2018

The Indian Insurance Industry Report

Dear Friends,

India Insure is happy to present the 9th ***Annual Indian Insurance Industry Report****.*

The Indian Insurance market now stands at the ***11th position on the global insurance platform*** *and is well poised to form part of the top 10 insurance markets in the coming years****. FY 18 saw the Indian Insurance industry grow at 12%*** *which is almost twice that of the GDP growth for the year.* ***The Non-Life industry grew at 17.5% and the Life insurance industry grew at 10%.***

While the crop insurance business continues to give a boost to the industry figures, the individual segment has seen a bit of a slump since last year. The segment has seen challenges of pricing, claim settlement and reduced up take of the insurance cover causing a drop in the growth rate. However, the government is not discouraged by it's results and is continuing it's focus to ensure insurance protection to a wider audience. The launch of the Ayushman Bharat – National Health Insurance Mission is expected to increase the insurance market by at least INR 10,000 Cr. ($ 1.5 Bln). This is expected to happen over a period of 12 -18 months starting in FY 19.

Listing of some of the key Industry players has been a notable event in FY 18. There is an expectation from the listed companies to show better underwriting prudence, focus on bottom line and an improved claims management system. One needs to wait and watch whether the expected impact does come true in the coming years.

The Reinsurance industry in India has also seen some changes this year, primarily with respect to a few more players registering as Foreign Reinsurance branches in India. While the growth in crop insurance has led to reduced retention levels in the market, it has also led to an increase in business being ceded outside India due to limited available capacities in the market.

As always, the information in this report is based on the public disclosures made by the industry as on March 2018. Our sources are primarily from the statistical publications of IRDAI and General & Life Insurance Council of India, annual reports of various insurance companies.

We hope you enjoy reading this report and find it of interest. Please do share your inputs on the report. Your valuable feedback will help us bring in the required and relevant changes.

We wish you a happy reading and a successful year ahead!

Team India Insure
India Insure Risk Management & Insurance Broking Services Pvt. Ltd

Note: 1 USD = INR 65.04 (as on 31st March 2018)

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EXECUTIVE SUMMARY

India's share of the world insurance market has improved to 2% from 1.68%. India climbs up 2 places to secure the **11th position in the global insurance market** in terms of premium volume. In the world ranking, India is the **10th largest life insurance market** and **15th largest non-life insurance market**. In FY 18, the insurance industry **grew at 12%** almost double the growth of the Indian economy which stood at 6.7%. FY 18 marked entry of **4 new players in the non-life insurance segment** taking the insurer tally to 33 and the entry of **2 new players in the reinsurance segment** taking their tally to 11.

FY 18 saw the insurance industry in India **grow at the rate of 12%** with a combined premium volume of **INR 609,562 Cr ($ 94 Bln)**. **The non -life industry grew at 17.5% in the FY 18** vis-à-vis 32% in FY 17. **The life insurance industry has recorded an overall growth of 10%** when compared to 14% in FY 17. **India's insurance penetration in FY 17 was 3.7%**, against the world average of 6.13% (Asian Average: 5.62%). In the same period, **the insurance density has improved to INR 4,748 ($ 73)**, although still being far behind the world average of INR 42,276 ($ 650).

FY 19 will see the industry touch INR 682,000 Cr ($ 105 Bln) with the life insurance industry contributing close to INR 509,000 Cr ($ 78 Bln) and the non-life industry is expected to cross INR 170,000 Cr ($ 26 Bln).

Life Insurance Industry

- The growth in the life insurance industry has slowed down to **10% in FY 18** with the total life insurance premium being **INR 458,854 Cr ($ 71 Bln)**. The premium from the new business income was **INR 194,193 Cr ($ 30 Bln)** and this segment grew at 11**%** while the renewal business grew at **5%**.
- The top 5 insurers based on new business premium are LIC of India, HDFC Standard Life, SBI Life, ICICI Prudential and Max Life.
- In the new business premium segment, LIC of India has registered a growth of 6% while the private insurers registered a growth of 18**%**.
- The life insurance density has increased to **INR 3,577 ($ 55) in FY 17** from INR 3,047 ($ 47) in FY 16 (Asian average: INR 15,349 [$ 236]).
- The life insurance penetration has increased to **2.8% in FY 17 (Asian avg.: 3.69%)**.
- SBI Life & HDFC life listed on the Indian stock exchanges in FY 18. ICICI Prudential Life being the first to get listed in FY 17.

Non-life Insurance Industry

- The non-life insurance industry has witnessed a growth of **17.5% in FY 18** with a premium of **INR 150,708 Cr ($ 23 Bln)**. Of the 17.5% growth, nearly **7% came from Motor insurance, 5% from Health and 3% from Misc. (includes crop).**
- The top 5 insurers (based on GWP) are: New India Assurance, United India Insurance, National Insurance, ICICI Lombard & Oriental Insurance.
- The non-life insurance density has increased marginally from INR 845 ($ 13) in FY 16 to **INR 1,171 ($ 18) in FY 17** (Asian Avg.: 123). The insurance penetration has increased marginally from 0.8% to **0.9%** (Asian Avg.: 1.93%).
- Motor insurance with a consistent **39% market share in FY 18** continues to dominate the non-life insurance industry. **Health segment ranks second with 25%** (FY 17: 24%) share followed by the **Misc. segment (includes Crop insurance) with a consistent 20% share**.
- The total capital infused by the non-life industry in **FY 18 is INR 1,820 Cr** ($ 280 Mln). It has **increased by 81%** vis-à-vis FY 17.
- The industry **claims ratio** has **decreased from 91% to 85%.** 19 insurers reported drop-in claim ratios in FY 18 vis-à-vis 12

insurers in FY 17. 9 insurers reported an increase vis-a-vis 14 insurers in FY 17. Cholamandalam has been successful in maintaining a status quo. 4 insurers have opened their books in FY 18.

- The **standalone health insurers** continue to have the **lowest claims ratio** in the industry **of 60%**. The health insurance claims ratio of PSU insurers is the highest at 96%, while that of the private insurers is 62%.
- Amongst **other private insurers** (excluding 4 new insurers), **Universal Sompo** has the **least claims ratio of 56%.** They are also the only company which has also shown the highest growth rate this year (80%).
- Amongst the **PSU's, New India has the lowest claims ratio at 86%** while **ECGC records the highest claims ratio at 136%.**
- The solvency ratio of 5 out of 6 PSU insurers has improved with National Insurance being the only PSU insurer to show a decrease in solvency ratio (1.55%).
- With respect to the private insurers (excl. 4 new insurers), the solvency ratio has gone up for 12 insurers.
- The industry has posted **a profit of INR 6,927 Cr ($ 1 Bln)** which is a sharp increase of 925% vis-à-vis FY 17**. 54% of the profit contribution is from New India (32%) and Oriental (22%).**
- Bajaj Allianz is the only insurance company which has booked underwriting profits in FY 17.
- There has been a mammoth **growth of 64%** in the percentage of **business acquired by the Miscellaneous** (Others) segment which was **led by AIC.**

Reinsurance Industry

- There are **11 reinsurers** functioning in the Indian markets in FY 18 (Indian: 2, Foreign RI Branches: 9). In June 2018, Prem Watsa-promoted Digit Insurance has bought 100% stake in private reinsurance company ITI Re from Fortune Financial Services of Sudhir Valia.
- The new foreign reinsurers are: General Reinsurance AG & Axa France. However, 0n March 5th, 2018, Axa announced its acquisition of the XL group which already has a branch active in India since FY 17.
- The overall **market retention** has gone down from 80.88% to **70.86%** in FY 17. The **PSU retentions** dipped from 86% to **74%** whereas **Private Sector** reduced from 87% to **67%**. The reduced retentions are a direct impact of the increased crop business written by all companies.
- The domestic reinsurers had absorbed 14.06% of GDP in FY 16, but this figure had risen sharply to 20.62% by FY 17. **Reinsurance business placed outside India** has increased from 7.23% in FY 16 to **10.23% in FY 17**.
- FY 18 saw the listing of GIC Re on the Stock Exchanges on 25th October 2017.
- GIC Re has been ranked as 47th among the top 500 companies by market capitalization & 10th by GWP.
- GIC Re also saw an **increase in their net profits by 3% during FY 18**.

OUTLOOK 2019

The insurance industry in FY 19 is expected to see an annual growth of 12%. The **general insurance industry is expected to grow at 15%** & the **life insurance industry is expected to grow at 11%.**

The Indian economy grew at an impressive **8.2% in the Q1 – FY 19**. The GDP growth has been mainly driven by 10.3% growth in the industrial sector, 5.3% in the agriculture sector and 7.3% in the services sector. However, the insurance industry has surpassed the economic growth with the **non-life insurance industry registering a growth of 12% & the life insurance industry (New Business Premium) registering an 11% growth.**

With the growth in the industrial sector, the property & engineering insurance segment is expected to see some positive movement. The new health insurance scheme launched by the Prime Minister -Ayushman Bharat – National Health Mission scheme, is expected to grow the health insurance market significantly. However, what impact this will have on the overall profitability of the insurer portfolio is uncertain.

IRDAI has made it mandatory (effective 1st September 2018) for the new vehicle owners to buy a long-term (3 & 5 years) third-party insurance cover. This will bring about a stability in terms of price as well as compliance and would also help in improving penetration in this segment.

The growth in India's crop insurance market premium has been phenomenal and is expected to grow @ 10% in FY 19.

Another product which is in its nascent stage is 'Title Insurance' which protects the property owner from the adverse consequences of title risks. With the increase in litigation matters in the property segment, this product will prove beneficial. However, the insurance industry is currently grappling with garnering underwriting expertise in this area and only a handful of insurers have currently filed this product in the market.

With the increased usage of digital technology by individuals and institutions alike, the cyber risk exposure is increasing exponentially. The market is buzzing with news of data theft, financial misappropriation almost every day.

The Cyber insurance segment has been growing consistently over the last few years. So far only two private insurers have launched retail cyber policies, however, this may soon change given the increasing cyber threat to individuals. From a regulatory perspective the Data Protection Bill, 2018 may find it's way to the monsoon session of the parliament. The proposed bill is based on the Sri Krishna Committee report which recommends, among other things, setting up of an independent regulatory body to enforce the data protection law and heavy penalties for violation of this law.

The August 2018 floods in Kerala has been disruptive. The preliminary report of the Kerala government on the total loss incurred in the recent floods is INR 19,512 Cr. ($ 3 Bln). However, the insured losses are not expected to be too high. Mr. AV Girija Kumar, CMD of Oriental Insurance said, "On account of the floods and damages in Kerala, till 29th August 2018, the 4 PSU insurers have received 13,730 claims with an estimate of INR 1,242 Cr. ($ 0.2 Bln). Based on these figures, we estimate that in all there would be 25,000 claims worth INR 4,500 Cr. ($ 0.7 Bln). "

Despite the recurring catastrophic events and losses, majority of the population do not feel the need to buy an insurance protection. Conscious efforts need to be taken by the industry to create awareness & increase the penetration levels in the property insurance segment especially in the retail market.

Similar to the Pradhan Mantri Fasal Bima Yojana it may be, time for a 'Rashtriya Durghatna Bima Yojana', which can assist the government in compensating the uninsured masses who suffer during these calamities. The non-life insurance firms had presented a concept paper on catastrophe insurance to the National Disaster Management Authority (NDMA), highlighting the need for a pool mechanism to deal with losses from catastrophic events. It is only a matter of time when the government initiates this scheme.

FISCAL AT A GLANCE

TABLE 3.1

Gross Premium underwritten by Non-Life Insurers- Q1 FY 19:

Insurer	Prem (INR Cr.)	Growth (%)	Market Share (%)
New India	6,283	10.8%	16.8%
ICICI-Lombard	3,774	13.6%	10.1%
United India	3,611	-15.4%	9.7%
National	3,549	-7.4%	9.5%
Oriental	3,232	17.1%	8.7%
Bajaj Allianz	2,418	23.1%	6.5%
HDFC ERGO	1,692	-3.3%	4.5%
IFFCO-Tokio	1,618	33.1%	4.3%
Tata-AIG	1,585	22.7%	4.2%
Reliance General	1,561	23.0%	4.2%
SBI General	1,009	51.5%	2.7%
Cholamandalam	951	8.8%	2.5%
Star Health	910	35.0%	2.4%
Royal Sundaram	750	13.8%	2.0%
AIC	614	1435.7%	1.6%
Shriram General	517	7.9%	1.4%
Future Generali	515	2.4%	1.4%
Bharti AXA	385	21.8%	1.0%
Apollo MUNICH	349	31.6%	0.9%
Religare	333	44.3%	0.9%
Universal Sompo	321	12.8%	0.9%
ECGC	266	-8.1%	0.7%
Liberty	261	21.8%	0.7%
Max BUPA	186	17.0%	0.5%
Magma HDI	172	54.8%	0.5%
Cigna TTK	125	105.0%	0.3%
Go Digit	102		0.3%
DHFL	98		0.3%
Aditya Birla	76	22.4%	0.2%
Kotak Mahindra	50	37.9%	0.1%
Raheja QBE	22	27.8%	0.1%
Edelweiss	7		0.02%
Acko	7		0.02%
Private Total	**19,793**	**20.5%**	**53.0%**
Public Total	**17,556**	**4.1%**	**47.0%**
Grand Total	**37,349**	**12.2%**	**100%**

TABLE 3.2

First Year Premium underwritten by Life Insurers – Q1 FY 19:

Insurer	Prem (INR Cr)	Growth (%)	Market Share (%)
LIC	24,728	6%	67%
HDFC Standard	2,678	65%	7%
SBI	2,075	15%	6%
ICICI Pru	1,725	-13%	5%
Max	765	15%	2%
Bajaj Allianz	720	6%	2%
Kotak Mahindra	659	37%	2%
Birla Sun Life	641	53%	2%
India First	387	69%	1%
DHFL Pramerica	375	28%	1%
Tata AIA	289	40%	1%
Canara HSBC OBC	280	32%	1%
PNB Met	268	16%	1%
Reliance Nippon	207	13%	1%
Bharti Axa	174	58%	0.5%
Shriram	158	-11%	0.4%
Exide Life	157	7%	0.4%
IDBI Federal	122	-25%	0.3%
Future Generali	96	24%	0.3%
Star Union-Daichi	81	-18%	0.2%
Edelweiss Tokio	70	79%	0.2%
Aviva	52	32%	0.1%
Aegon	21	-2%	0.1%
Sahara	0	-99%	0.0%
Private Total	**12,002**	**22%**	**32.7%**
Public Total	**24,728**	**6%**	**67.3%**
Grand Total	**36,730**	**11%**	**100%**

CHART 3.1
Line-wise Premium - Q1 - FY 19
(INR Crore)

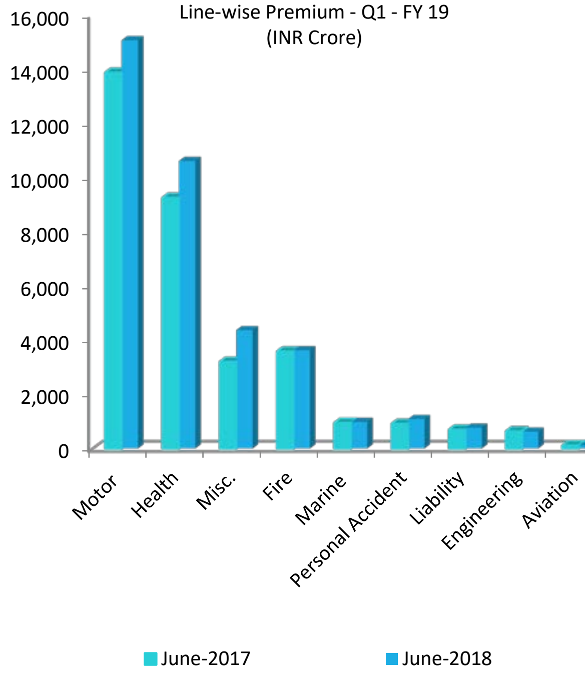
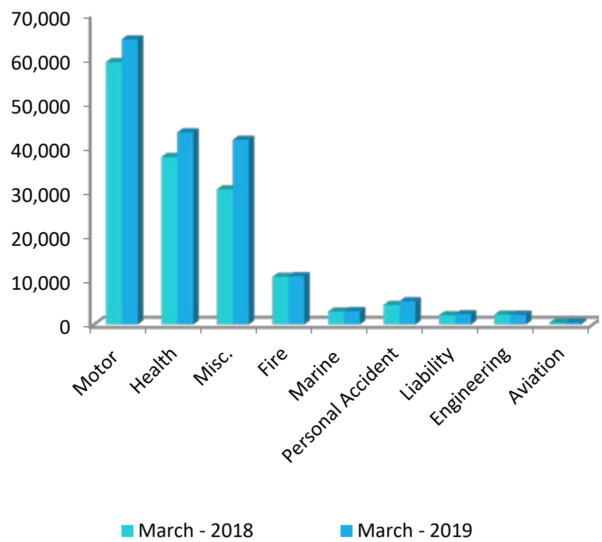


CHART 3.2
Line-wise Premium - Projections FY 19
(INR Crore)



The non-life industry has registered a growth rate of 12% in Q1-FY 19 led by Miscellaneous segment (36%), Personal Accident (19%) and Health segment (15%).

