INSURANCE INDUSTRY

INTRODUCTION

The Indian Insurance Sector is basically divided into two categories – Life Insurance and Non-life Insurance. The Non-life Insurance sector is also termed as General Insurance. Life insurance companies offer coverage to the life of the individuals, whereas the non-life insurance companies offer coverage for day-to-day activities like travel, health, cars and bikes and home. 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.

The insurance industry of India consists of 57 insurance companies of which 24 are in life insurance business and 33 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. Apart from that, among the non-life insurers there are six public sector insurers.

In addition to these, there is sole national re-insurer, namely, General Insurance Corporation of India (GIC Re). Other stakeholders in Indian Insurance market include agents (individual and corporate), brokers, surveyors and third party administrators servicing health insurance claims.

Both the Life Insurance and the Non-life Insurance is governed by the IRDAI (Insurance Regulatory and Development Authority of India). Some of the tasks of IRDAI are: a) to protect the interest of and secure fair treatment to policyholders, b) to bring about speedy and orderly growth of the insurance industry (including annuity and superannuation payments), for the benefit of the common man, and to provide long term funds for accelerating growth of the economy, c) to set, promote, monitor and enforce high standards of integrity, financial soundness, fair dealing and competence of those it regulates and d) to ensure speedy settlement of genuine claims, to prevent insurance frauds and other malpractices and put in place effective grievance redressal machinery.

KEY PLAYERS

LIC, ICICI Lombard and Reliance are some of the largest insurance companies in India.

MARKET SIZE

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. In FY19 (up to October 2018), premium from new life insurance business increased 3.66 per cent year-on-year to Rs 1.09 trillion (US$ 15.46 billion). In FY19 (up to October 2018), gross direct premiums of non-life insurers reached Rs 962.05 billion (US$ 13.71 billion), showing a year-on-year growth rate of 12.40 per cent.

RECENT DEVELOPMENTS

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 September 2018, HDFC Ergo launched 'E@Secure' a cyber-insurance policy for individuals. The government of India announced the merger of National Insurance Company, United India Insurance Company and Oriental India Insurance Company in Budget 2018.

In October 2018, Indian e-commerce major Flipkart entered the insurance space in partnership with Bajaj Allianz to offer mobile insurance.

As of November 2018, HDFC Ergo was in advanced talks to acquire Apollo Munich Health Insurance at a valuation of around Rs. 2,600 crore (US$ 370.05 million).

In 2019, the government approved 100% FDI in insurance intermediaries.

GOVERNMENT INITIATIVES

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

MARKET DRIVERS

Product innovation, vibrant distribution channels, coupled with targeted publicity and promotional campaigns by the insurers are driving the Indian insurance industry.

ROAD AHEAD

Demographic factors such as growing middle class, young insurable population and growing awareness of the need for protection and retirement planning will support the growth of Indian life insurance.

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