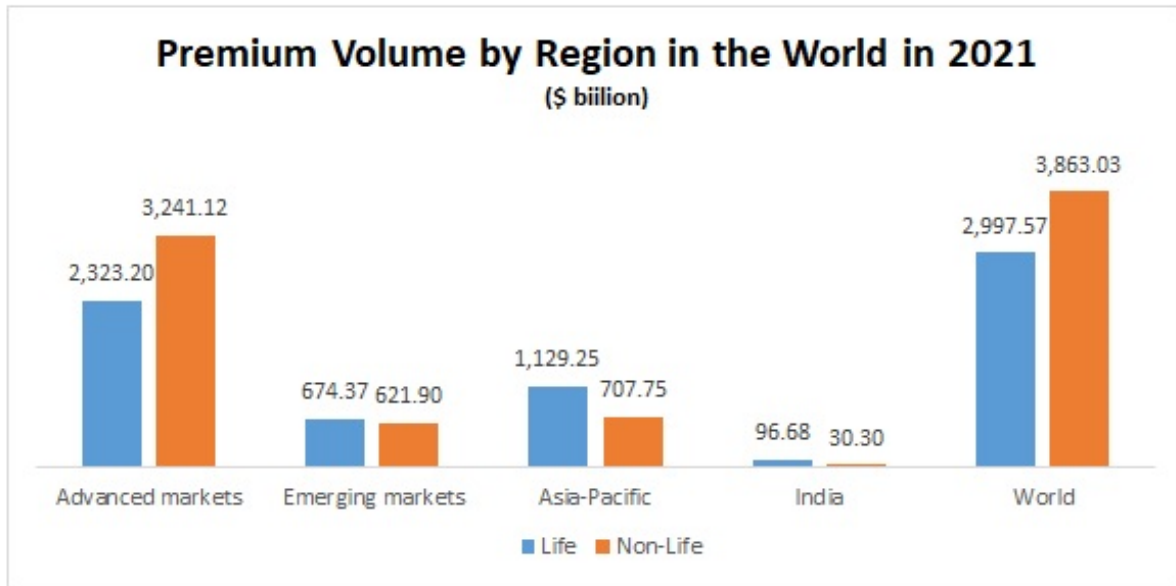
May - 2023



Insurance industry in India plays a dynamic role in the wellbeing of economy. It substantially increases the opportunities for savings amongst the individuals, safeguards their future and helps the industry form a massive pool of funds. With the help of these funds, the insurance industry highly contributes to the capital markets, thereby increasing large infrastructure developments in the country. The Indian Insurance Industry is basically divided into two categories - Life Insurance and Non-life Insurance. The Non-life Insurance industry is also termed as General Insurance. Both the Life Insurance and the Non-life Insurance is governed by the IRDAI (Insurance Regulatory and Development Authority of India). The role of IRDAI is to thoroughly monitor the entire insurance industry in India and also act like a custodian of all the insurance consumer rights.

The insurance industry in the country consists of total 55 insurance companies in 2021-22 year. Out of which 24 companies are the life insurance providers and the remaining 31 are non-life insurers. Life insurance companies offer coverage to the life of the individuals, whereas the non-life insurance companies offer coverage with day-to-day living like travel, health insurance, car and bikes, and home insurance. Not only this, but the non-life insurance companies provide coverage for industrial equipment as well. Crop insurance for farmers, gadget insurance for mobiles, pet insurance etc. are some more insurance products being made available by the general insurance companies in India.

