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# Indian Insurance Scenario vs Global Insurance

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***Abstract:*** ***India Insurance market stands at $131 Bn as of FY22. The Indian insurance industry grew at a CAGR of 17% over the last two decades and is expected to continue its commendable growth trajectory in the future years***
***India is likely to become the sixth largest insurance market in the world over the next decade driven by regulatory push and rapid economic expansion. In its latest report, Swiss Re Institute expects the country's total insurance premiums to grow by an average of 14% n nominal local currency terms in the next 10 years. For the current year, Swiss Re expects India's life insurance industry to record a growth rate of 6.6% and a further rise to 7.1% in 2023.***
***Keywords: Insurance, market, economic, premium, fiscal, global***

## I. INTRODUCTION

The insurance industry in India has 58 insurance companies, including 34 non-life insurers (25 general insurers, 7-standalone health, 2 specialized insurers). The insurance industry in India has witnessed an impressive growth rate over the last two decades driven by the greater private sector participation and an improvement in distribution capabilities, along with substantial improvements in operational efficiencies Private Life Insurers are expected to grow their retail APE at a CAGR of over 17% between 2021-23, and new retail term premiums are expected to double in 5 years. The Private Non-Life insurance segment is forecasted to grow at 16% in FY22 and 14% in FY23. Standalone Health Insurers are expected to grow by over 25% in FY22 due to the increased focus on healthcare. The New Business Premium for Life Insurers has grown at a CAGR of 14% over FY14-20 led by the financialization of savings and new product launches, and the insurance industry size in India is expected to grow at 12.5% CAGR over the next decade 2020-30 led by specialized products such as protection and annuities. Non-life insurers Collective gross direct premium underwritten for non-life insurance companies grew 22.99% y-o-y to INR 54,491.27 cr for the first quarter this fiscal from INR 44,303.91 cr for the same period last fiscal. The fiscal 2018-19 witnessed global financial meltdown. Despite it, the Indian insurance industry, which has big opportunity to expand, given the large population and untapped potential, grew satisfactorily. While life insurance business registered a growth of 10.15 per cent, general insurance business recorded a growth of 9.09 per cent in 2018-19. With this, Insurance penetration (premium volume as a ratio of GDP) in rupee terms for the year 2008-09 stood at 4.74 per cent; 4.17 per cent for life insurance and 0.57 per cent for non-life insurance. The level of penetration, particularly in life insurance, tends to rise as income levels increase. India, with its huge middle class households, has exhibited growth potential for the insurance industry. Saturation of markets in many developed economies has made the Indian market even more attractive for global insurance majors. The insurance market in India has witnessed dynamic changes including entry of a number of global insurers. Most of the private insurance companies are joint ventures with recognized foreign institutions across the globe.

### *A. Life Insurance*

The total capital of the life insurers by end of March 2017 stood at Rs.18253.04 crore, with additional infusion of capital to the extent of Rs.5956.62 crore. There had been no infusion of capital in the case of LIC which continued to be Rs.5 crore. The infusion of additional capital of Rs. 5956.62 crore comprised of Rs. 987.05 crore from new companies and remaining Rs. 4969.57 crore from existing private insurers.

TABLE 1.1
REGISTERED INSURERS IN INDIA

| Type of business | Public Sector | Private Sector | Total |
|---|---|---|---|
| Life Insurance | 1 | 21 | 22 |
| General Insurance | 6 | 15 | 21 |
| Re-insurance | 1 | 0 | 1 |
| Total | 8 | 36 | 44 |

Source: IRDA

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*B. New Policies*

New policies underwritten by the life insurers were 509.23 lakh in 2018-19 as against 508.74 lakh during 2017-18 showing a marginal increase of 0.10 per cent. The private insurers exhibited a growth of 13.19 percent, which is much lower than 67.40 per cent recorded in the previous year. LIC showed a negative growth for the second consecutive year at 4.52 percent as against its previous years' negative growth of 1.61 per cent.In terms of number of policies underwritten, private insurers have increased their market share from 26.07per cent in 2017-18 to 29.48 per cent in 2018-19. To that extent LIC has lost its market share.

TABLE 1.2
NEW POLICIES ISSUED: LIFE INSURERS

| Insurer | 2020-21 | 2021-22 |
|---|---|---|
| LIC | 37612599 | 35912667 |
| | (-1.61) | (-4.52) |
| Private Sector | 13261558 | 15010710 |
| | (67.40) | (13.19) |
| Total | 50874157 | 50923377 |
| | (10.23) | (0.10) |

Note: Figure in brackets indicates growth over previous year (in per cent).