ICICI Lombard has outperformed United India to secure the second position in terms of premium in Q1-FY 19.

The private players, with a 53% market share, have outpaced the PSU's in Q1 FY 19 with a growth rate of 21% (Q1 FY 18: 29%) as against the PSU growth rate of 4% (Q1 FY 18: 16%). The standalone Health Insurers have recorded a growth of 36% in Q1-FY 19 (Q1-FY18: 44%). The specialized PSU insurers have recorded a remarkable growth of 167% (Q1-FY18: -27%) with AIC leading the way with a growth of 1435.7%.

Amongst the PSU insurers: Oriental led with a 17.1% growth while among the private players: Magma HDI registered a remarkable growth of 54.8% & amongst the standalone health insurers, Cigna TTK leads the pack with a growth of 105%.

The non-life insurance industry is expected to record a premium of around INR 174,000 Cr ($ 27 Bln) and register a growth of 15% by the end of FY 19. The Motor (INR 64,500 Cr [$ 10 Bln]), Health (INR 43,500 Cr [$ 7 Bln]) and Miscellaneous segment (INR 41,800 Cr [$ 6 Bln]) would continue to drive the market in FY 19.

With IRDAI mandating the insurance companies to issue long-term third-party motor covers (3 and 5 years) w.e.f. 1st September 2018, this segment is expected to get a boost. The growth in the Miscellaneous segment would primarily be led by the crop insurance premiums and the "Ayushman Bharat – National Health Mission" which is expected to change the face of the health insurance segment in the country.

INDIAN ECONOMIC ENVIRONMENT

INDIAN ECONOMIC ENVIRONMENT– AN OVERVIEW

In FY 18, the economy grew at 6.7%, the slowest in this last 4 years. Despite the slow growth, India has been declared the 6th largest economy in the world in Calendar Year 2017 by Indian Monetary Fund (IMF).

•GDP	7.1%
•Industrial Production	4.6%
•Core Sector Growth	5.2%
•Avg.Wholesale Price Index	2.9%
•Trade - Imports	- 0.2%
•Trade - Exports	4.71%
•Rate of Exchange	$ 1 = INR 64.83
•Forex Reserves	$ 370Bln
•FDI	$ 35.8Bln
•FII*	$ 43.7Bln

FY 17

•GDP	6.7%
•Industrial Production	4.3%
•Core Sector Growth	4.1%
•Avg. Wholesale Price Index*	5.7%
•Trade - Imports	19.6%
•Trade - Exports	9.8%
•Rate of Exchange	$ 1 = INR 65.04
•Forex Reserves	$ 424.4 Bln
•FDI	$61.96Bln
•FII*	$ 22Bln

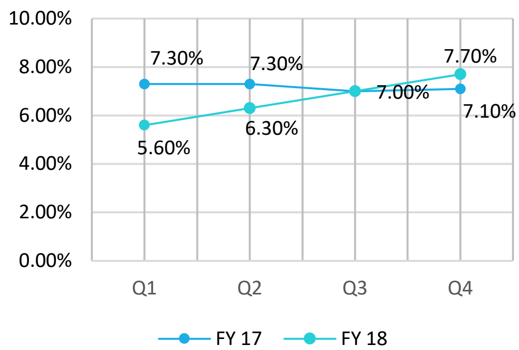
FY 18

Another feather in the cap was, the improvement in sovereign rating of the Indian Government by two notches. Moody's investor services upgraded the ratings from Baa3 stable to Baa2 positive. With the improved ratings, more foreign direct investment (FDI) is expected to flow in, as some investors who don't invest in countries having a rating of below Baa3 will now invest in India. Moody's upgraded rating indicates that India's growth prospects are strong in the medium-term. India has made progress on structural reforms in the recent past, including through the implementation of the GST, which will help reduce internal barriers to trade, increase efficiency, and improve tax compliance.

The IMF however maintained that India will be the fastest growing major economy in calendar year 2018, with 7.4% growth with medium-term prospects remaining positive.

CHART 4.1

India's GDP Growth - Quarterly



It is pertinent to note that despite an overall slow growth in FY 18, the economic growth in the Q4 shined at an unexpected rate of 7.7%. The slow growth in the first two quarters was primarily due to the demonetisation impact as well as the drought which impacted the agriculture sector. Implementation of the GST and the lack of clarity in the initial days also impacted the growth rate along with factors such as reduced demand at the global and domestic levels, increasing NPAs in banks and rigid labour laws. However, from the third quarter onwards, the economy revived & it sprang upto 7.7% in the last quarter.

Industry expects investments to take place in FY19 as the demand cycle improves based on a good monsoon, revival in consumption, increased government spending and favorable global growth.

Hugo Erken of Rabobank International said that the domestic dynamics of India are "very strong" and "external volatility" won't derail the current economic recovery.

Agriculture Sector

- GDP Share: 15%
- Growth: 3%
- **Growth Drivers**:
- Implementaion of Pradhan Mantri Fasal Bima Yojana
- Pradhan Mantri Krishi Sinchayee Yojana (PMKSY)-implemented to complete 99 major and medium irrigation projects
- Introduction of AGRI-UDAAN program to mentor start-ups
- implementation of the Crops Diversification Programme
- 100% FDI in marketing of food product e-commerce & for development of seeds
- Launching of e-RaKam, a new platform for selling agri produce

Industrial Sector

- GDP Share: 31%
- Growth: 4.8%
- **Growth Drivers**:
- Implementation of GST
- Passing of Insolvency and Bankruptcy code
- Announcement of bank recapitalization
- Bharatmala Pariyojana scheme-a holistic highway development scheme
- Sagarmala project-promote port-led development along Indian coast line
- UDAN-liberalization of air services, airport development and regional connectivity, etc.
- UDAY Scheme - focused on enhancing the financial health of DISCOMs
- Saubhagya Yojana - ensuring elctrification across all households

Services Sector

- GDP Share: 54%
- Growth: 8.3%
- **Growth Drivers:**
- FDI equity inflows to the service sector grew by 15%
- Information Technology –Business Process Management (ITBPM) industry grew by 8%
- Establishment of BPO Promotion and Common Services Centres
- Drive towards digitization and efforts to kindle innovation through Start-up India
- Launch of Global Media Campaign, Heritage Trail, etc.
- In the revised Foreign Trade Policy SEIS (Service Export from India Scheme) incentives have been increased by 2%
- Pradhan Mantri Awas Yojana

INVESTMENT CLIMATE IN INDIA

India has taken a huge leap of 30 places in the recently-published Ease of Doing Business index brought out by the World Bank thus making the country a hot investment spot. In survey of CEOs conducted by PwC, India has emerged as the 5th most attractive market for investments.

The continued and focused reforms introduced by the Government of India along with robust capital markets and a favorable credit environment will continue to stimulate investment opportunities in the country.

The new Insolvency and Bankruptcy Code provides a much-needed legal framework to recover stressed assets for banks and financial institutions. The other noteworthy initiatives such as the liberalization of FDI, the dissolution of the Foreign Investment Promotion Board (FIPB) and the new Fast Track Exit & Fast Track Merger scheme have all helped make the country more attractive to investors

INVESTMENTS SCENARIO

- *FDI inflows - $ 61.96 Bln in FY 18, 3% growth YoY*
- *Foreign Investment Inflows – INR 144,681 Cr ($22Bln) in FY 18 vis-à-vis INR 283,307 Cr ($ 44 Bln) in FY 17.*
- *Net portfolio investments - INR 26,000 Cr ($ 4 Bln) in FY 18 vis-à-vis INR 51,216 Cr ($ 8 Bln) in FY 17.*
- *M&A activity- INR 120,527 Cr ($ 18.53 Bln) in Q1- FY 18*

In the last four years, the government has liberalized FDI norms in sectors such as defense, medical devices, construction, retail, aviation, etc. The sectors that have received maximum foreign inflows include services, computers, telecom, automobile, power & trading.

Going forward, to sustain this growth rate percent or higher, the economy would require support from all the domestic sectors as well as the global economy. Along with this, a continued effort from the government to maintain the reform momentum and widen its scope is also a must. The government also needs to look into the banking sector issues and come out with a long term and amicable solution.

ROAD AHEAD

As the global economic activity continues to strengthen, global growth is forecast to grow by 3.9% during 2018 as per the IMF World Economic Outlook. The IMF expects India to grow at 7.4% during 2018 which could increase further to 7.8% during 2019.

TABLE 4.1

Economic Forecasts for South Asian Countries*

Economic Forecast for South Asian Countries	
Country	**2019**
Afghanistan	**2.5**
Bangladesh	**7.2**
Bhutan	**7.4**
India	**7.6**
Maldives	**6.8**
Nepal	**5.5**
Pakistan	**5.1**
Sri Lanka	**4.8**
South Asia	**7.2**

*Source: Asian Development Outlook 2018

A healthy monsoon and various government initiatives to improve farm productivity will help agriculture grow at a robust rate.

The government has made large budgetary provisions for the infrastructure and industrial segment which will further give a boost to the industrial sector.

Improved growth prospects for the advanced economies in 2018 should strengthen exports of goods and services. The prospects look bright with good performance of sub sectors like Tourism, Aviation, and Telecom.

India will continue to remain an attractive destination for FDI due to the healthy growth prospects, improved ease of doing business and liberalizing investment regime.

INDIAN INSURANCE LANDSCAPE

INSURANCE FACTSHEET

MARKET SIZE

Life: INR 4,58,854 Cr ($ 71 Bln)

General: INR 1,50,708 Cr ($ 23 Bln)

Combined: INR 6,09,562 Cr ($ 94 Bln)

PENETRATION & DENSITY

Penetration

Life: 2.8% General: 0.9 %

Density

Life: INR 3,577 ($ 55)

General: INR 1,171 ($ 18)

INSURANCE REGULATOR

Insurance Regulatory & Development Authority of India

(IRDAI)

INSURERS

Life: Govt-1; Pvt.-23

General: Govt-6; Pvt.-21, Pvt. SHI: 6

REINSURERS

Indian: Govt.: 1; Pvt.: 1

Foreign Branches: 9

INTERMEDIARIES

Insurance Brokers:	428
Third Party Administrators:	27
Web Aggregators:	26
Insurance Marketing Firms:	199

SURVEYORS

Total Loss Adjusters:	12,298
Individual:	11,703
Corporate:	595

INSURANCE MACRO ENVIRONMENT

In FY 18, the insurance industry grew at 12% almost double the growth of the Indian economy which stood at 6.7%. However, similar to the economic growth slow down the Insurance industry growth also has reduced by almost 6%.

India climbs up 2 places to secure the 11th position in the global insurance market in terms of premium volume. The initiatives of Government of India like PMFBY, PMJJBY, PMFBY and the recently announced AB-NHPM Scheme are all acting as a catalyst for the insurance sector. The wave of IPO's and rapid digitization has ushered in a lot of excitement in the industry. With the rapid adoption of digitization, the industry and the customer have become more connected and aware. The internet and IoT have encompassed the entire insurance industry right from product innovation, distribution channels, claims management, wellness initiatives, etc.

In the life insurance business, India is the 10th largest market in the world and in case of the non-life insurance business it holds the 15th rank. Consequently, India's share of the world insurance market has improved to 2% in FY 17 vis-à-vis 1.68% in the previous year.[1] In FY 18, the insurance industry in India has recorded a growth rate of 12% with a premium of INR 609,562 Cr ($ 94 Bln).

The vice-President of the country Mr. M Venkaiah Naidu while speaking at the 4th South Asian Insurance Regulatory Meet & International Insurance Conference said, "The insurance industry is expected to grow to INR 1,821,235 Cr ($ 280 Bln.) by 2020 as the country is poised for higher economic growth. The insurance market increased from INR 149,601 Cr ($ 23 Bln) in 2005 to INR 551,054 Cr ($ 85 Bln) in financial year 2017."

The rising middle class, rise in disposable incomes, increase in FDI, technological advancements and greater awareness for insurance coverage have proved favorable for the insurance industry.

CHART 5.1
Economic Growth Vs. Insurance Industry Growth

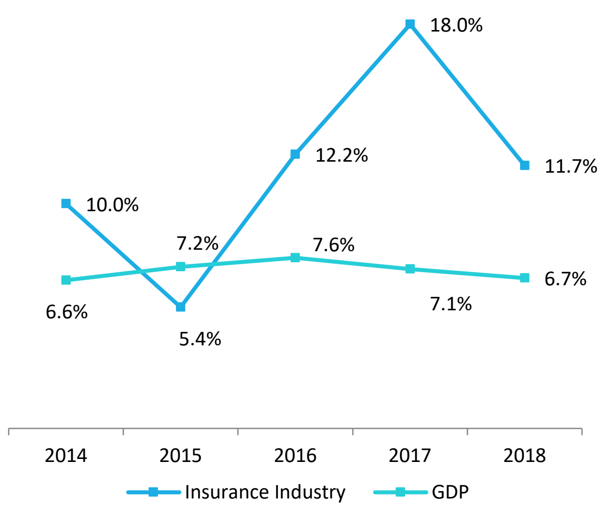
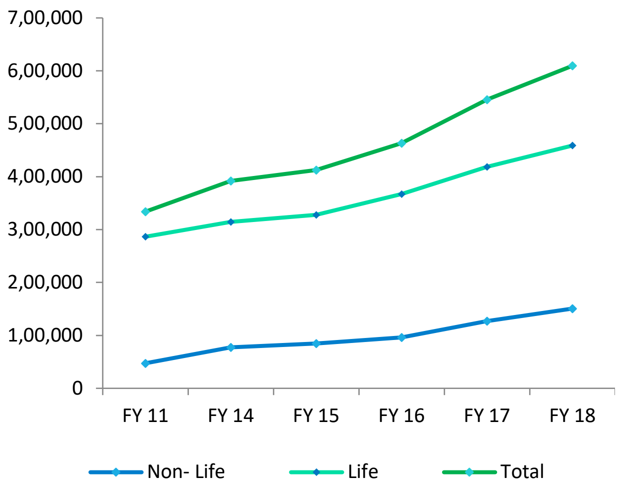


CHART 5.2
Insurance Industry Premium Growth Chart
(INR Crore)



[1] Swiss Re – Sigma 3 2018

INSURANCE PENETRATION & DENSITY

According to the Swiss Re Sigma report, insurance penetration in India stood at **3.69%** in FY 17. The life insurance penetration rose slightly from 2.72% in FY16 to **2.76%** in FY 17. The Non-life insurance penetration also rose slightly from 0.80% in FY 16 to **0.93%** in FY 17. This is, however, much lower than the global average of 6.13% and Asian average of 5.62%. While the mission for financial inclusion has led to a slight increase in insurance penetration in the country, there is lot more to be done.

According to the report, the insurance density stood at **$ 73 for FY 17** vis-a-vis $ 59.7 in FY 16, against the world average density of $ 650. The life insurance density has increased from $47 in FY 16 to **$ 55 in FY 17**. The Non-life insurance density has increased from $13 in FY 16 to **$ 18 in FY 17**. This is however much lower than the Asian average of $360.

Despite the phenomenal growth of the insurance sector and the economy, India has the lowest penetration levels. To provide a boost to the penetration levels, the insurance industry must create more awareness among people living in Tier II and Tier III cities.

"Various government schemes like RSBY, crop insurance scheme, and PMSBY helped the sector cross the 1% penetration mark. Still I do believe there is scope to double this to 2% over the next 5 years but that will be possible only if the government support continues," said Mr. M. Nagaraja Sarma, Chairman at United India.