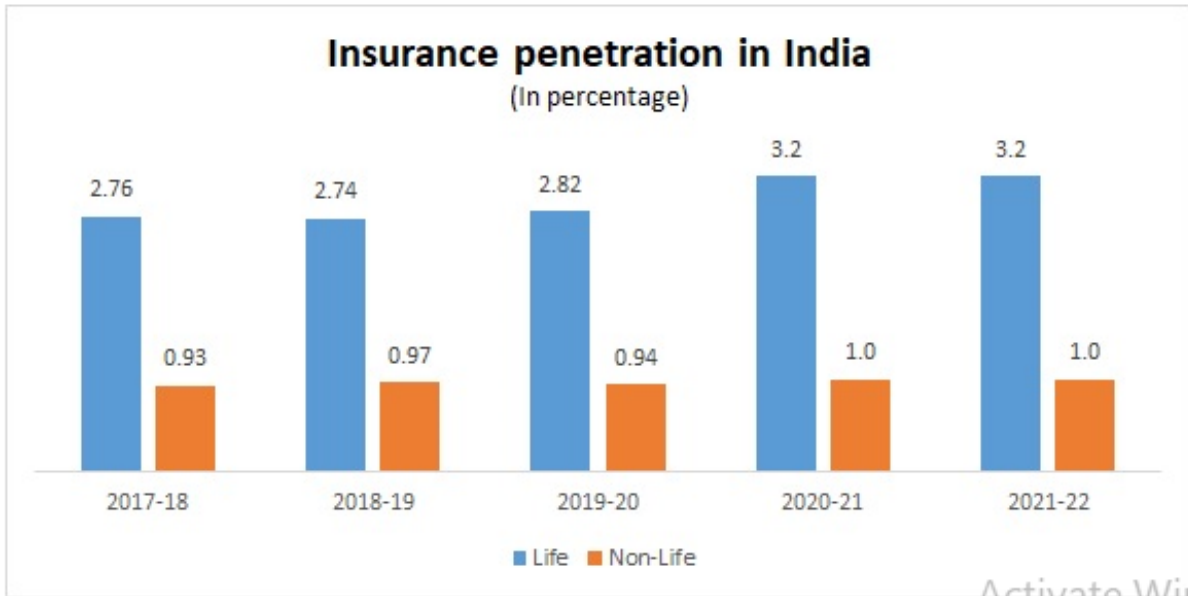
So far as the industry goes, LIC, New India, National Insurance, United insurance and Oriental are the only government ruled entity that stands high both in the market share as well as their contribution to the Insurance industry in India. There are two specialized insurers - Agriculture Insurance Company catering to Crop Insurance and Export Credit Guarantee of India catering to Credit Insurance. Globally, the share of life insurance business in total premium was 43.69 per cent and the share of non-life insurance premium was 56.31 per cent during 2021. However, in the same year, the share of life insurance business for India was high at 76.14 per cent while the share of non-life insurance business was at 23.86 per cent. Total insurance premiums in India will grow by an average 14 per cent per annum in nominal local currency terms over the next decade (from 2022 to 2032), making India the 6th largest in terms of total premium volume by 2032 from 10th largest in 2021.



INSURANCE PENETRATION AND DENSITY :