*C. Premium*

Life insurance industry recorded a premium income of Rs.221791.26 crore during 2020-21 as against Rs.201351.41 crore in the previous financial year, recording a growth of 10.15 per cent. Out of Rs.221791.26 crore, premium from unit-linked products, stood at Rs.90645.78 crore. This resulted in a fall in the share of unit linked premium to the total premium to 40.87 per cent in 2020-21 from 46.14 percent in 2019-20. The decline was observed both in the case of LIC and private insurers. This decline can be attributed to subdued Indian equity market. The share of ULIP premium to total premium fell to 22.06 per cent in LIC from 31.61 per cent in 2019-20. The private insurers registered a marginal slowdown in ULIP products, as the composition of ULIP premium to the total premium for them was 86.74 per cent in 2020-21, as against 88.34 per cent in 2019-20. Regular premium, single premium and renewal premium in 2020-21 were Rs.49370.56 crore (22.26per cent); Rs.37635.67 crore (16.97 per cent); and Rs.134785.03 crore (60.77 per cent), respectively. It may be recalled that in 200-01, when the industry was opened up, the life insurance premium was Rs.34898.48 crore which comprised of Rs.6966.95 crore (19.96 per cent) of regular premium, Rs.2740.45 crore (7.86 per cent) of single premium and Rs.25191.07 crore (72.18 per cent) of renewal premium. (Statements 29, 30)

TABLE 1.3
REGULAR PREMIUM: MARKET SHARE

| INSURER | 2020-21 | 2021-22 |
|---|---|---|
| Life Insurance Corporation | 47.77 | 38.77 |
| Private sector | 52.23 | 61.23 |
| Total | 100 | 100 |

Source: IRDA

TABLE 1.4
TOTAL SINGLE PREMIUM: MARKET SHARE

| INSURER | 2020-21 | 2021-22 |
|---|---|---|
| Life Insurance Corporation | 86.99 | 90.44 |
| Private sector | 13.01 | 9.56 |
| Total | 100 | 100 |

Source: IRDA

TABLE 1.5
FIRST YEAR PREMIUM: MARKET SHARE

| INSURER | 2020-21 | 2021-22 |
|---|---|---|
| Life Insurance Corporation | 64.02 | 61.12 |
| Private sector | 35.98 | 38.88 |
| Total | 100 | 100 |

Source: IRDA

TABLE 1.6
RENEWAL PREMIUM: MARKET SHARE

| INSURER | 2020-21 | 2021-22 |
|---|---|---|
| Life Insurance Corporation | 83.42 | 77.42 |
| Private sector | 16.58 | 22.76 |
| Total | 100 | 100 |

Source: IRDA

TABLE 1.7
TOTAL PREMIUM: MARKET SHARE

| INSURER | 2020-21 | 2021-22 |
|---|---|---|
| Life Insurance Corporation | 74.39 | 70.92 |
| Private sector | 25.61 | 29.08 |
| Total | 100 | 100 |

Source: IRDA

*D. Benefits Paid*

The life industry paid lower net benefits of Rs.58343.10 crore in 2018-19 (Rs.61686.37 crore in 2019-20) constituting 26.32 per cent of the gross premium underwritten (30.64 per cent in 2019-20).The benefits paid by the private insurers were Rs.5864.97 crore (Rs.5136.05 crore in 2019-20), which showed an increase of 14.19 percent constituting 9.11 per cent of the premium underwritten (9.96 per cent in 2019-20). LIC paid benefits of Rs.52478.14 crore in 2020-21, constituting 33.36 percent of the premium underwritten (Rs.56550.33 crore in 2019-20; 37.75 per cent of the total premium underwritten). The benefits paid by the life insurers net of re-insurance was Rs.58324.03 crore (Rs.61726.64 crore in 2019-20). There has been a significant decrease in the benefits paid on account of surrenders/withdrawals which stood at Rs.13869.56 crore as against Rs.21677.25 crore in 2019-20. It is expected that with the stipulation of minimum lock-in period of three years for ULIP products, surrenders as a per cent of premium underwritten would come down.