Insurance intermediaries, like agents, insurance marketing firms, Point of Sale Persons have been helping the insurance industry to extend its footprint across the country. But, the distribution channels need to have trained and dynamic manpower. Even today, the industry continues to face with the challenge of skilled and experienced work force. Specialized areas like risk-based underwriting, big data management, digital technologies, etc. require trained and skilled manpower. Thus, it is important for the industry to arm its workforce with better skills relevant to the emerging business environment.

The Secretary General of the General insurance Council Mr. R. Chandrasekaran said that, "Based on the revised GDP figures, the industry has become a significant contributor to both, financial services & Overall GDP growth. We are confident that if the untapped potential is tapped, the industry's contribution to the economy will further increase."

CHART 5.3
Insurance Penetration in India
(Premium as % of GDP)

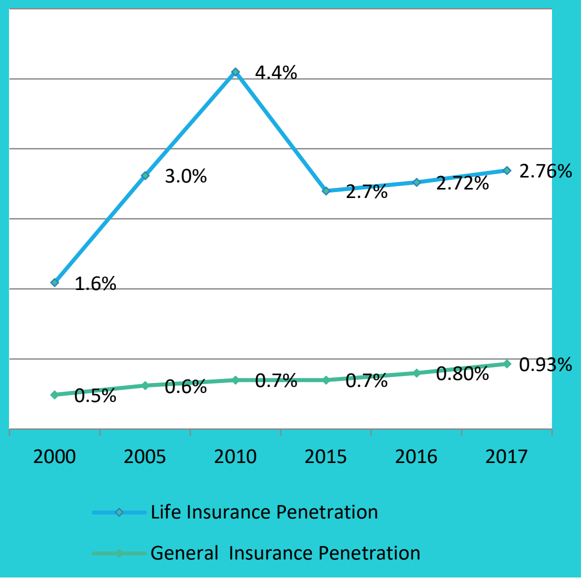
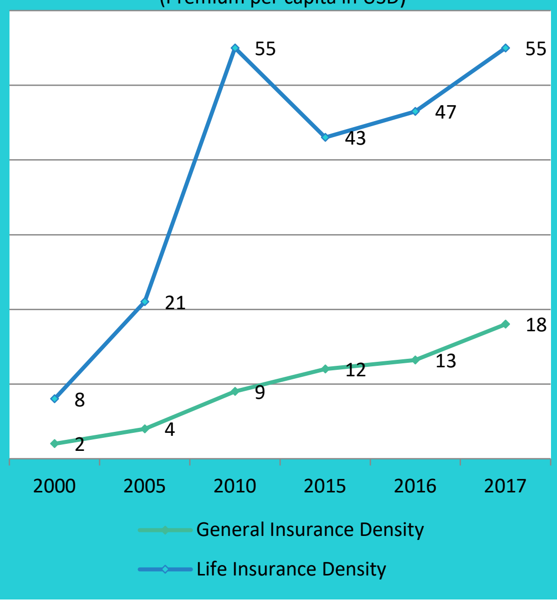
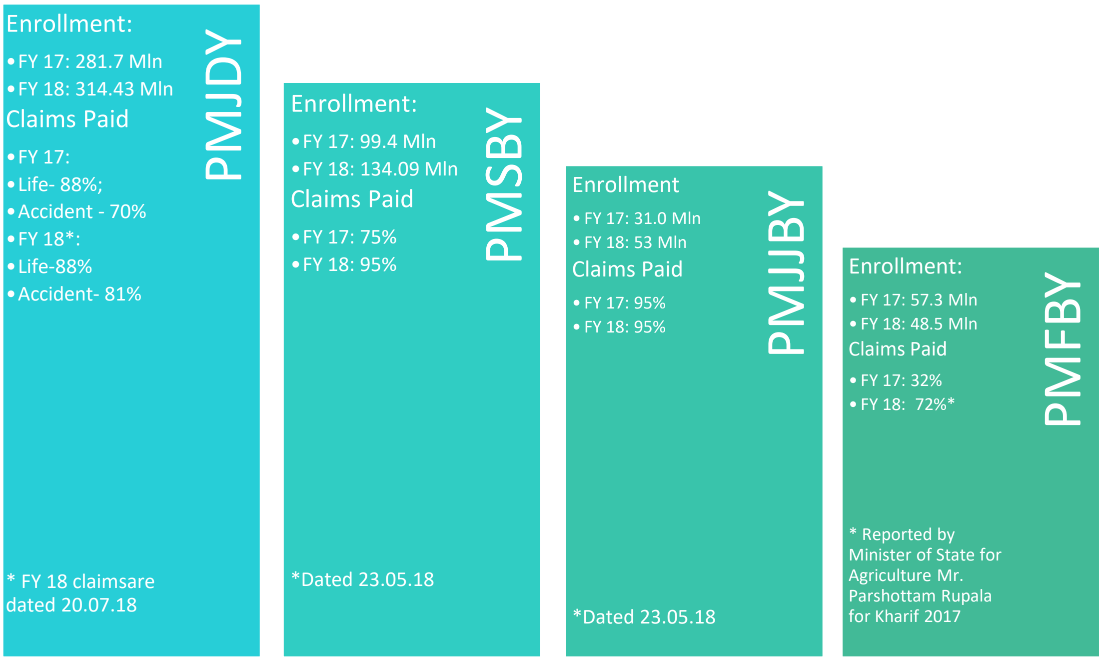


CHART 5.4
Insurance Density in India
(Premium per capita in USD)



GOVERNMENT INITIATIVES – PROGRESS REPORT[2]



PMJDY – Pradhan Mantri Jan Dhan Yojana
PMSBY – Pradhan Mantri Suraksha Bima Yojana
PMJJBY–Pradhan Mantri Jeevan Jyoti Bima Yojana
PMFBY – Pradhan Mantri Fasal Bima Yojana

INSURANCE PENETRATION & DENSITY – INDIA VIS-À-VIS REST OF THE WORLD

CHART 5.5
Insurance Penetration
(Premium as % of GDP)

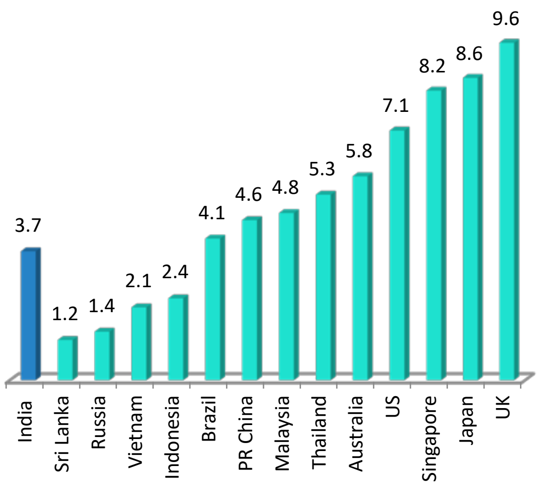
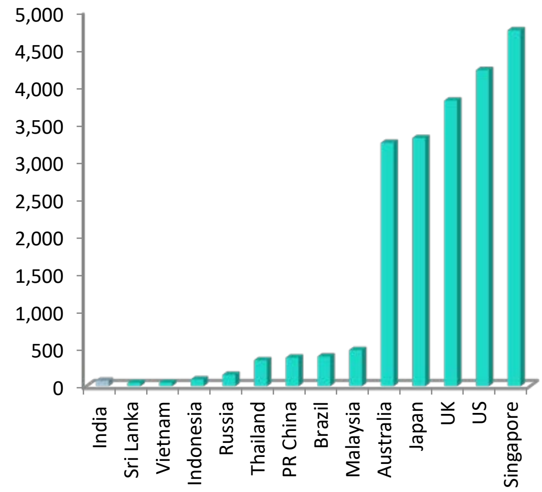


CHART 5.6
Insurance Density
(Premium per capital in USD)



[2] https://www.cmie.com/kommon/bin/sr.php?kall=warticle&dt=2018-06-06%2010:58:15&msec=690

SWOT ANALYSIS OF THE INDIAN INSURANCE INDUSTRY

INDIAN NON-LIFE INSURANCE INDUSTRY

NON-LIFE INDUSTRY GROWTH

INDUSTRY PERFORMANCE

2017-18 was a landmark year for the Indian insurance sector with a series of initial public offerings (IPO) from leading insurance companies. IRDAI's move to relax capital raising norms (allowing insurance companies over 10 years to go public), pushed many companies to tap the Indian capital markets.

The general insurance sector has witnessed significant developments primarily led by a digital drive, government initiatives, changed regulations for customer-centric and transparent processes and an overall pick-up in the economic growth.

The non-life insurance industry with a growth of 18% stood at INR 150,708 Cr ($ 23 Bln) in FY 18 vis-à-vis 33% growth and premium of INR 128,214 Cr ($ 20 Bln) in FY 17.

FY 17 -
GWP - INR 128,214 Cr
($ 20 Bln)
33% growth from:

- Crop: 16%
- Motor: 8%
- Health: 6%

FY 18 -
GWP - INR 150,708 Cr
($ 23 Bln)
17.5% growth from:

- Motor: 7%
- Health: 5%
- Misc. (including crop): 3%

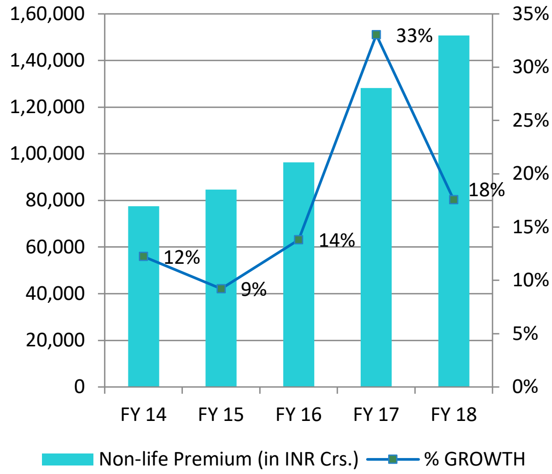
Health and motor insurance portfolio together constitute 65% of the total insurance premium.

The health insurance segment has grown from 6% to 22% following a steep hike in the premium rates. IRDAI allows the insurers to revise the rates only once every 3 years; many of the insurers had not increased the rates since FY 12 and hence FY 18 saw a steep hike in the same. Industry players feel that implementation of AB-NHPM in this financial year should further boost growth of the industry.

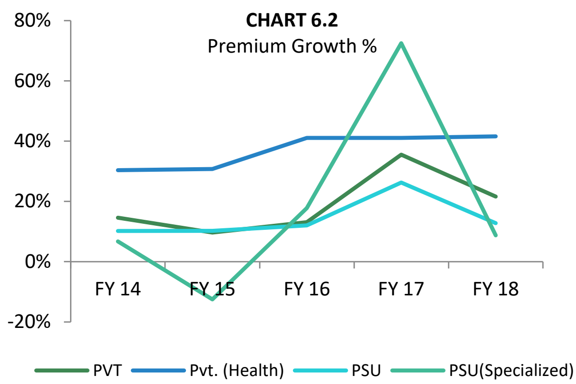
The mandatory nature of third-party motor liability insurance makes the motor insurance segment the largest (39% market share) in the Indian insurance segment. In addition to this, earlier this year IRDAI has allowed for multi-year policies in this segment. These include a three-year policy for two wheelers including the third-party insurance. IRDAI has now made it mandatory for the insurance companies to issue long term third-party motor insurance products for new cars (3 years) and 2 wheelers (5 years), which would be effective from 1st September 2018. The companies have been provided with an option of bundling this with the Motor own damage cover.

The gross crop insurance premium collected by the insurance companies for FY 18 was estimated at INR 24,352 Cr ($ 4 Bln) nearly 18% increase over FY 17. Though there has been a growth in the premiums, the coverage has reduced to 24% of the gross cropped area (GCA) in FY 18 from 30% in FY 16. Similarly, the number of farmers insured during both the kharif and rabi seasons has gone down by 14% this year.

CHART 6.1
Premium Growth - Last 5 years



Insurer Performance



The PSU's (including specialized insurers) have registered a growth of 12.3% in FY 18 vis-à-vis 30.5% in FY 17. The private players (including standalone health insurers [SHIs]) have registered a growth of 23.6% in FY 18 vis-a-vis 36% in FY 17. The SHIs have registered a growth of 41.6%, while the private insurers (All lines) have registered a growth of 21.6%.

New India is the industry leader with a market share of 15% and a y-o-y growth of 18.7%. ICICI Lombard tops the list amongst the private sector players and is the 4th largest in the industry with 8.2% market share and y-o-y growth of 15.21%.

For the last five years, the market share of PSU general insurers has been declining. The private players are just a tad away from their PSU counterparts. With the Government's consolidation move as well as foreign direct investment (FDI) push in the insurance sector, it is expected that the ongoing trend is likely to continue in the future. While the PSU's grabbed 51% general insurance market, the private players stood at 49%.

The PSU insurers have lost their market share in every segment to the private players except the Motor insurance segment. The market share of Motor insurance segment remains status quo at 47:53 between PSU and private players vis-à-vis FY 17. The highest drop in market share for the PSU insurers has come in from the engineering segment. The loss in market share of PSUs appears to be a deliberate strategy by them as they focus on margins more than top line ahead of their listings. Another reason for the dip in market share is the change in strategy PSUs have adopted. *New India CMD Mr. G Srinivasan has said that in a bid for quality over quantity, the insurer has increased premium rates.*

CHART 6.3

Non-life Market Share-PSU Vs.Pvt.

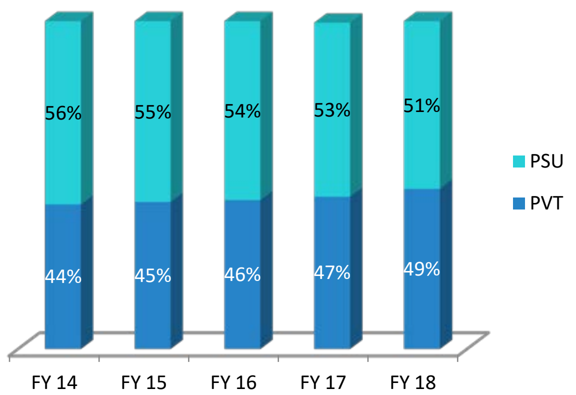
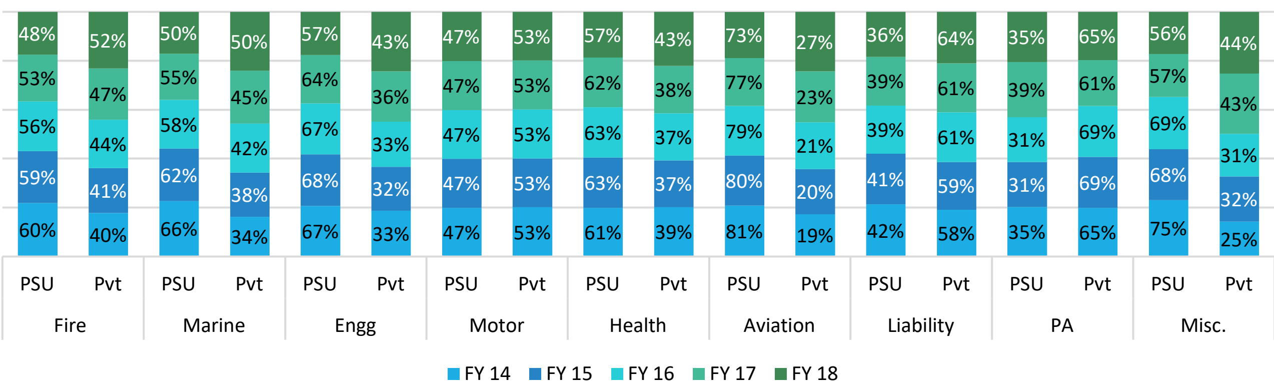
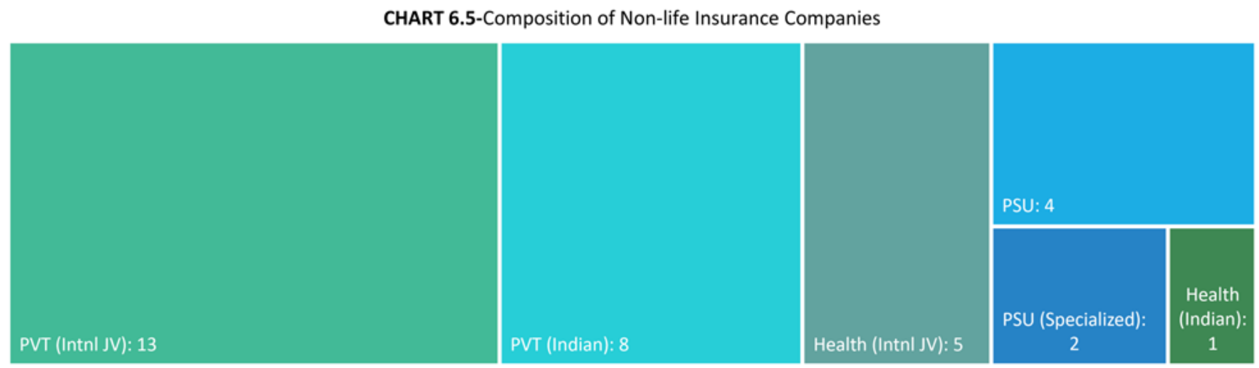


CHART 6.4

Line wise Market share - PSU Vs. Pvt.