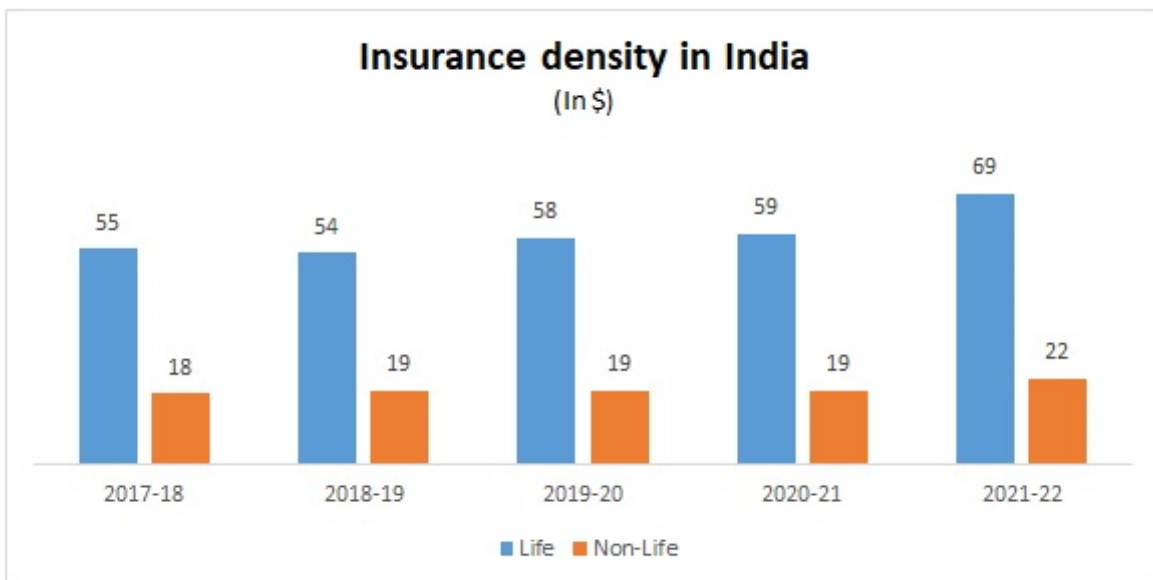
Insurance penetration and density are two metrics, among others, often used to assess the level of development of the insurance industry in a country. Insurance penetration is measured as the percentage of insurance premium to Gross Domestic Product (GDP), while insurance density is calculated as the ratio of premium to population (per capita premium).

Insurance penetration in India during 2021-22 was 4.2 per cent remained same as in 2020-21. During the first decade of insurance industry liberalization, the industry has reported increase in insurance penetration from 2.71 per cent in 2001-02 to 5.2 per cent in 2009-10. Since then the level of insurance penetration declined till 2014-15 due to decline in life insurance penetration. However, the insurance penetration started again increasing from 2015-16 and reached 4.20 per cent in 2021-22. While the penetration of life insurance industry has gone up from 2.15 per cent in 2001-02 to 3.2 per cent in 2021-22, non-life insurance penetration has gone up from 0.56 per cent to 1.0 per cent during the same period.