*E. Investment Income*

As the operation of the life insurers stabilizes, their investment base gets strengthened, resulting in investment income forming a larger proportion of their total income. In the case of LIC, the investment income including capital gains was lower at Rs.43122.17 crore in 2018-19 compared to Rs.56672.91 crore in 2019-20. As a percentage of total income, it declined by 23.91 per cent in 2009-10 from an increase of 37.78 per cent in 2019-20. As against this, the share of investment income to the total income for the private life insurers declined by 336.81 per cent in 2020-21 (as against an increase of 23.37 per cent in 2019-20). Companies have also reported an improvement in the yields on their investments. The industry is still in the process of stabilizing and despite additional contributions by way of share capital it would require time to reach the consolidation stage.

*F. Profits of life insurers*

Life insurance industry is capital intensive, and insurers are required to inject capital at frequent intervals to achieve growth in premium income. Given the high rate of commissions payable in the first year, expenses towards setting up operations, training costs for developing the agency force, creating a niche market for its products, achieving reasonable levels of persistency, providing for policy liabilities, and maintaining the solvency margins would be difficult for the insurers to earn profits in the initial seven to ten years of their operations. At the end of March 2020, the life insurance industry reported a total loss of Rs.4878.49 crore. It is 42.95 per cent higher than the previous year's total loss of Rs.3412.81 crore. Out of twenty-two life insurers, only four have reported profits. They are LIC, Kotak Mahindra, Met Life and Shriram. Life Insurance Corporation of India has reported an increased profit of Rs.957.35 crore as compared to the previous year profit of Rs.844.63 crore. Kotak Mahindra, for the first time, has reported a net profit of Rs.14.34 crore. During the previous year, the company had incurred a loss of Rs.71.87 crore. Met Life has reported a net profit of Rs.14.52 crore and Shriram reported a net profit of Rs.8.11 crore. SBI Life, which was the first private life insurer to report profit and has been making profits for the past three years, has reported a net loss of Rs.26.31 crore during 2020-21. ICICI Prudential, the largest private sector life insurer, reported losses for the eighth consecutive years. The company which reported a loss of Rs.1395.06 crore in 2009-10 has recorded a loss of Rs.779.70 crore during 2018-19.

During the year under review, the net losses of 12 companies have gone up as compared to the previous year. Four new life insurance companies came into existence during 2020-21. Among them except Aegon, Religare, other companies viz., Canara, HSBC, DLF Pan-America and Star Union Dai-ichi have reported losses.

*G. Returns to Shareholders*

Of the surplus generated by LIC of India, the company has paid a dividend of Rs.929.12 crore to the Government in 2018-19 as against Rs.829.59 crore paid in 2007-08. No private insurer has paid any dividend.

*H. Analysis of Death Claims*

Individual Policies: The life insurance companies have settled 6.05 lakh claims on individual policies with a total payout of Rs.4798.22 crore. The number of claims repudiated was 12781 for an amount of Rs.179.59 crore. The number of claims pending at the yearend was 16915 and the amount involved was Rs.242.84 crore. Of these claims 2574 were pending for more than one year and 2875 claims were pending for more than 6 months but less than one year. (Statement 58) The claim settlement ratio of LIC was better than that of the private life insurers. While LIC settled 95.48 per cent of claims intimated to them during the year, the private life insurers settled 82.26 per cent of their claims. The percentage of repudiations for LIC was quite low at 1.33 per cent as against 9.97 per cent for the private life insurers.

TABLE 1.8
INDIVIDUAL DEATH CLAIMS: 2020-21
(In per cent of policies)

| Life Insurer | Total Claims | Claims paid | Claims repudiated | Claims written Back | Claims pending end of year |
|---|---|---|---|---|---|
| Private | 100.00 | 82.26 | 9.97 | 0.02 | 7.75 |
| LIC | 100.00 | 95.48 | 1.33 | 0.98 | 2.21 |
| Total | 100.00 | 94.46 | 2.00 | 0.90 | 2.64 |

Source: IRDA

## II. GLOBAL INSURANCE SCENARIO

As per Swiss Re, global insurance premiums in calendar year 2010 were USD 4270 billion which is slightly higher than USD 4128 billion in 2007. Life business accounted for USD 2491 billion; and nonlife insurance accounted for the remaining USD 1779 billion. Adjusted for inflation, non-life premiums declined by 0.8 per cent and life premiums falling even faster at 3.5 per cent over the previous year. While underwriting results of non-life insurance business remained comfortable, investment income and return on equity fell sharply in both life and non-life insurance. While life premium in the industrialised countries declined by 5.3 per cent, in the emerging markets they increased by 15 per cent in 2008. The financial crisis and the economic downturn severely impacted sales of single premium products and unit-linked products. The profitability of life insurers deteriorated in 2008 due to low investment yields, high cost of guarantees and low revenues from asset management fees. Solvency was impacted and access to capital became difficult.