FY 18 has witnessed the entry of new players like Acko General Insurance Company, DHFL General Insurance Company, Edelweiss General Insurance Company & Go Digit General Insurance.

INSURER RATINGS

TABLE 6.1

Company	Financial Strength/ Claims Paying Ability Rating
New India	A-(Excellent) AM BEST
	AAA (Stable) CRISIL
United India	B++ (Good) AM Best
National	B++ (Good) AM Best
	AAA (Negative) CRISIL
Oriental	B++ (Good) AM Best
	AAA/Stable CRISIL
	iAAA: ICRA
ICICI Lombard	iAAA: ICRA
Bajaj Allianz	iAAA: ICRA
IFFCO Tokio	AA(Stable) CRISIL
HDFC ERGO	iAAA: ICRA
SBI General	iAAA: ICRA
ECGC	iAAA: ICRA

HEALTH INSURANCE MARKET SHARE

In FY 18, the health insurance industry in India claimed 25% market share of the total insurance industry. It recorded a growth of 22% with a premium of INR 37,897 Cr ($ 6 Bln).

The SHI's continue their growth trajectory with a growth of 42%. The private insurers are far ahead of their PSU counterparts with a growth of 35% while the latter has recorded a growth of only 13%.

With the 6 SHI's growing aggressively, their combined premium (INR 7905 Cr [$ 1,215 Mln]) has almost touched the total health insurance premium (INR 8254 Cr [$ 1,269 Mln]) booked by the 21 private insurers.

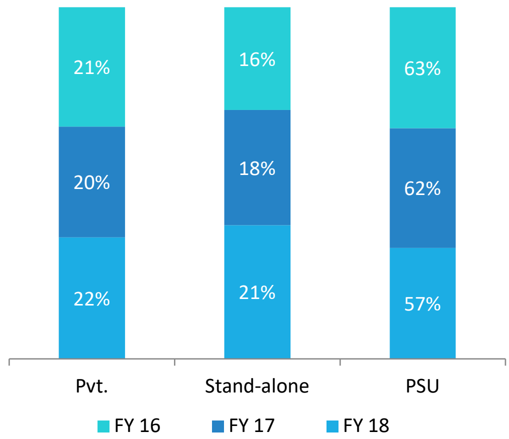
"By 2020, the health insurance industry is expected to grow by 2x and exceed INR 50,000 Cr ($ 8 Bln)," observed Mr. Ashish Mehrotra, MD and CEO, Max Bupa Health Insurance.

The government approved 'AB-NHPM' scheme will prove beneficial for the insurance companies as it will lead to massive growth in the premiums. The scheme will cover over 100 million poor families and would provide a health insurance coverage of up to INR 500,000 ($ 7687) per family per year for secondary and tertiary care hospitalization.

Schemes of such large scale might have teething problems in implementation but if successful it would prove a game changer for the industry.

CHART 6.6

Health Insurance Market Share



In terms of market share of health insurance premium, the PSU insurers continue to hold larger market share at 57% in FY 18. However, their market share has come down by 5%. On the other hand, with 21% market share the SHI's are going strong. The private insurers are also steadily increasing their market share & hold 22% in FY 18.

Emerging Trends in the health insurance segment:

- Innovative products
- Enhanced coverages e.g. Disease specific products, OPD covers, etc.
- Use of social media for Customer engagement programs & Awareness drives
- Wellness initiatives by industry stakeholders
- Rising use of the Internet of (Medical) Things (IoMT), mobile & wearable devices
- Insurance companies incentivising healthy lifestyle
- Redefining the concept of family to include extended family
- Smaller Groups can avail Group Health Insurance[3]
- More Transparency in the billing system for cashless claims
- Enhanced Data Management enabled by Application Programming Interface (API)
- Use of Artificial intelligence for greater operational efficiency

[3] The Size varies from 10-50 from one insurer to another, which has now been reduced to 7. The only condition for the group is that it should have a homogeneous risk profile.

During FY 17, a total of 1.31 Cr (13 Mln) health insurance policies (excl. PA & Travel Insurance) have been issued covering 43.75 Cr (437 Mln) people, making it 34% of the total population of India. There has been a y-o-y growth of 21.9% in the number of persons covered. Overall, 80% of the people covered under insurance are part of the Government sponsored schemes.

CHART 6.7

Classification of Health Insurance Business

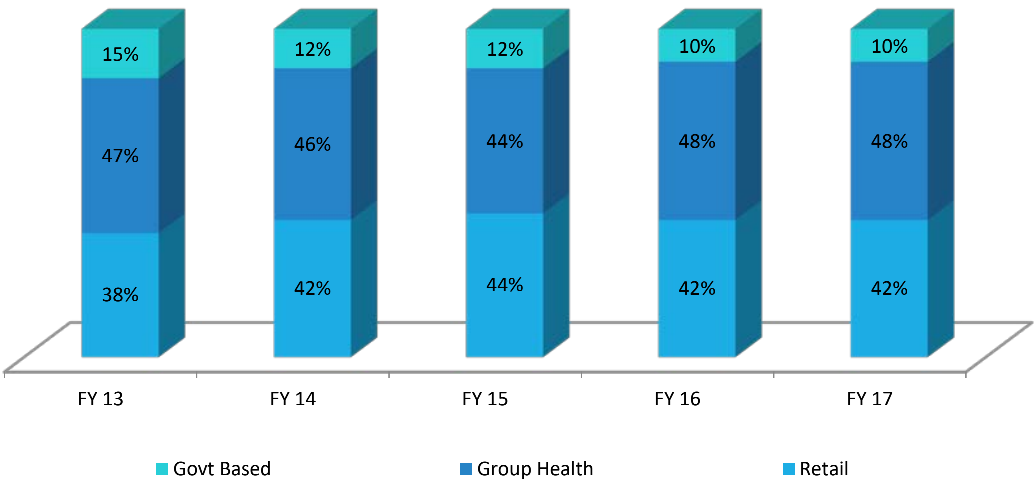


CHART 6.8

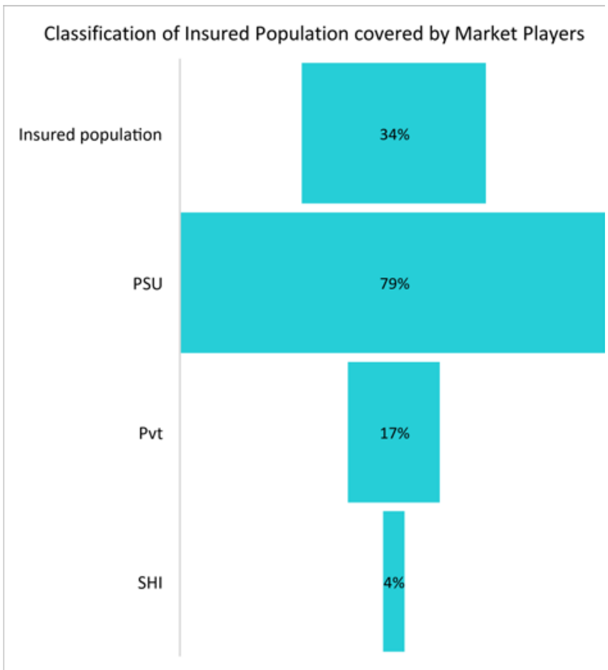


TABLE 6.2

Type of Insurance	Indicators	PSU Insurers	Pvt Insurers	Total
Govt.	No. of policies*	229	106	335
	No. of people Covered (Cr.)	27.91	5.58	33.50
	Premium (INR Cr.)	2644.77	445.71	3090.48
Group	No. of policies*	3,94,571	55,929	4,50,500
	No. of people Covered (Cr.)	5.21	1.82	7.05
	Premium (INR Cr.)	11,035.03	3,682.62	14,717.65
Retail	No. of policies*	57,09,737	69,76,856	1,26,86,593
	No. of people Covered (Cr.)	1.59	1.60	3.20
	Premium (INR Cr.)	5,547.32	7,036.26	12,583.58
Total	No. of policies*	61,04,537	70,32,891	1,31,37,428
	No. of people Covered (Cr.)	34.73	9.01	43.75
	Premium (INR Cr.)	19,227.12	11,164.59	30,391.71

*No. of Policies – in Actuals

TABLE 6.3-NON-LIFE INSURER PROFILE

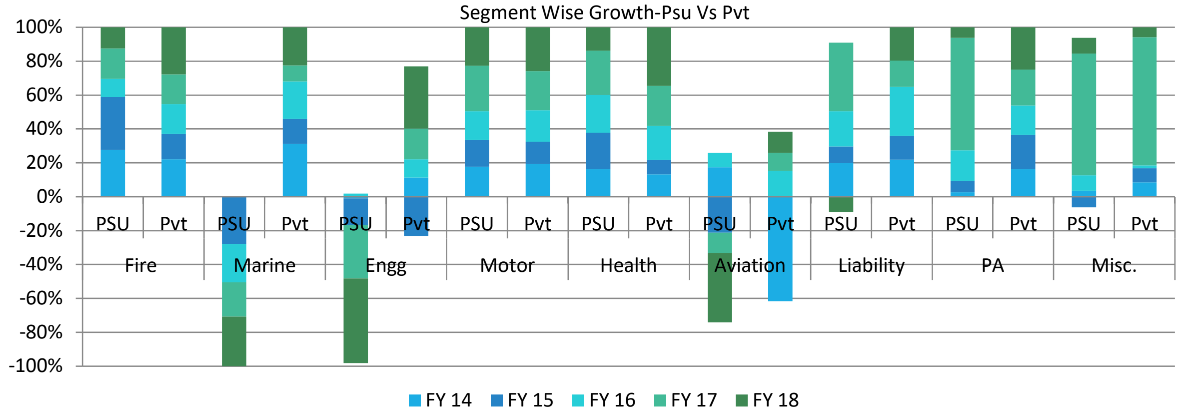
Insurer	Yr. of Inc	Shareholders		Gross Premium (INR Cr)		Market Share		Growth	
		Indian	Foreign	FY 18	FY 17	FY 18	FY 17	FY 18	FY 17
New India	1919	GOI, LIC, GIC, SBI & others	None	22,696	19,115	15%	15%	19%	26%
United India	1938	GOI	None	17,300	16,063	11%	13%	8%	31%
National	1906	GOI	None	16,472	14,238	11%	11%	16%	19%
ICICI-Lombard	2001	ICICI Bank and others	FAL Corpn, Red Bloom, FPIs, Overseas corporates & others	12,357	10,725	8%	8%	15%	33%
Oriental	1947	GOI	None	11,452	10,803	8%	8%	6%	30%
Bajaj Allianz	2001	Bajaj Finserv	Allianz SE	9,445	7,633	6%	6%	24%	31%
AIC	2002	GIC, 4 PSUs, NABARD	None	7,823	7,064	5%	6%	11%	101%
HDFC ERGO	2008	HDFC	ERGO International AG	7,290	6,189	5%	5%	18%	61%
IFFCO-Tokio	2000	IFFCO	Tokio Marine, Nichido Fire Groups, Japan	5,634	5,564	4%	4%	1%	51%
Tata-AIG	2001	TATA Group	AIG, USA	5,437	4,168	4%	3%	30%	41%
Reliance General	2000	Reliance	None	5,069	3,935	3%	3%	29%	41%
Star Health	2005	ICICI Ventures, Tata Capital, Sequoia Capital & Others	Oman Insurance Co., UAE	4,145	2,961	3%	2%	40%	48%
Cholamandalam	2002	Murugappa Group	Mitsui Sumitomo, Japan	4,102	3,133	3%	2%	31%	28%
SBI General	2010	SBI	IAG, Australia	3,544	2,605	2%	2%	36%	28%
Royal Sundaram	2001	Sundaram Finance & others	None	2,623	2,189	2%	2%	20%	29%
Universal Sompo	2008	Allahabad Bk, India Overseas Bk, Karnataka Bk, Dabur Corp	Sompo, Japan	2,311	1,287	2%	1%	80%	42%
Shriram General	2008	Shriram Capital	None	2,101	2,102	1%	2%	0%	23%
Future Generali	2007	Future Group	Generali Group, Italy	1,906	1,816	1%	1%	5%	17%
Bharti AXA	2008	Bharti Enterprises	AXA, France	1,758	1,314	1%	1%	34%	3%
Apollo MUNICH	2007	Apollo Hospitals Group	Munich, Germany	1,717	1,302	1%	1%	32%	27%
ECGC	2002	GOI	None	1,240	1,268	1%	1%	-2%	-4%
Religare	2012	Religare Enterprises Ltd, Union Bk of India, Corporation Bk	None	1,092	726	1%	1%	50%	44%
Liberty	2012	DP Jindal group & & Enam securities	Liberty Mutual Group, USA	817	585	1%	0.46%	40%	43%
Max BUPA	2010	Max India Ltd	Bupa Healthcare, UK	754	594	1%	0.46%	27%	25%
Magma HDI	2012	Magma Fincorp Ltd, Kolkata	HDI Global, SE Germany	527	419	0.35%	0.33%	26%	4%
Cigna TTK	2013	TTK group*	Cigna Corporation, USA	346	222	0.23%	0.17%	56%	54%
Aditya Birla Health	2016	Aditya Birla Group	MMI Holding, South Africa	241	54	0.16%	0.04%	347%	
Kotak Mahindra	2015	Kotak Mahindra Bank	None	185	82	0.12%	0.06%	126%	2112%
DHFL General	2017	Wadhawan Global Capital Ltd	None	141		0.09%			
Go Digit General	2016	Indian Investors	Fairfax	94		0.06%			
Raheja QBE	2008	Prism Cement	QBE Group, Australia	84	59	0.06%		42%	105%
Edelweiss	2016	Edelweiss Financial Services	None	1					
Acko General	2017	Catarman Ventures, Nu ventures, Accel partners, SAIF Partners and others	None	1					

* TTK has sold its entire stake to Manipal group which is subject to IRDAI Approval

SEGMENT WISE INSURANCE BUSINESS

CHART 6.9

Segment Wise Growth-Psu Vs Pvt



The private insurers have grown at 24% while the PSU insurers have grown at 12%. The private insurers have continued to maintain a higher growth trend even in FY 18, while the PSU insurers have comparatively grown at a lesser rate. The PSU insurers have seen a fall in the growth percentages particularly in the Health & PA segment and the Liability Segment. Ahead of listing, the PSU insurers focused on trimming their losses leading to cautious and prudent underwriting. *New India CMD Mr. G Srinivasan has said that in a bid for quality over quantity, the insurer has increased premium rates*

After over a decade of the private insurers coming, there is a gradual transition of the insurance industry from a public monopoly to a competitive environment. Competition comes with its own set of challenges and opportunities both. A healthy competition contributes positively towards the industry. With increasing competition, Insurance companies continue to launch innovative products and services across segments to cater to different markets. Technology has been disruptive across the value chain of the industry. The insurance sector needs to increase their speed of adopting new technologies in order to better leverage on the opportunities available in the market today.

A look at the segment-wise performance in FY 18 indicates that Motor insurance with 39% market share continues to dominate the non-life insurance industry for almost a decade now. The health segment ranks second with 25% share followed by the Miscellaneous (All others) segment with a share of 21% (dominated by the Crop insurance segment). Crop insurance, especially PMFBY, is the segment which has created new growth avenues for the PSU insurers. Pvt. insurers have been active in this segment for quite some time now and they have been able to capitalize on their experience by showing higher growth in this segment.