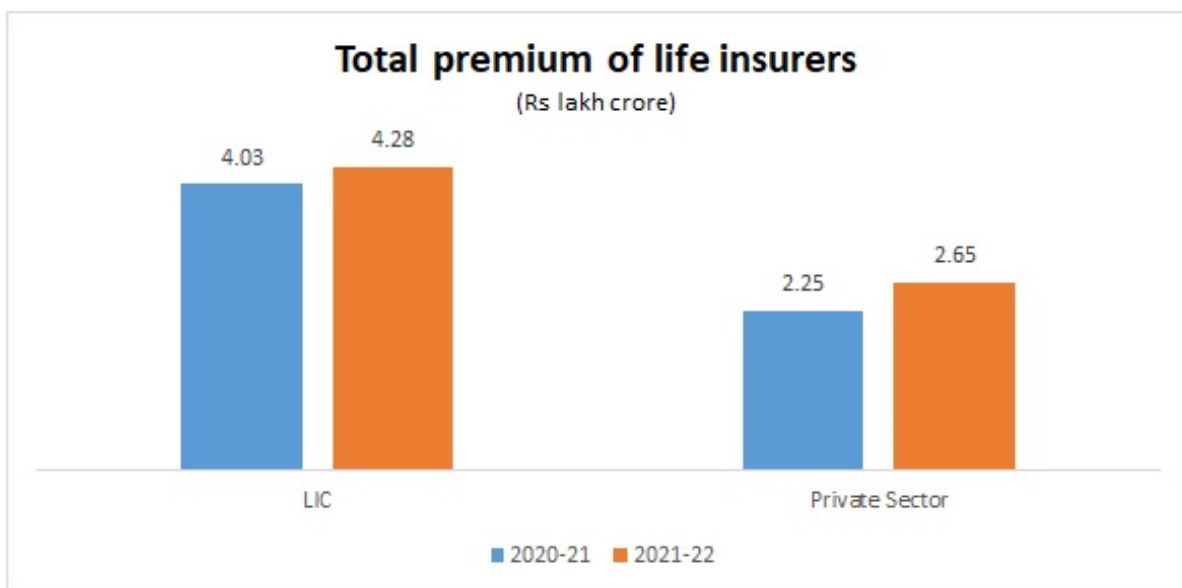
Activate Win

Insurance density in India increased from \$78 in 2020-21 to \$91 in 2021-22. The level of insurance density has reported consistent increase from \$11.5 in 2001-02 to \$64.4 in the year 2010-11. After some ups and downs, insurance density recorded steady increase from the year 2016-17. While life insurance density has gone up from \$9.1 in 2001-02 to \$69 in 2021-22, non-life insurance density has gone up from \$2.4 to \$22 during the same period.



PREMIUM UNDERWRITTEN BY LIFE INSURERS :

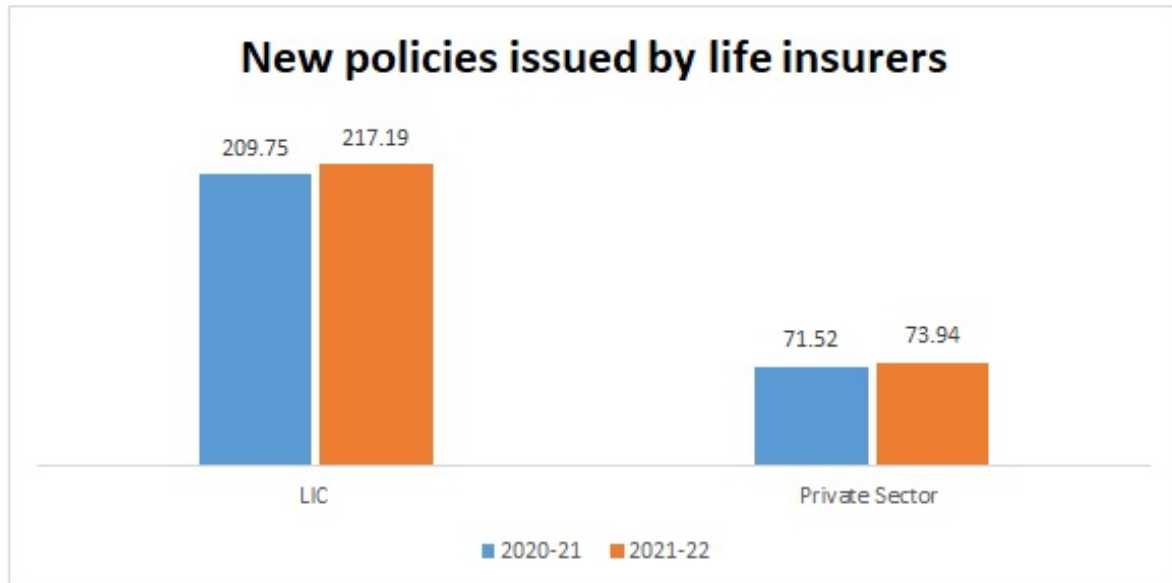
Life insurance industry recorded a premium income of Rs 6.93 lakh crore during 2021-22 as against Rs 6.29 lakh crore in the previous financial year, registering growth of 10.16 per cent. While private industry insurers posted 17.36 per cent growth in premium, LIC recorded 6.13 per cent growth. The market share of LIC decreased by 2.34 per cent to 61.80 per cent in 2021-22 while market share of private insurers has increased to 38.20 per cent.



NEW POLICIES ISSUED BY LIFE INSURERS :

During 2021-22, the life insurance industry registered a growth of 3.51 per cent in the number of new policies issued against the previous year. LIC registered a growth of 3.54 per cent and contributed 74.60 per cent of the policies issued. The private industry registered a growth of 3.38 per cent and contributed 25.40 per cent of the policies issued.