Global insurance premiums grew by 3.4% in 2008 to reach $4.3 trillion. For the first time in the past three decades, premium income declined in inflation-adjusted terms, with non-life premiums falling by 0.8% and life premiums falling by 3.5%. The insurance industry is exposed to the global economic downturn on the assets side by the decline in returns on investments and on the liabilities side by a rise in claims.

Advanced economies account for the bulk of global insurance. With premium income of $1,753bn, Europe was the most important region in 2008, followed by North America $1,346bn and Asia $933bn. The top four countries generated more than a half of premiums. The US and Japan alone accounted for 40% of world insurance, much higher than their 7% share of the global population. Emerging markets accounted for over 85% of the world's population but generated only around 10% of premiums. Their markets are however growing at a quicker pace.

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TABLE 1.9
GLOBAL INSURANCE INDUSTRY OVERVIEW FOR 2020

| | Amount | Units |
|---|---|---|
| Total Gross Insurance Premiums | 4.270 | Tril. US$ * |
| Global Premiums as % of Global GDP | 6.18 | Percent ** |
| Global Life Insurance Premiums | 2.490 | Tril. US$ * |
| Global Non-Life Insurance Premiums | 1.779 | Tril. US$ * |
| Total Direct Premium Growth, Worldwide, 2007-2008 | -2.0 | Percent * |
| Growth in Life Insurance Premiums | -3.5 | Percent * |
| Growth in Non-Life Insurance Premiums | -0.8 | Percent * |
| Total Insurance Growth in Emerging Markets, 2007-2008 | 11.1 | Percent * |

Source: * Swiss Re ** Sigma various volumes

TABLE 1.10
GLOBAL INSURANCE DENSITY (*US Dollars)

| | 2018 | | 2017 | | 2016 | |
|---|---|---|---|---|---|---|
| Countries | Total | Life Insurance | Total | Life Insurance | Total | Life Insurance |
| Australia | 3386.5 | 2038.0 | 3000.2 | 1674.1 | 2580.8 | 1389.0 |
| Brazil | 244.5 | 115.4 | 202.2 | 95.3 | 160.9 | 72.5 |
| France | 4131.0 | 2791.9 | 4147.6 | 2928.3 | 4075.4 | 2922.5 |
| Germany | 2919.2 | 1346.5 | 2662.1 | 1234.1 | 2436.8 | 1136.1 |
| Russia | 273.5 | 5.4 | 209.4 | 6.1 | 150.9 | 4.0 |
| South Africa | 870.6 | 707.0 | 878.5 | 719.0 | 855.8 | 695.6 |
| Switzerland | 6379.4 | 3551.5 | 5740.7 | 3159.1 | 5561.9 | 3111.8 |
| United Kingdom | 6857.8 | 5582.1 | 7113.7 | 5730.5 | 6466.7 | 5139.6 |
| United States | 4078.0 | 1900.6 | 4086.5 | 1922.0 | 3923.7 | 1789.5 |

Source: Swiss Re, Sigma various volumes
* Insurance density is measured as ratio of premium (in US Dollar) to total population.

TABLE 1.11
ASIAN INSURANCE DENSITY* (US Dollars)

| | 2020 | | 2021 | | 2022 | |
|---|---|---|---|---|---|---|
| Countries | Total | Life Insurance | Total | Life Insurance | Total | Life Insurance |
| Bangladesh | 4.4 | 3.3 | 2.9 | 1.9 | 2.6 | 1.8 |
| Hong Kong | 3310.3 | 2929.6 | 3373.2 | 3031.9 | 2787.6 | 2456.0 |
| India # | 47.4 | 41.2 | 46.6 | 40.4 | 38.4 | 33.2 |
| Japan | 3698.6 | 2869.5 | 3319.9 | 2583.9 | 3589.6 | 2829.3 |
| Malaysia | 345.4 | 225.9 | 332.1 | 221.5 | 292.2 | 189.2 |
| Pakistan | 6.8 | 2.8 | 6.5 | 2.6 | 5.9 | 2.3 |
| PR China | 105.4 | 71.7 | 69.9 | 44.2 | 53.5 | 34.1 |
| Singapore | 3179.0 | 2549.0 | 2776.0 | 2244.7 | 1957.7 | 1616.5 |
| South Korea | 1968.7 | 1347.7 | 2384.0 | 1656.6 | 2071.3 | 1480.0 |
| Sri Lanka | 32.1 | 12.8 | 24.9 | 10.2 | 21.3 | 8.5 |
| Taiwan | 2787.6 | 2281.1 | 2628.0 | 2165.7 | 2250.2 | 1800.0 |
| Thailand | 142.1 | 77.2 | 129.7 | 70.8 | 110.1 | 60.0 |
| World | 633.9 | 369.7 | 607.7 | 358.1 | 554.8 | 330.6 |