CHART 6.10

Segment Wise Business Mix

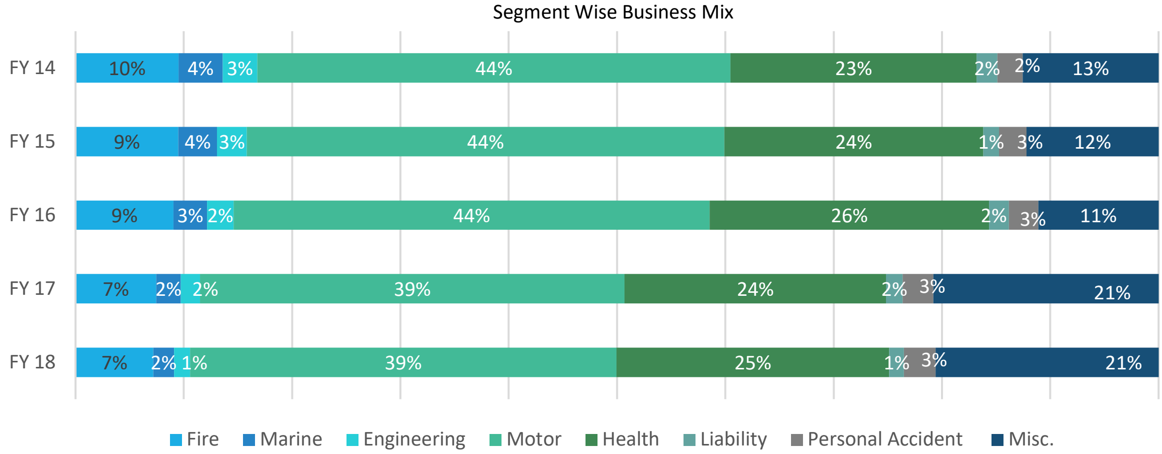
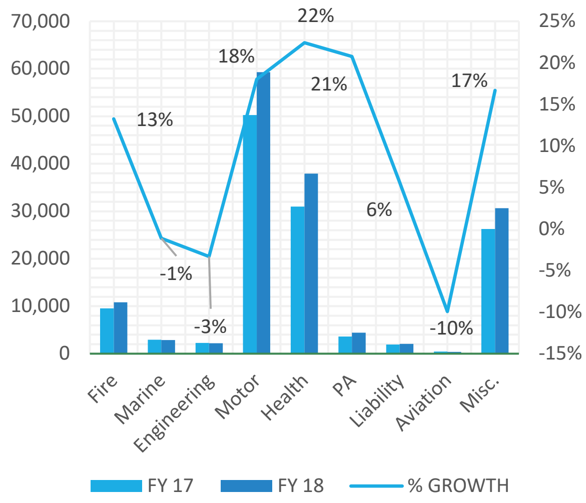


CHART 6.11

Non-life Premium Segment Wise (INR Crore)



MOTOR INSURANCE:

Motor insurance segment stands tall with a premium of INR 59,312 Cr ($ 9 Bln) during FY 18 registering a growth of 18%.

FY 18 turned out to be one of the best years for the automobile industry in terms of sales with the industry registering a double-digit growth of 14% vis-à-vis 7% in FY 17. The growth can be largely attributed to the improvement in the rural economy, continued and surging demand for UVs and a steady flow of new models. However, an unstable policy environment and challenges in the shift to GST did have an impact on the sales. Despite the growth recorded by the automotive industry in FY 18, the growth in the motor insurance segment stayed at 18% similar to that of FY 17.

The record growth in the automobile industry coupled with the mandatory nature of the third-party insurance helps this segment grow at a faster pace. Meanwhile, motor insurance underwriting is undergoing change with technology being utilised to determine the pricing for motor insurance policies. Telematics is one such technology which is set to bring out a positive change in this segment.

Some of the initiatives taken by IRDAI are:

- Guidelines on Motor Insurance Service Providers (MISP) issued
- Exposure Draft on Telematics issued
- Sale of simple motor insurance policies through point of sale persons (PoSP) permitted
- Allowing longer-tenure policies
- Annual premium increases in the motor segment

The Motor Vehicles (Amendment) Bill 2016 (Amendment Bill) is proposed to be taken up in 2018 monsoon session of the Rajya Sabha.

HEALTH INSURANCE:

The health & personal accident insurance segment together hold 28% of the total industry premium and stands at INR 42,300 Cr ($ 7 Bln) for the period FY 18. The segment has registered a growth rate of 22%.

The rising medical inflation and increasing incidences of lifestyle related complications indicate the need of having a health insurance policy. Despite the need, 66% of the population is uninsured. The Government of India's flagship 'AB-NHPM' scheme is said to be the world's largest government-funded health care program and may help in filling this gap. The said scheme will give a tremendous push to the health insurance industry.

MISCELLANEOUS (ALL OTHERS) INSURANCE:

The Miscellaneous segment of the non-life insurance industry with a premium of INR 30,609 Cr ($ 5 Bln) saw a growth of 17% in FY 18 which was primarily led by the ambitious PMFBY crop-insurance scheme. The gross premium collected by the insurance companies for 2017-18 was estimated at INR 24,352 Cr ($ 4 Bln) nearly 18% increase over FY 17.

Though there has been a growth in the premiums, the coverage has reduced to 24% of the gross cropped area (GCA) in FY 18 from 30% in FY 16. Similarly, the number of farmers insured during both the kharif and rabi seasons has gone down by 14% this year.

The scheme has faced several challenges during its implementation which pertain to extension of cut off dates for registration resulting in high premium rates; delay in submission of yield data to assess damages as the system relies on thousands of Crop Cutting Experiments (CCE); lack of trust in the quality of such data as they are not being video recorded, delay in payment of premium subsidy by the state governments to the insurance companies, etc.[4]

Also, implementation of this scheme is facing challenges and raised some serious concerns. There have been farmers' protests in various states

[4] Working Paper on 'Crop Insurance in India: Key issues and way forward'

against compulsory coverage of loanee farmers under this scheme.

The central government has been citing poor implementation by the states for the lackadaisical response to the scheme. The state authorities have quoted the high bid by private insurance companies and the delay in settlement of claims as the crucial factors for the decline.

CAG report titled "Report of CAG of India on Performance Audit of Agriculture Crop Insurance Schemes" released in July 2017, had raised serious concerns on the way crop insurance schemes (excluding PMFBY) are being implemented in India. Some of the issues raised were:

- Delayed payments at the state level
- Non-compliance with the government guidelines by the implementing agency AIC
- Database of beneficiary has not been maintained
- Records pertaining to utilization certificate not maintained
- Small farmers not covered

Unless these serious issues are addressed adequately, doubts will remain about the utility of these schemes for the farmers.

PROPERTY INSURANCE:

Fire, Marine and Engineering segments together, have grown from INR 14,749 Cr ($ 2.3 Bln) in FY 17 to INR 15,905 Cr ($ 2.4 Bln) in FY 18, with a marginal growth of 8%. The standalone fire insurance segment has recorded a growth of 13% in FY 18.

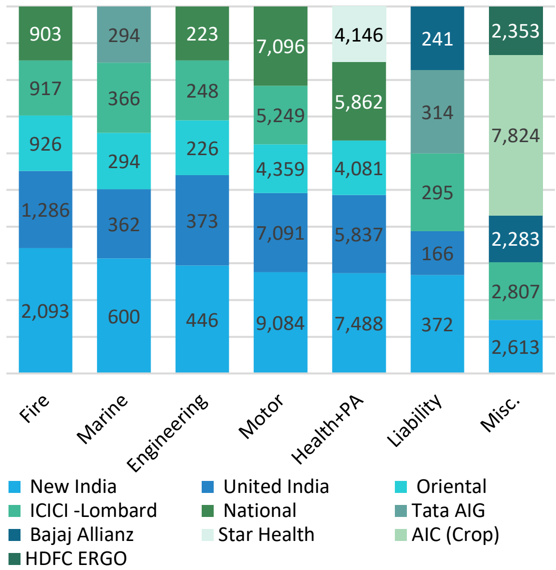
The Infrastructure sector is a key driver for the growth in these segments. During 2017, the government has tried to provide the necessary impetus to this segment by:

- Implementation of Sagarmala project
- Implementation of UDAN scheme
- Smart Cities Mission
- Bharatmala Pariyojana
- New Metro Policy 2017
- Use of Digitisation and Technology for value added services (Cloud-based systems, robotics, IoT, etc.)

Going forward, demonetisation had an adverse effect on the marine insurance segment. However, the demand from the emerging economies has made the Indian shipping market strong. With exports rising, the marine premium collections of the private insurers have seen growth. Robust economic growth, coupled with increasing trade between regions, is expected to drive the demand for marine insurance.

CHART 6.12

Top 5 insurers in Each Segment



LIABILITY INSURANCE:

The liability segment has recorded a premium of INR 2,059 Cr ($ 310 Mln) with an average growth rate of 11% over the last 3 years. New India Assurance and Tata AIG are the market leaders in this segment

The risk exposure for insurance companies in this segment has risen sharply due to the increasing number of high value banking frauds occurring in the recent past. They have begun to reassess the premium on risk exposure of their portfolio with respect to director's and officer's (D&O) liability as well as the banker's indemnity insurance business.

An increase in the no. of D&O policies is expected in the coming year as the Securities & Exchange Board of India has now made it mandatory for the top 500 listed companies to necessarily have a D&O policy in place.

With the Reserve bank of India insisting on the banking sector to take specific risk management steps to handle Cyber Risk, FY 18 has seen an increase in the purchase of Cyber Insurance policies by the financial institutions.

With the increasing number of default cases being tried under the Insolvency and Bankruptcy Code (IBC), safeguarding the Insolvency Resolution Professionals' (IRPs) liability is a growing concern. IRP specific policies are yet to be filed in the market, however, limited cover is being offered in the form of a PI and D&O blended program.

Title Insurance has also not yet gained the required momentum in the market in spite of customized policies being introduced by some of the insurers.

TABLE 6.4

SEGMENT-WISE GROSS PREMIUM UNDERWRITTEN BY NON-LIFE INSURERS FOR FY 18 (INR Cr)										
Insurers	**Fire**	**Marine**	**Engg.**	**Motor**	**Health**	**Aviation**	**Liability**	**P.A.**	***Misc.**	**Grand Total**
New India	2,093	600	446	9,084	7,018	124	372	470	2,489	22,696
United India	1,286	362	373	7,091	5,596	23	166	241	2,162	17,300
National	903	194	223	7,096	5,544	47	93	318	1,921	16,339
ICICI -Lombard	917	366	248	5,249	2,022	67	295	453	2,740	12,357
Oriental	926	294	226	4,359	3,582	88	114	499	1,362	11,450
Bajaj Allianz	821	138	116	4,153	1,497	4	241	196	2,279	9,445
AIC (Crop)									7,824	7,824
HDFC ERGO	620	145	124	2,307	993	21	156	593	2,331	7,290
IFFCO -Tokio	275	146	90	3,002	671	1	75	79	1,293	5,632
Tata-AIG	687	294	87	2,814	553	4	314	171	512	5,436
Reliance General	364	67	69	2,485	782	8	46	29	1,219	5,069
Star Health					4,030			116		4,146
Cholamandalam MS	325	71	28	2,641	264		20	210	543	4,102
SBI General	791	17	25	978	473		11	466	783	3,544
Royal Sundaram	141	37	49	2,026	285		14	61	10	2,623
Universal Sompo	142	22	14	647	101		4	59	1,322	2,311
Shriram General	35	2	14	2,041			5	16	-12	2,101
Future Generali	242	58	42	1,037	246		43	92	146	1,906
Bharti AXA	61	31	18	1,069	134		29	14	402	1,758
Apollo Munich					1,586			131		1,717
ECGC									1,240	1,240
Religare					988			104		1,092
Liberty Videocon	44	21	21	554	119		9	17	32	817
Max Bupa					743			11		754
Magma HDI	44	19	6	413	17		23	3	2	527
Cigna TTK					327			20		347
Aditya Birla					230			13		243
Kotak Mahindra	8			139	25			7	6	185
DHFL General	61				67			13		141
Go Digit	14	2		74	3		1			94
Raheja QBE	2			52			28		2	84
Edelweiss					1					1
Acko General				1						1
Growth (%)	13%	-1%	-3%	18%	22%	-10%	6%	21%	17%	17%

*Miscellaneous (All Others) segment includes Crop, credit and other miscellaneous segment figures

KEY FINANCIAL STATEMENTS OF THE NON-LIFE INSURANCE INDUSTRY

TABLE 6.5.1

Key Financial Statements – Non-life Insurers: FY 17 & FY 18 (Figures in INR Cr)

	Year	Public Sector (A)					Private Sector (B)												
		National	New India	Oriental	United	Sub Total (A)	Acko	BAGIC	BAXA	Chola	DHFL	Edelweiss	FG	Go Digit	HDFC	ICICI	ITGI	Magma	RQBE
1. Gross Direct Premium	2017-18	16,244	25,159	11,737	17,430	70,570	1	9,445	1,754	4,103	141	1	1,906	94	7,290	12,357	5,632	527	83
	2016-17	14,282	21,598	11,117	16,063	63,060	-	7,633	1,314	3,133	-	-	1,815	-	2,224	10,725	5,564	419	59
2. Net Premium Income	2017-18	11,465	20,956	10,028	12,390	54,840	0	6,733	1,268	3,191	90	0	1,511	75	3,455	7,845	3,653	376	76
	2016-17	10,556	18,591	9,222	13,346	51,715	-	5,301	1,165	2,570	-	-	1,132	-	999	6,595	3,462	327	50
3. Net Claims Incurred	2017-18	12,871	16,896	8,221	12,138	50,126	0	4,043	1,007	2,048	2	0	969	7	2,227	5,315	2,683	277	46
	2016-17	10,507	16,344	9,398	12,882	49,131	-	3,476	989	1,639	-	-	841	-	770	4,954	2,878	259	26
4 Commission & Operating Expenses	2017-18	3,996	5,352	3,247	3,265	15,861	14	1,723	425	901	54	18	469	84	786	1,828	827	140	31
	2016-17	3,621	5,105	3,256	3,595	15,577	-	1,397	433	729	-	-	419	-	313	1,548	726	145	23
5. Adj. for changes in Res. For Unexpired Risks	2017-18	198	1,232	400	471	2,301	(1)	88	(55)	367	46	1	231	68	(461)	933	417	41	16
	2016-17	(248)	776	839	(1,314)	53	-	237	(27)	322	-	-	44	-	(10)	431	(49)	(0.5)	13
6. Inv. Income & Profit Less Outgo (from Rev. A/c.)	2017-18	2,788	3,530	3,008	3,142	12,468	0	884	224	429	1	0	193	-	481	1,127	397	71	11
	2016-17	2,978	2,996	1,886	2,213	10,073	-	737	250	363	-	-	188	-	173	1,001	547	64	8
7. Operating Profit/Loss	2017-18	(2,832)	1,003	1,148	543	(138)	(14)	1,187	7	310	(21)	(18)	36	(83)	491	924	125	(11)	(5)
	2016-17	(363)	(557)	(2,400)	(2,335)	(5,655)	-	814	(26)	251	-	-	18	-	82	707	455	(11)	(4)
8. Inv. Income & Profit Less outgo (from P&L A/c.)	2017-18	717	1,637	315	682	3,351	6	192	44.9	53	11	3	45	18	153	406	138	19	14
	2016-17	768	1,522	455	423	3,168	-	275	0.4	51	-	-	40	-	60	309	166	20	15
9. Profit Before Tax	2017-18	(2,183)	2,725	1,471	1,228	3,242	(12)	1,353	(93)	347	(14)	(27)	79	(70)	513	1,196	258	6	2
	2016-17	49	1,164	(1,983)	(1,913)	(2,683)	-	1,078	(129)	297	-	(2)	43	-	121	910	620	7	4
10. Profit after Tax	2017-18	(2,171)	2,201	1,510	1,003	2,543	(12)	921	(93)	243	(14)	(27)	79	(70)	404	862	189	5	1
	2016-17	46	1,008	(1,691)	(1,914)	(2,551)	-	728	(129)	208	-	(2)	43	-	124	702	427	6	3

TABLE 6.5.2

Key Financial Statements – Non-life Insurers: FY 17 & FY 18 (Figures in INR Cr)