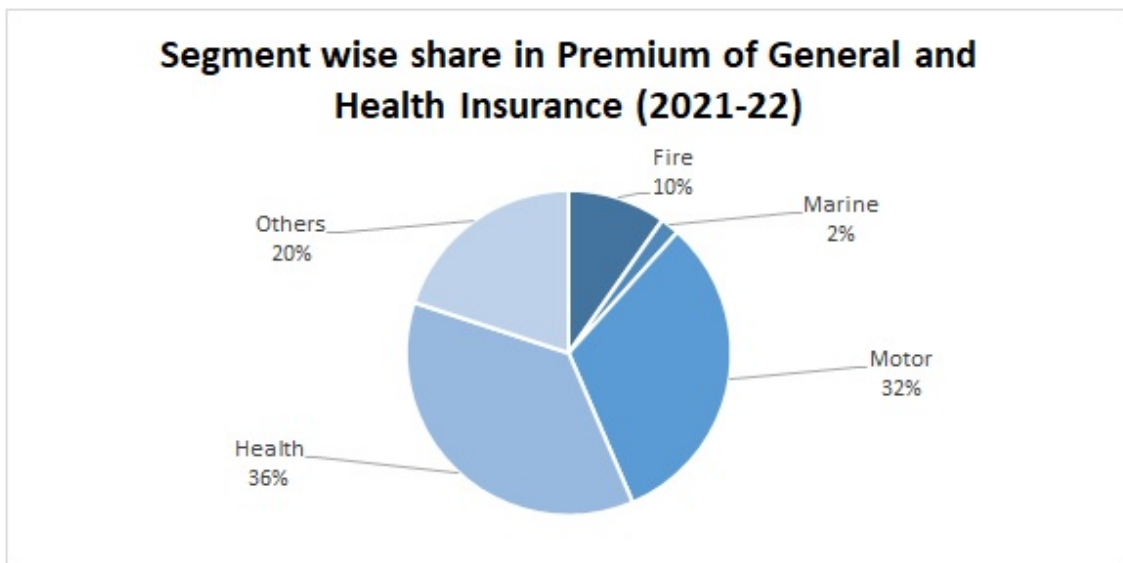
New policies issued by life insurers



SEGEMENT-WISE GENERAL AND HEALTH INSURANCE PREMIUM :

The health business reported a growth of 26.27 per cent in premium at Rs 80,502.27 crore in 2021-22 as compared to Rs 63,752.97 crore in 2020-21, making it the largest general insurance segment in India with a market share of about 36 per cent. The market share of motor segment decreased to about 32 per cent but reported a positive growth of 3.90 per cent in premium at Rs 70,433.48 crore compared to Rs 67,792.19 crore reported in the previous year. After COVID led interruptions in 2020-21, marine segment reported a growth of 19.48 per cent in premium in 2021-22. Fire and other segments also recorded positive growth of 7.15 per cent and 1.10 per cent respectively in premium in 2021-22.

Segment wise share in Premium of General and Health Insurance (2021-22)



BUDGET IMPACT ON INSURANCE INDUSTRY :

The Budget proposal to tax income from traditional insurance policies, other than unit-linked products (ULIPs), having premium above Rs 5 lakh in a year from new financial year i.e. from April 01, 2023, is likely to impact growth of life insurance companies and their margins. On the other hand, there could be demand for high-value policies now to avail tax benefits, which only go away from April 1, 2023. Through this decision, the government is aiming to plug the arbitrage, which high-net-worth individuals (HNIs) are using to get tax-free returns on their high-value insurance policies through Section 10(10D). The new income tax rule will keep death benefit on such premium would continue to remain tax exempted. The new income tax rule won't be applicable on ULIP. It will also not affect insurance policies issued till March 31, 2023.