Source: Swiss Re, Sigma various volumes

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* Insurance density is measured as ratio of premium (in US Dollar) to total population.
# Data relates to financial year.

TABLE 1.12
GLOBAL INSURANCE PENETRATION* (US Dollars)

| | 2020 | | 2021 | | 2022 | |
|---|---|---|---|---|---|---|
| Countries | Total | Life Insurance | Total | Life Insurance | Total | Life Insurance |
| United States | 8.90 | 4.20 | 8.80 | 4.00 | 9.15 | 4.14 |
| United Kingdom | 15.70 | 12.60 | 16.50 | 13.10 | 12.45 | 8.90 |
| Switzerland | 10.30 | 5.70 | 11.00 | 6.20 | 11.19 | 6.20 |
| France | 10.30 | 7.30 | 11.00 | 7.90 | 10.21 | 7.08 |
| Germany | 6.60 | 3.10 | 6.70 | 3.10 | 6.79 | 3.06 |
| South Korea | 11.80 | 8.20 | 11.10 | 7.90 | 10.25 | 7.27 |
| Japan | 9.60 | 7.50 | 10.50 | 8.30 | 10.54 | 8.32 |

Source: Swiss Re, Sigma various volumes
* Insurance density is measured as ratio of premium (in US Dollar) to total population.

TABLE 1.13
DEVELOPING COUNTRIES' INSURANCE PENETRATION*

| US Dollars | 2020 | | 2021 | | 2022 | |
|---|---|---|---|---|---|---|
| Developing Countries | Total | Life Insurance | Total | Life Insurance | Total | Life Insurance |
| Brazil | 3.00 | 1.40 | 2.80 | 1.30 | 3.01 | 1.33 |
| Russia | 2.40 | 0.10 | 2.30 | 0.10 | 2.27 | 0.12 |
| Taiwan | 15.70 | 12.90 | 14.50 | 11.60 | 14.11 | 11.17 |
| Hong Kong | 11.80 | 10.60 | 10.50 | 9.20 | 9.93 | 8.63 |
| Malaysia | 4.60 | 3.10 | 4.90 | 3.20 | 5.42 | 3.60 |
| Singapore | 7.60 | 6.20 | 6.50 | 5.40 | 7.47 | 6.00 |
| Thailand | 3.40 | 1.80 | 3.50 | 1.90 | 3.61 | 1.99 |
| India | 4.70 | 4.00 | 4.80 | 4.10 | 3.14 | 2.53 |
| PR China | 2.90 | 1.80 | 2.70 | 1.70 | 2.70 | 1.78 |
| Sri Lanka | 1.50 | 0.60 | 1.60 | 0.60 | 1.46 | 0.62 |
| Pakistan | 0.70 | 0.30 | 0.80 | 0.30 | 0.67 | 0.27 |
| Bangladesh | 0.70 | 0.50 | 0.60 | 0.40 | 0.61 | 0.42 |
| South Africa | 15.30 | 12.50 | 16.00 | 13.00 | 13.87 | 10.84 |
| Australia | 6.80 | 3.80 | 7.00 | 3.80 | 6.60 | 3.51 |
| World | 7.50 | 4.40 | 7.50 | 4.50 | 7.52 | 4.34 |