	Year	Private Sector (B)									Specialised Institutions (C)									Grand Total (A+B+C)
		Reliance	RSA	SBI	Shriram	TAIG	Univ.	LVGI	Kotak	Sub Total (B)	AIC	ECGC	Apollo	ABHIC	Cigna	Max	Religare	Star	Sub Total (C)	
1. Gross Direct Premium	2017-18	5,069	2,623	3,544	2,101	5,436	2,311	817	185	65,420	7,893	1,240	1,718	243	346	754	1,092	4,161	17,448	153,438
	2016-17	3,935	2,189	2,604	2,102	4,168	1,287	585	82	49,841	6,980	1,268	1,302	54	222	594	726	2,960	14,105	127,006
2. Net Premium Income	2017-18	3,164	2,032	1,727	1,977	3,933	1,376	700	163	43,347	1,781	839	1,444	229	325	507	822	3,196	9,144	107,331
	2016-17	2,231	1,905	1,630	1,796	2,910	665	503	77	33,317	1,778	840	1,069	51	208	529	527	2,283	7,285	92,318
3. Net Claims Incurred	2017-18	2,419	1,560	1,316	1,739	2,366	674	403	83	29,185	1,819	1,139	790	135	123	289	353	1,692	6,340	85,651
	2016-17	1,927	1,345	1,108	1,725	1,742	470	330	24	24,502	2,399	1,057	606	17	91	283	245	1,157	5,853	79,486
4 Commission & Operating Expenses	2017-18	832	580	431	285	1,243	233	394	82	11,382	(377)	135	532	226	266	314	399	998	2,492	29,734
	2016-17	625	618	520	229	930	229	338	56	9,278	(428)	125	445	87	243	316	278	721	1,787	26,642
5. Adj. for changes in Res. For Unexpired Risks	2017-18	(482)	(92)	115	122	(606)	(179)	121	47	738	(2)	0	(21)	77	59	(68)	44	456	547	3,585
	2016-17	(187)	(184)	(154)	113	(502)	(3)	86	44	174	225	32	41	38	26	(15)	6	372	725	952
6. Inv. Income & Profit Less Outgo (from Rev. A/c.)	2017-18	517	268	282	668	386	101	52	10	6,102	371	427	70	10	15	30	44	89	1,056	19,626
	2016-17	511	250	260	531	292	89	40	4	5,309	273	382	65	6	13	34	33	62	867	16,249
7. Operating Profit/Loss	2017-18	122	68	377	501	111	391	(166)	(39)	4,293	703	(130)	65	(195)	(108)	110	(29)	138	555	4,710
	2016-17	51	9	110	261	35	54	(210)	(44)	2,552	313	138	187	(88)	(137)	85	(5)	97	590	(2,513)
8. Inv. Income & Profit Less outgo (from P&L A/c.)	2017-18	88	71	110	73	113	40	21	8	1,625	161	262	13	7	12	21	16	59	552	5,528
	2016-17	99	59	82	48	97	33	20	10	1,385	192	254	17	7	7	18	12	38	546	5,098
9. Profit Before Tax	2017-18	165	126	422	573	204	430	(154)	(33)	5,272	880	130	15	(189)	(105)	23	(16)	171	908	9,422
	2016-17	130	63	153	308	118	50	(195)	(35)	3,542	487	407	132	(87)	(135)	(4)	2	118	922	1,781
10. Profit after Tax	2017-18	165	83	396	400	157	297	(154)	(33)	3,798	596	92	15	(189)	(105)	23	(16)	170	586	6,927
	2016-17	130	43	153	220	118	49	(195)	(35)	2,594	324	282	132	(87)	(135)	(4)	2	118	633	676

NON-LIFE INSURANCE CLAIMS TRENDS

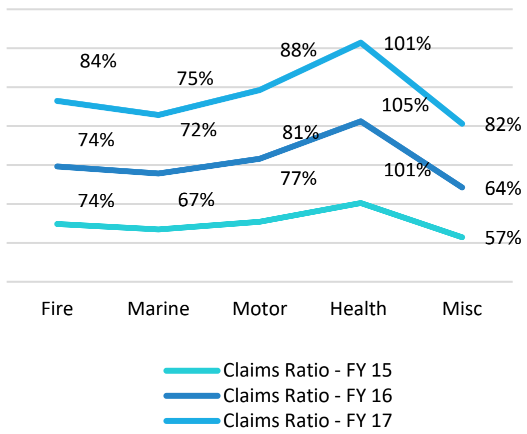
TABLE 6.6

CLAIMS RATIO PSU Insurers	FY 17	FY 18
Oriental	112%	85%
New India	91%	86%
United India	107%	94%
National	97%	114%
AIC	120%	102%
ECGC	121%	136%
Private Insurers		
DHFL		4%
Universal	71%	56%
Bajaj Allianz	70%	67%
Liberty VDI	79%	70%
TATA AIG	72%	71%
SBI	75%	71%
Kotak	73%	72%
Cholamandalam	73%	73%
HDFC Ergo	78%	74%
Future Generali	77%	76%
Raheja QBE	69%	76%
ICICI Lombard	80%	77%
Royal Sundaram	78%	80%
Iffco Tokio	82%	83%
Magma	79%	83%
Bharti Axa	87%	83%
Reliance	92%	85%
Shriram	103%	94%
Go Digit		94%
Health Insurers		
Cigna TTK	50%	46%
Max Bupa	52%	50%
Religare	51%	52%
Star Health	61%	62%
Apollo Health	55%	62%
Aditya Birla	123%	89%

TABLE 6.7

Q4-FY 18 PSU Insurers	Efficiency Ratio	Claims Pendency Ratio
Oriental	53.6%	3.9%
New India	69.8%	7.5%
United	31.2%	3.6%
National	38.2%	7.4%
AIC	1.2%	26.5%
ECGC	10.5%	4.3%
Private Insurers		
DHFL	50.0%	
Universal	75.8%	2.6%
Bajaj Allianz	67.4%	10.1%
Liberty VDI	66.6%	3.4%
Tata AIG	69.1%	4.2%
SBI	47.5%	6.9%
Kotak	64.9%	0.5%
Cholamandalam	38.1%	29.0%
HDFC Ergo	53.5%	10.9%
Future Generali	46.0%	7.7%
Raheja QBE	1%	40%
ICICI Lombard	58.9%	9.0%
Royal Sundaram	67.0%	10.8%
IFFCO Tokio	70.4%	4.5%
Magma	40.2%	20.9%
Bharati AXA	55.0%	14.4%
Reliance	61.6%	7.7%
Shriram	10.1%	13.5%
Go Digit	91.9%	
Health Insurers		
Cigna TTK	81.1%	
Max Bupa	79.8%	
Religare	100.5%	
Star Health	67.7%	0.1%
Apollo Health	81.6%	
Aditya Birla	27.7%	

CHART 6.13
Line wise Claims Ratio



The average industry claims ratio has been hovering around 82%. About 19 insurers reported a drop-in claims ratio in FY 18 vis-à-vis 12 in FY 17 & 9 insurers reported an increase vis-à-vis 14 in FY 17. Cholamandalam GIC has been successful in maintaining a status quo. 4 insurers have opened their books in FY 18.

The PSU insurers (barring ECGC & National) have been successful in bringing down their claims ratio. Good underwriting practices have been implemented and rates have been revised for various products across all segments. Apart from this, listing on the bourses has also helped in keeping a check.

ECGC payout for claims rose drastically this fiscal as well. *"The claims from banks for defaults in gems & jewellery, cotton covering fibre, yarn and fabrics, Textile and Garments sector had the highest share in payout in FY 18", said Ms. Geetha Muralidhar, CMD of ECGC*. She indicated that the level of claims payment is expected to stay elevated in FY 19 due to continuing stress in the banking sector.

ECGC has told Indian Bank's Association (IBA) that it will revise premium rates and reduce the extent of export credit cover, for large borrowers of banks, to 50% of the outstanding amount. Earlier, ECGC used to provide over 65% export credit cover.

She further added that, "Appropriate risk mitigation measures were continued in respect of sectors with high claim ratios namely, Gems, Jewellery and Diamond sectors to protect the interest of ECGC as well as that of banks"

Amongst the private insurers, Raheja QBE which continued to have the lowest claims ratio for many years has recorded an increase. 82% of the claims are from Motor TP segment while liability segment constitutes 18%.

INSURER WISE CLAIMS RATIO

CHART 6.14
Insurers > 10 years in operation-Claims Ratio

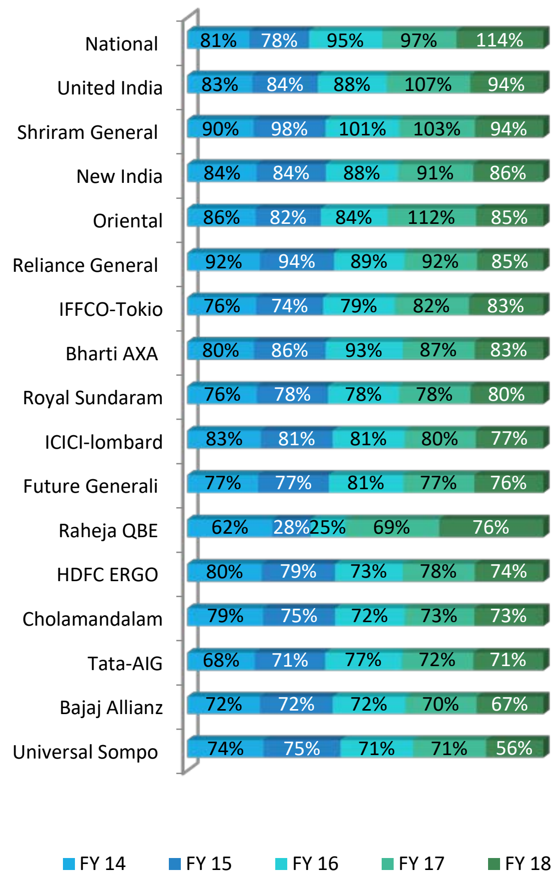
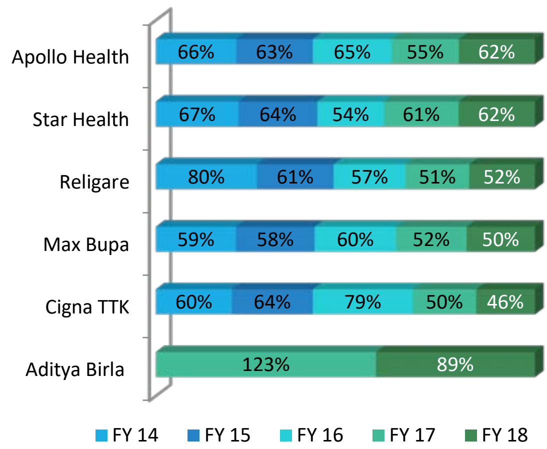


CHART 6.15
Standalone Health Insurers - Claims Ratio



The health insurance claims ratio of PSU insurers is the highest at 96%, while that of the private insurers is 62%. SHI's have the least claims ratio of 60%.

CHART 6.16
Specialized Insurers - Claims Ratio

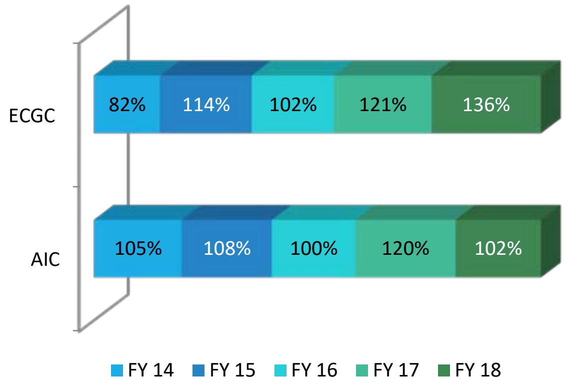


CHART 6.17
Claims Ratio PSU Vs PVT

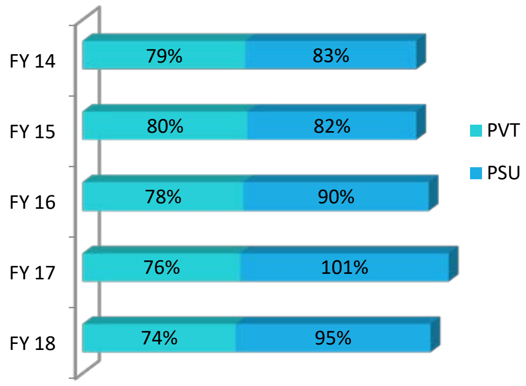


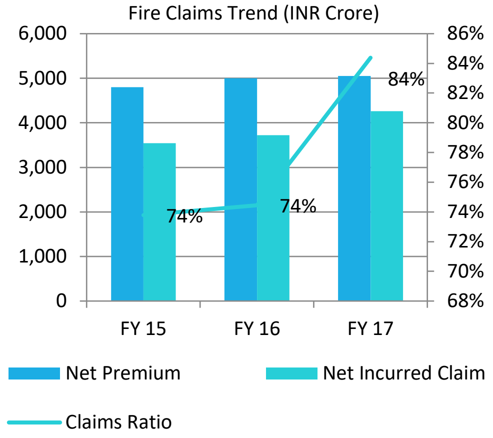
Chart 6.17 indicates that over the past 5 years, the private insurers have been successful in bringing down the claims ratio while the PSU insurers have succeeded in bringing down their claim's ratio only in FY 18 and that too marginally. The private insurers (All lines) have been successful in maintaining a claims ratio between 75% - 80% while the SHIs at an average of 60% have the best claims ratio in the industry today.

The claims ratio of the PSU insurers barring ECGC & National insurance has also improved due to prudent underwriting practices. The claims ratio of ECGC has taken a hit due to its exposure to the banking industry & it has thus decided to revisit its pricing policy thereby bringing about the necessary increase in the premium rates. In FY 18, AIC has seen a drop of 18% in its claim's ratio as also a drop in the number of farmers covered under PMFBY which has reduced by 15%.

NON-LIFE INSURANCE – SEGMENT WISE CLAIMS TRENDS

FIRE PORTFOLIO

CHART 6.18
Fire Claims Trend (INR Crore)



This segment has seen a claims ratio of 91% for the PSU insurers and 52% for the private insurers. This is against the total claim's ratio of 84% in FY 17. The fire insurance segment holds a market share of 7% in FY 18 and grew at a rate of 13%.

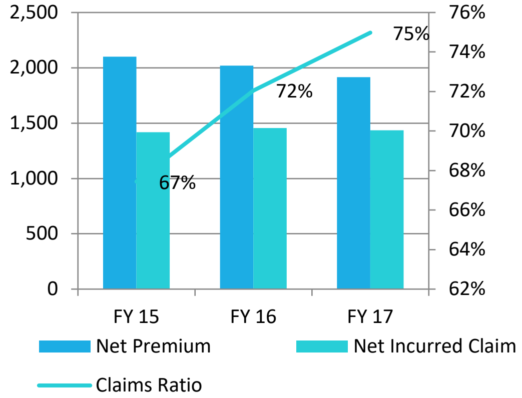
The World Meteorological Organization (WMO) in its State of Climate 2017 report said that the major monsoon floods in the Indian subcontinent along with other global catastrophic losses contributed to 2017 being the most expensive year on record for severe weather and climate events. Cyclone Ockhi which hit India in December 2017, has caused substantial casualties and thus would lead to an increase in the claim's ratio in FY 18. Apart from this, many parts of the country were affected by flooding during the monsoon season between June and September which would also lead to a substantial increase in the claim's ratio.

MARINE PORTFOLIO

In the marine segment, the claims ratio of both the PSU insurers as well as the private insurers stands at 75% against the total claim's ratio of 75%. While, the claims ratio of the private insurers has gone down from 86% in FY 16, the PSU insurers have taken a hit of 12% in FY 17. Marine insurance segment holds a 2% market share in the non-life segment in FY 18 and witnessed a de-growth of (1) %.

The collision of an oil tanker and an LPG carrier near Ennore port near Chennai in January 2017 led to a major oil spill. The assessment of actual loss incurred due to this accident is still pending & this is likely to impact the claims ratio in this segment adversely.

CHART 6.19
Marine Claims Trend (INR Crore)



With the government initiatives such as:

- 'Project UNNATI -for improvement in the operations of major ports
- Investments for infrastructure development under the Coastal Berth Scheme of the Sagarmala programme
- Port Modernization
- Revival of Ganga Watercourse
- Establishment of 6 multi-modal freight terminals, etc.

the conditions and business of our ports and inland transit is improving and this is expected to bring down the claim's ratio. The PSU insurers need to however bring in prudent underwriting practices to keep their claims under control.