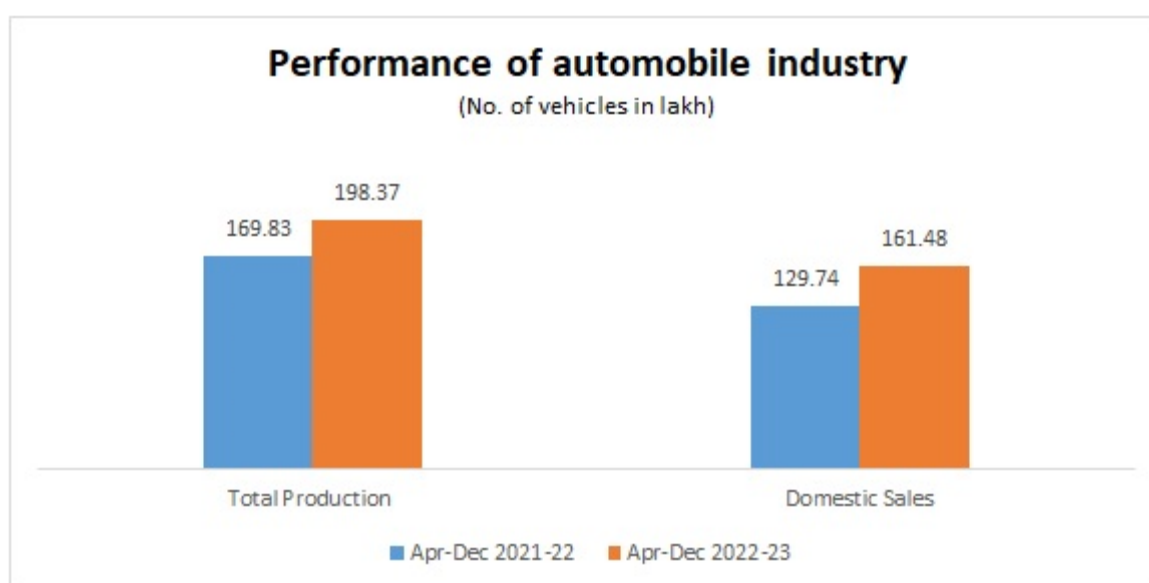
TECHNOLOGY REVOLUTION AND DIGITIZATION IN THE INDUSTRY :

Digital technology is a new force that is driving massive changes in the insurance industry. In the post-pandemic scenario, technology is going to be the key to consumer satisfaction and it is transforming the insurance industry as well with automation of conventional processes. For insurers, the changing landscape of insurance has led to a flurry of technological advancements in the industry. New digital technologies are changing the way customers interact with insurers. The use of the internet and mobile phones has witnessed tremendous growth in both India and across the world. With digitization, insurance companies can use tools such as websites, apps, email, social media, live chat, text and other digital channels to reach out to customers.

The insurance industry in India has been transformed by the technological revolution, with the emergence of new-age insurance companies and Insure-Techs offering tech-enabled solutions such as AI-based models, IoT, and Big Data. Insurtech is a broad term given to various advanced technologies such as automation, computerized processing, AI, data analytics, machine learning and digital marketing etc. Technology and digitization can play a critical role in expanding insurance in India's tier 2 and 3 cities. Insurance companies have improved their digital platforms by upgrading legacy systems and bringing in virtual assistants. LIC introduced LIC Mitra (a virtual assistant), New India Assurance launched the BIMA Bot, United India Insurance came out with UNI Help and National Insurance launched NYRA.

SIGNIFICANT GROWTH IN AUTOMOBILE INDUSTRY TO AID MOTOR INSURANCE MARKET :

The automobile industry is registering significant growth. This will drive growth in the Indian motor insurance market. A steadily growing economy, rising consumers' disposable incomes and increasing preference for personal mobility have propelled India to be the fourth largest car sales market globally. Multiple government policies like the FAME-II, PLI schemes for semiconductor manufacturing and advanced chemistry cells have provided further impetus to the automobile industry which in turn is boosting the insurance market. This has led to a rise in the motor insurance industry in India, which accounted for 32 per cent of the non- life insurance premiums earned. Post-covid, the rising demand for personal mobility space, is leading to a shift in vehicle ownership patterns and may create an opportunity for motor insurers.