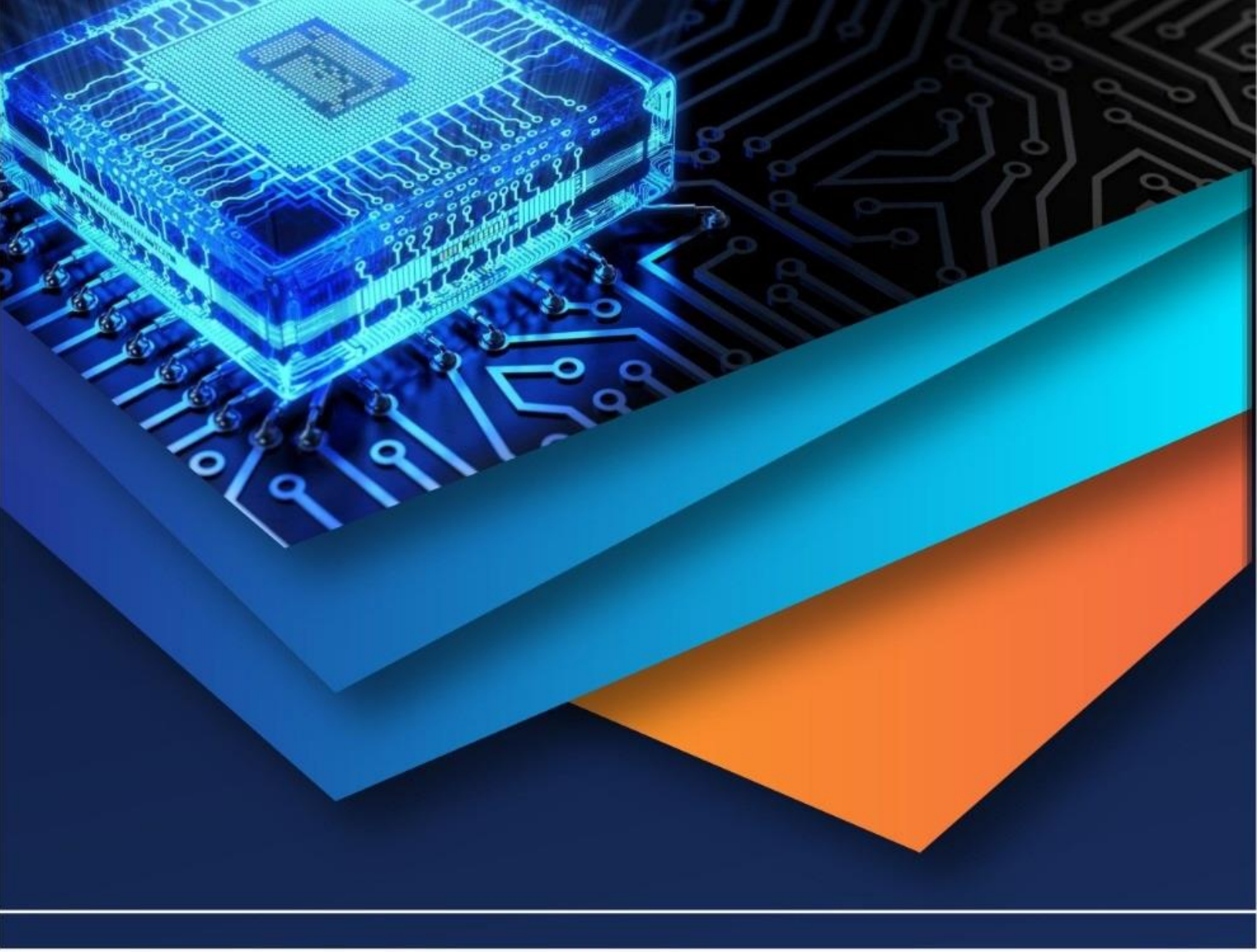
Source: Swiss Re, Sigma various volumes * Insurance density is measured as ratio of premium (in US Dollar) to total population.

## III. CONCLUSION

Public Sector Insurance Companies have finally ceased to be the GIC Subsidiaries. The Rs. 100 Crore of equity has been transferred to Government from GIC. The transfer of equity follows amendments in the General Insurance Business Nationalisation Act, passed by Parliament. The possibility of tapping the capital market by public sector Insurers cannot be ruled out in future. There are visible signs of market expansion and therefore, all the insurers are expanding the targets and concentrating on most profitable personal and health segment.

Insurance business cycle is moving ahead rapidly. This cycle comprises alternating periods of expansion and recession which are integral features force. The need for de-tariffing premium for the sake of removing unfair trade practices, has been stressed upon by all the private players. While there is a big business potential, the regulators, in a bid to create entry barriers, have forced the promoters to pump over Rs. I 00 crore as capital. This will result in longer payback period of six to seven years.

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