HEALTH PORTFOLIO

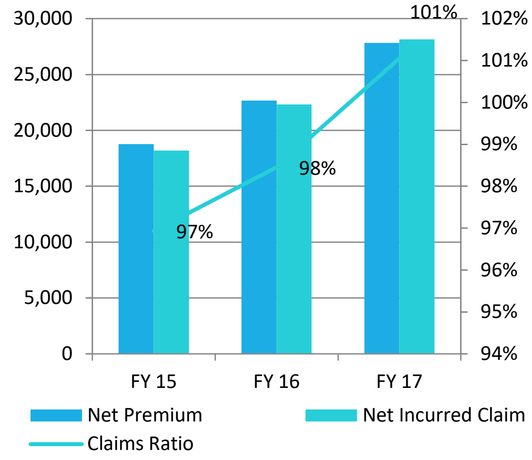
In FY 18, The health insurance segment is the 2nd largest contributor to the non-life insurance segment with a 25% market share and a 22% growth.

The overall claims ratio is particularly high for Group Business which has consistently increased & has been more than 100% for each of the preceding 3 years.

The retail and government business have recorded a significant increase in their claim's ratio. The claims ratio in the Govt. business has increased from 107% in FY 15 to 122% in FY 17.

CHART 6.20

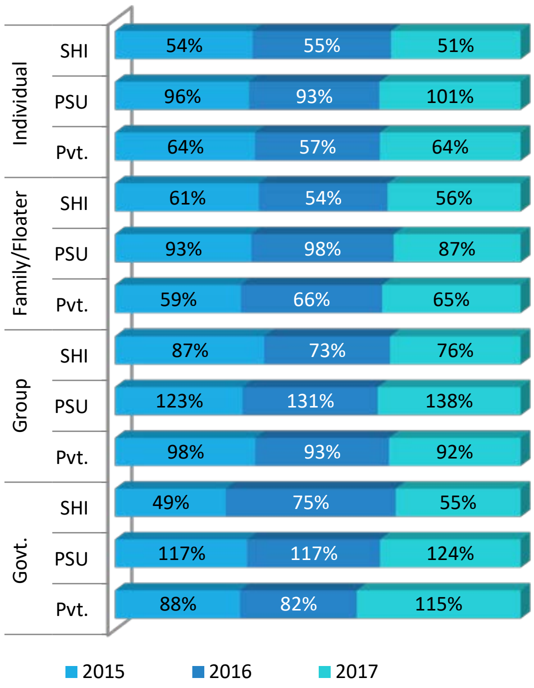
Health Claims Trend (INR Crore)



The health claims for PSU insurers continue to remain high in all the segments in FY 17; the highest being in the Group segment (138%) against the industry average of 125%. The price disparity between the PSU and private insurers and the cross-subsidizing could be the probable reasons for this burgeoning claim ratio.

CHART 6.21

Health Insurance - Breakup of Claims Ratio



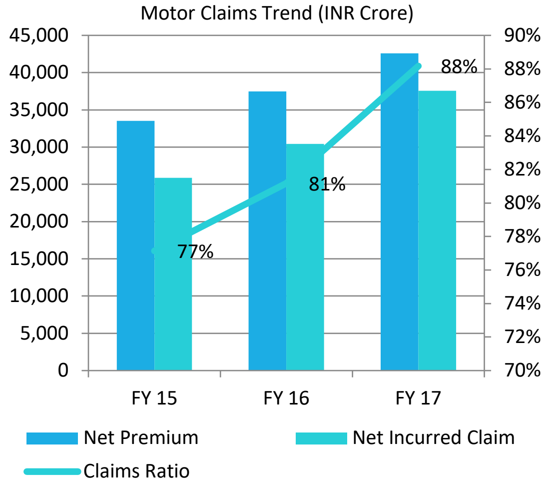
- o Govt. (including RSBY)
- o Group (other than Govt.)
- o Retail (Family Floater & Individual)

There are various factors that contribute towards the increasing claims cost under medical insurance. Medical inflation is one which stands out prominently.

MOTOR PORTFOLIO

CHART 6.22

Motor Claims Trend (INR Crore)



In the motor insurance segment, the claims ratio of the PSU insurers is 93% while that of the private insurers is 83% against the industry average of 88%. In FY 18, this segment stands tall with a market share of 39% and a growth of 18%.

The Motor Vehicle Amendment bill 2016 expected to be passed in the monsoon session of 2018 in the Rajya Sabha, is expected to bring about a positive change in the claim's scenario of the motor insurance segment in India. The bill contains penal provisions for rash driving, over-speeding, not adhering to safety measures, etc. One of the important provisions is capping the liabilities of the insurers at INR 1,000,000 ($ 15,374) for death claims and INR 500,000 ($ 7,687) for bodily injury claims. This should also help in bringing down the third-party claims pay-out.

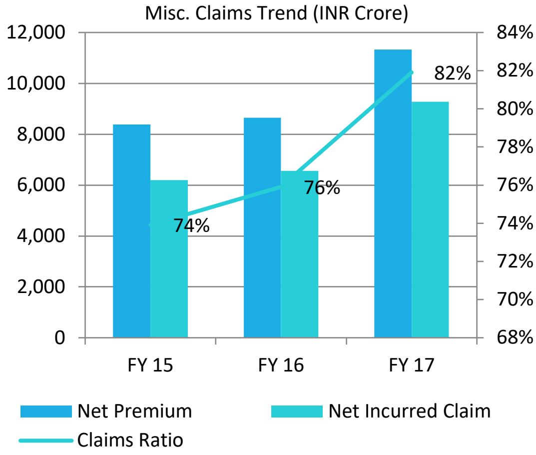
The IRDAI has brought in significant changes in the third-party motor segment, which has seen a high claims ratio since 2008. Premium on third-party motor insurance is determined by IRDAI. Since 2011, it has been reviewing and fixing the pricing of motor third-party cover on an annual basis against the earlier practice of making a revision once every five years. Despite this, the rise in motor third party premiums was not as much as the industry had anticipated or wished for.

Technology will prove a game changer in this segment.

MISCELLANEOUS PORTFOLIO

CHART 6.23

Misc. Claims Trend (INR Crore)



The upward trend of the claim's ratio continues in FY 17 as well. In FY 17, the claims ratio of the private insurers stands at 70% while that of the PSU insurers is 68%. The claims ratio of the specialized insurers is 120% against the industry ratio of 82%. Both the specialized insurers have recorded a claims ratio of around 120%.

There is no consistency amongst insurers with respect to what classes of business get into this segment. It broadly includes, crop insurance, credit insurance, in some cases WC and other miscellaneous segment. Hence the analysis of the claims ratio for this segment is a challenge.

Crop insurance has contributed significantly (80%) towards the premium in the miscellaneous segment. As regards to the claims in this segment, Mr. Parshottan Rupala, Minister of State for Agriculture said, "During Kharif 2017, out of the total estimated claims of INR 15,896 Cr ($ 2.4 Bln), claims of INR 9,629 Cr ($ 1.5 Bln) have already been paid to the farmers." He further added, "During Kharif 2016 and Rabi 2016-17 claims amounting to INR 10,505 Cr ($ 1.6 Bln) and INR 5,992 Cr ($ 0.9 Bln) were estimated respectively. Out of which claims of INR 10,284 Cr ($ 1.6 Bln) and INR 5,053 Cr ($ 0.8 Bln) have been paid for these seasons."

ECGC, the specilaized insurer dealing in trade credit experienced a high claims ratio due to global uncertainties in FY 17. The major sectors where claims arose were agricultural products, engineering goods, gems and jewelry, ready-made garments, basic chemicals & pharmaceuticals. Claims settlement for gems and jewelry segment stood at INR 40 Cr ($ 6 Mln) in FY17.

However, Ms. Geetha Murlidhar, CMD of ECGC said, "A lot of defaults are in the pipeline. Claims are pending (estimate of INR 1,000 Cr [$ 154 Mln]). Hence, things have not stabilized".

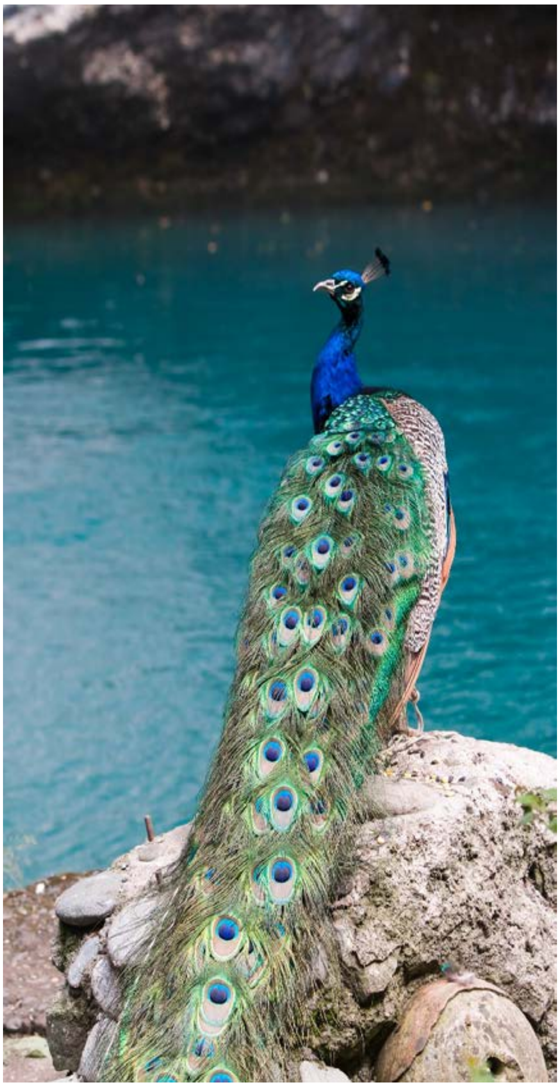


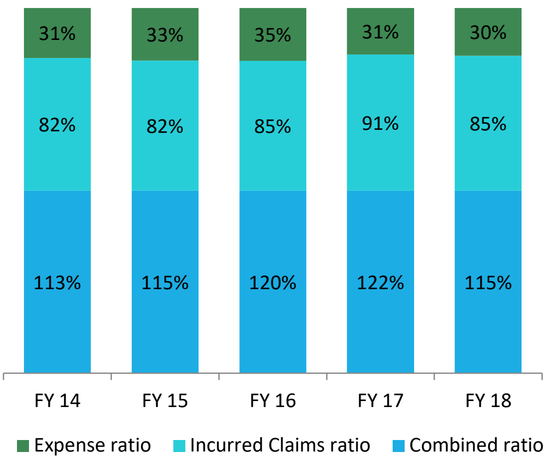
TABLE 6.8- COMBINED RATIO

PSU Insurers	FY 16	FY 17	FY 18
AIC	98%	96%	81%
New India	119%	119%	111%
Oriental	124%	148%	119%
United India	120%	134%	121%
National	138%	149%	135%
ECGC	116%	137%	153%
Private Insurers			
Universal	108%	105%	73%
DHFL General			90%
Bajaj Allianz	99%	97%	92%
SBI General	120%	107%	96%
HDFC Ergo General	105%	109%	97%
ICICI Lombard	107%	104%	100%
Cholamandalam	100%	101%	101%
Raheja QBE	107%	96%	102%
TATA AIG	112%	104%	103%
Edelweiss			104%
Iffco Tokio	105%	103%	106%
Future Generali	120%	114%	107%
Shriram	112%	115%	108%
Royal Sundaram	112%	111%	109%
Reliance	121%	120%	111%
Bharti Axa	140%	124%	116%
Magma	127%	123%	120%
Kotak	83%	147%	122%
Liberty VDI	162%	146%	126%
Go Digit			144%
Acko General			1717%
Health Insurers			
Star Health	90%	93%	93%
Apollo Health	104%	97%	99%
Religare	122%	103%	100%
Max Bupa	118%	108%	104%
Cigna TTK	221%	167%	128%
Aditya Birla		293%	188%

TABLE 6.9 - SOLVENCY RATIO

PSU Insurers	FY 16	FY 17	FY 18
ECGC	9.79	8.69	9.86
New India	2.30	2.19	2.58
AIC	3.26	1.84	2.03
Oriental	1.59	1.11	1.67
National	1.26	1.90	1.55
United India	1.91	1.15	1.54
Private Insurers			
Go Digit			5.48
Raheja QBE	4.28	4.45	4.32
DHFL General	NA	NA	3.34
Liberty VDI	2.24	2.40	2.87
Edelweiss			2.81
Bajaj Allianz	2.51	2.61	2.76
SBI General	1.81	2.19	2.54
Acko General			2.48
Shriram	1.98	1.94	2.35
Universal	1.69	1.57	2.30
Royal Sundaram	1.55	1.69	2.21
HDFC Ergo General	1.67	1.76	2.06
ICICI Lombard	1.82	2.10	2.05
Magma	1.78	2.07	2.01
Kotak	2.45	1.80	1.88
Bharti Axa	1.56	1.65	1.86
TATA AIG	1.66	1.80	1.69
Future Generali	1.54	1.72	1.69
Reliance	1.55	1.68	1.68
Iffco Tokio	1.60	1.60	1.62
Cholamandalam	1.61	1.64	1.61
Health Insurers			
Max Bupa	2.16	2.01	2.11
Cigna TTK	1.54	2.65	2.06
Star Health	5.99	1.61	1.77
Apollo Health	1.51	1.90	1.74
Aditya Birla		2.88	1.67
Religare	1.85	1.91	1.56

CHART 6.24
Industry Ratios - 5 year Trend



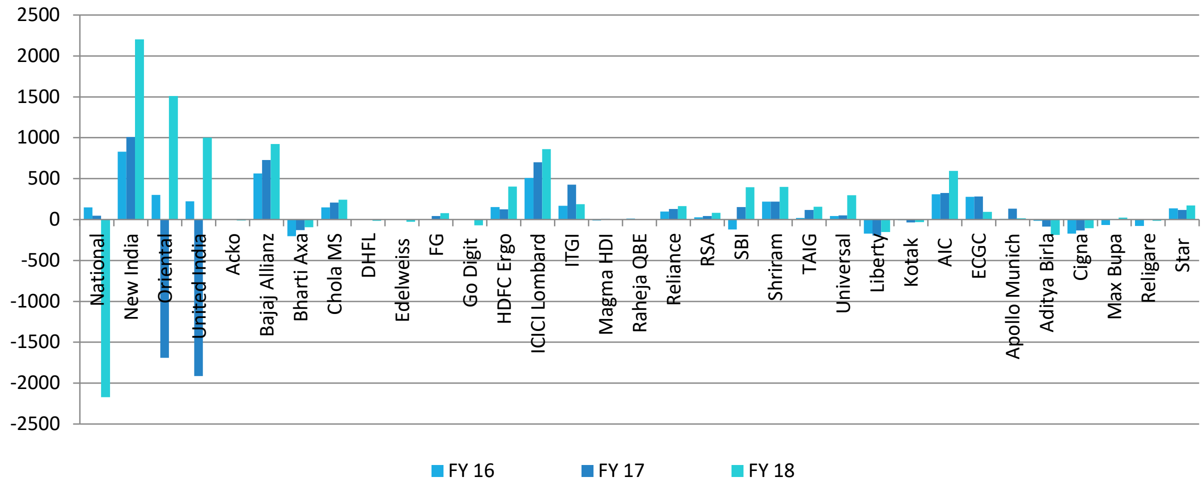
With a decrease in claims ratio and expense ratio the combined ratio of the industry has gone down compared to last year. In FY 18, The combined ratio of PSU insurers is the highest at 123%, Spl. PSU 104%, Pvt. Insurers is 105% and that of SHI's is 108%.

Oriental insurance and United India insurance both have improved their solvency margins in FY 18 which was below the mandatory level of 1.5% in FY 17. Mr. MN Sarma, CMD, United India insurance, said that this was achieved by underwriting control.

Mr. A V Girijakumar, Chairman, Oriental insurance said that the company followed a measured approach towards growth and had consciously committed to improve the quality of business and consolidate financial strength.

NON-LIFE INSURANCE – PROFITABILITY ANALYSIS

CHART 6.25
Profit after Tax* FY 16 to 18 (INR Crore)



* HDFC ERGO-FY 16 Figures contains only HDFC Ergo figures as declared in their public disclosure. For FY 17 and 18, the figures have been taken from the public disclosure of FY 18 (merged entity with L&T)

In FY 18, the industry has posted a profit of INR 6,927 Cr ($ 1 Bln) which is a sharp increase of 925% vis-à-vis FY 17. The two major contributors towards this are, New India (32%) and Oriental (22%).