GOVERNMENT INITIATIVES AND RECENT DEVELOPMENTS :

- **Govt to infuse capital in public industry general insurance firms**

To improve their financial health, the central government is likely to infuse more capital in the three public industry general insurance firms. The firms are not in good financial health and fund would be infused in these entities to augment their solvency margin. Earlier in 2022, the government had provided Rs 5,000 crore capital to three insurers -- National Insurance Company, Oriental Insurance Company and United India Insurance Company. During 2020-21, Rs 9,950 crore was infused in three public industry general insurers by the government.

- **Govt to set up Bima Sugam Portal**

The government has said that it proposes to set up a Bima Sugam portal to address the existing protection gap across life, health and general insurance businesses in the country. The portal is expected to improve accessibility and ease of insurance purchase to policyholders. This will also serve as a readymade digital platform for insurers and distribution networks. The initiative taken by government to protect the interest of General Insurance Agents and Life Insurance Agents when this new policy is implemented in insurance industry.

- **Insurers settle over 2.25 lakh death claims on account of Covid**

The Insurance Regulatory and Development Authority of India (Irdai) said over 2.25 lakh death claims due to the Covid-19 pandemic were settled by insurance companies up to March 2022. It further said the general insurers and stand-alone health insurers received a huge number of Covid treatment related claims which the industry handled 'quite efficiently' and settled claims around Rs 25,000 crore. A total of 26,54,001 health insurance claims were settled.

- **Irdai eases entry norms for insurance biz, reduces solvency margin**

Irdai has approved a host of reforms, including easing the entry norms and reducing solvency margin that will unlock Rs 3,500 crore-worth capital for the insurers. The latest decisions are aimed at increasing the insurance penetration in the country and enabling 'Insurance for All by 2047'. It has also approved a proposal to permit Private Equity (PE) funds to invest directly in insurance companies. Besides, the watchdog has allowed subsidiary companies to be promoters of insurance companies.

- **Irdai sets up health insurance consultative committee**

Irdai has decided to set up a 15-member Health Insurance Consultative Committee with an aim to achieve the goal of universalisation of health insurance in the country. The panel has been set up for two years. The committee, headed by Irdai member Rakesh Joshi, has been tasked to identify the challenges in carrying out the health insurance business smoothly and make recommendations to facilitate ease of doing business.

OUTLOOK :

The Indian insurance industry has been witnessing substantial growth. The momentum is likely to continue in the coming year and the near future of the insurance industry in the country is looking promising with help of decent growth in insurance penetration and density. With the increase in awareness about the importance of life insurance after recent Covid-19 like situations, the growing middle class, and current retirement planning trend, growing middle class and young insurable crowd will substantially increase the growth of the Insurance industry in in the country in the near future. The adopting the latest technology has enabled the insurance industry in India to gain a competitive edge, enhance its capacity to counsel clients, handle claims faster, and offer new services. The industry is likely to see greater adoption of telematics and wearable devices, further revolutionizing the industry in the coming years.

The government initiatives like capital infusion in public industry general insurance firms along with digitization and technology upgradation is likely to aid the industry in coming time. Shift to online modules, will help the insurance companies to work on a seamless end to end buying journey. Growth in the automotive industry over the next decade is also likely to boost the motor insurance market. The government's existing schemes like the Pradhan Mantri Suraksha Bima Yojana (PMSBY), Rashtriya Swasthya Bima Yojana (RSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) to provide insurance to individuals in a below poverty line would continue to help the lower and lower-middle income categories to utilize the new policies with lower premiums in the country.



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