New India has recorded the highest profit of INR 2,201 Cr ($ 338 Mln) with 118% growth followed by Oriental with a profit of INR 1,510 Cr ($ 232 Mln), followed by United with a profit of INR 1,003 Cr ($ 154 Mln).

Mr. G Srinivasan, CMD of New India said, "The profit of the company for the year has more than doubled due to substantial improvement in the operating performance of the company. The combined ratio has dropped by 8% due to improvement in the claim's ratio and expense ratio of the company. This has been the result of various steps taken to improve underwriting and claims management of the company."

With improvement in treasury income and restructuring of business strategy, Oriental Insurance has bounced back to profit. The company followed a measured approach towards growth and had consciously committed to improve the quality of business and consolidate financial strength.

Oriental Insurance CMD Mr. A V Girijakumar said, "Our measured approach to growth saw us moderating our health insurance business as against market growth largely due to pruning of loss-making portfolios."

*Mr. MN Sarma, CMD of United India Insurance, said, "This was achieved by measures such as underwriting control specially in health and third-party motor portfolio, focus on better-priced products and raising of subordinated debt of about INR 900 Cr ($138 Mln) in the last financial year."* He also added that, the company had to give up about INR 800 Cr ($ 123 Mln) worth of group health business due to inadequate pricing.

With the public listing of insurers, accountability of insurers has increased towards the shareholders, investors and the public at large. As a result, Insurers are focusing more on profitability. Listing will also help in improving efficiency and increased transparency which will lead to a healthier growth.

CHART 6.26

TOP 5 COMPANIES - LAST 5 YEARS (ON THE BASIS OF PROFIT) (INR Crore)

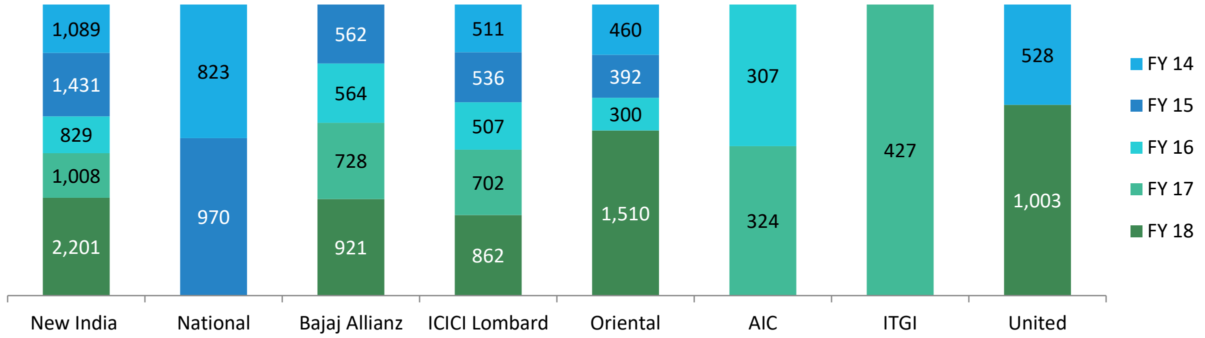
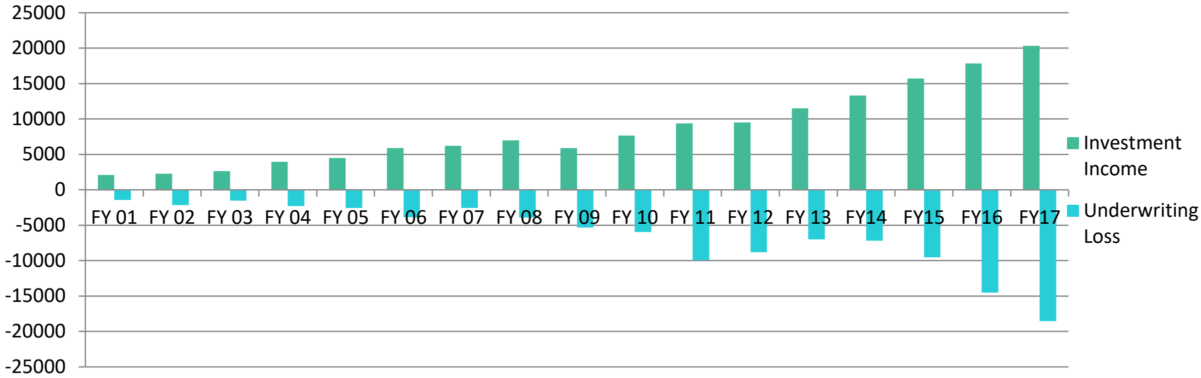


CHART 6.27

Investment Income Vs. Underwriting profit / loss* (in INR Crore)

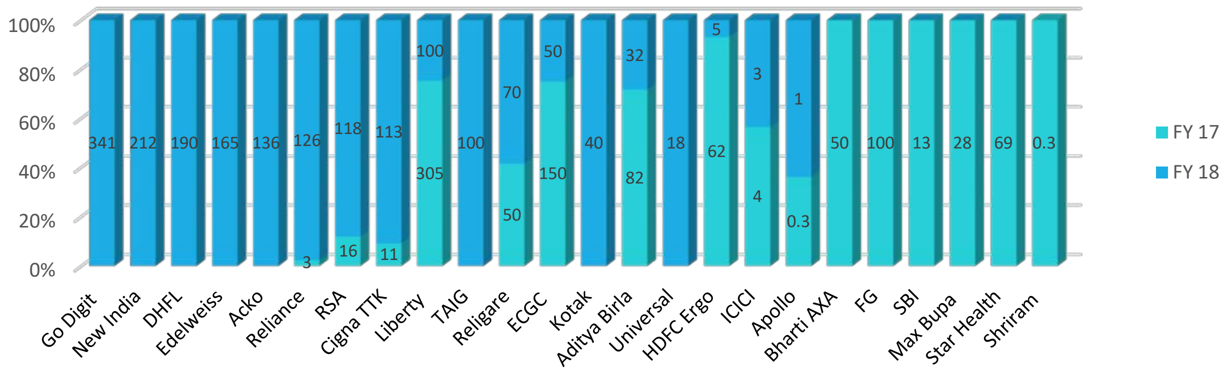


*Excludes Specialized PSU & Standalone Health Insurers. AIC, Apollo, Star and Max have booked u/w profits in FY 17.

The underwriting losses of the insurers (all lines) in FY 17 was about INR 18,541 Cr ($ 3 Bln) vis-a-vis INR 14,498 Cr ($ 2 Bln) in FY 16. PSU insurers held 84% share in this loss. Of the PSU insurers, United India has incurred the highest quantum of underwriting loss while in case of private insurers it is Reliance followed by ICICI Lombard. The underwriting loss of Raheja QBE is the lowest in the industry. Bajaj Allianz is the only insurance company which has booked underwriting profits.

CHART 6.28

Capital Infusion in FY 18 (INR Crore)



The total capital infused by the non-life industry in FY 18 is INR 1,820 Cr ($ 280 Mln) which has increased by 93% vis-à-vis FY 17. Out of this, the capital infused by the new companies in FY 18 is INR 832 Cr ($ 128 Mln). Out of the 6 SHI's, 4 have infused capital in FY 18. Amongst the PSU's, ECGC and New India have infused capital in FY 18. New India & ICICI Lombard listed on Indian bourses in FY 17. A total of 18 companies have infused fresh capital in FY 18. A good amount of capital influx will boost better investments in technology & modernization of the industry which would be a win-win situation for both customers and insurers.

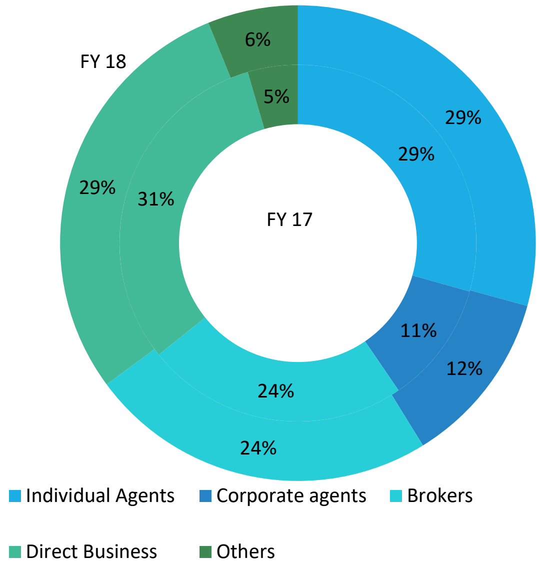
NON-LIFE INSURANCE – DISTRIBUTION CHANNELS

DISTRIBUTION CHANNEL MIX

Barring the change in the shareholding of the Corporate agents' and 'Miscellaneous (Others)' channel which has increased by 1%, there has not been a major change. The direct business channel which had the highest share last year has seen a drop of 2%. While the brokers and individual agents share has remained status-quo.

There has been a mammoth growth of 64% in the percentage of business acquired by the Miscellaneous (Others) segment which was led by AIC (82%) followed by the Corporate agents' segment (22%). The broker channel has seen a growth of 18%.

CHART 6.29
Distribution channel Mix

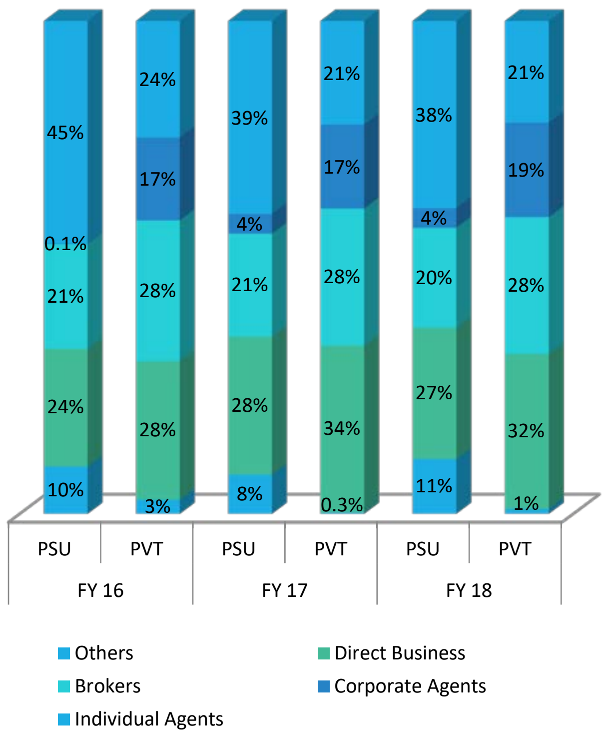


In case of the **PSU insurers**, the individual agency channel (38%) stands tall over the years to be the most dominant channel of distribution followed by the Direct business channel which is catching pace with 27% share. The Miscellaneous (Others) channel has seen a jump of 3% taking it to 11%; [82% of their business has been from AIC].

The percentage of business acquired by the brokers has decreased by a tad to 20%. The corporate agents share remains status-quo at 4%. The direct business channel has taken a hit in FY 18 for both the PSU and the private insurers.

In case of private insurers, the direct business channel (32%) continues to be the most dominant channel of distribution followed by brokers with 28% share.

CHART 6.30
Channel Mix Across Insurers



There is no business coming in from the Individual or corporate agents' channel for the specialized PSU's viz. AIC & ECGC. Similarly, they are yet to open their accounts with the 3 new entrants viz. Acko, Go Digit and Edelweiss.

Insurance companies are effectively using technology to meet customer demands. In the last few years, online insurance aggregators, email and social marketing, website sales, tele-assist based direct sales have established themselves as key digital marketing and distribution channels. The insurers are in constant search of potential and alternative channels to increase their business. Some of the insurers have partnered with MISP's, supermarkets and affinity groups in the form of joint-ventures or in-store sales, tapping the urban population; while the IMF's and PoSP's are helping the insurers in penetrating the rural markets.

INDIAN LIFE INSURANCE INDUSTRY

LIFE INSURANCE INDUSTRY GROWTH

CHART 7.1
Life Insurance Premium Growth (INR Crore)

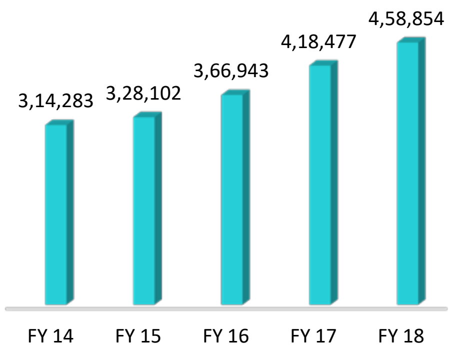


CHART 7.2
Life Insurance Premium Break-up

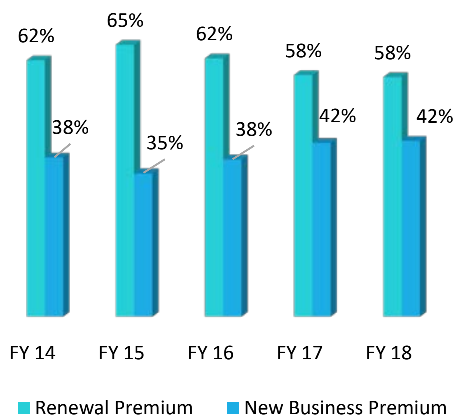
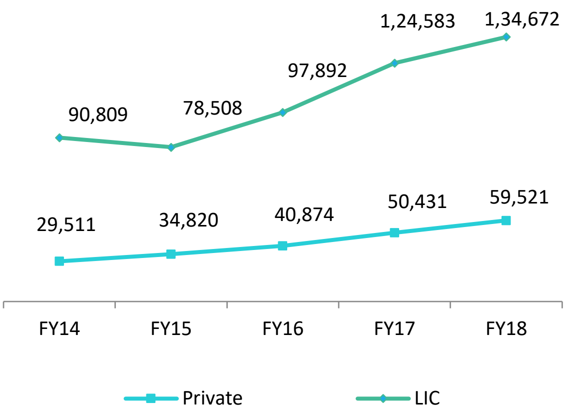


CHART 7.3
Premium Growth LIC Vs. Pvt.
New Business Premium Growth (INR Crore)



The last few years have seen several Indian insurance companies getting listed on the stock exchange, of which 3 are life insurance companies and the 4^{th} is in the pipeline. With IRDAI's willingness to allow Private Equity and Venture Capital Investments in the industry, the new source of capital may give a good boost to the industry. This may trigger the entry of technology driven 'life insurance startups', supported by PE and VC investors as promoters.

In FY 18, the growth in the life insurance industry slowed down to 10% with a premium of INR 458,854 Cr ($ 71 Bln). The premium from the new business income was INR 194,193 Cr ($ 30 Bln) and this segment grew at 11% while the renewal business premium segment grew at 9%. In the new business segment, the group segment constitutes 52% of the total premium and grew at 5% while the individual business segment constitutes 48% and grew at 19%. There was a slowdown in the growth primarily due to low interest rates. The effects of demonetization were visible in the first 2 quarters of FY 18 as well.

According to the sigma report by Swiss Re, while the life insurance penetration has increased marginally to 2.76% in FY 17 from 2.72% in FY 16, the density of the life insurance segment has increased to $ 55 in FY 17 from $ 47 in FY 16.

The growth drivers in this segment are:

- Favorable Demography
- Increase in Disposable Income
- Increased Life Expectancy
- Increased Employment opportunities
- Digital transformation
- Favorable Regulatory and government policies

The Challenges in this segment are:

- Lack of trained personnel
- Lapse ratio in renewals
- Low financial literacy and poor access to financial services
- Competition

TABLE 7.1
LIFE INSURER PROFILE

Company	Year of Inc	Shareholding		New Business Premium (INR Cr)		Market Share (%)		Growth (%)	
		Indian	Foreign	FY 18	FY 17	FY 18	FY 17	FY 18	FY 17
LIC	1956	Govt. of India	None	134,552	124,396	69.4%	71.1%	8.2%	27.4%
HDFC Standard	2002	HDFC	Standard Life	11,349	8,696	5.9%	5.0%	30.5%	34.0%
SBI Life	2001	State Bank of India	BNP Paribas	10,965	10,146	5.7%	5.8%	8.1%	42.8%
ICICI Prudential	2000	ICICI Bank Ltd.	Prudential Corporation	9,118	7,863	4.7%	4.5%	16.0%	16.2%
Max Life	2000	Max Financial Services	Mitsui Sumitomo	4,348	3,667	2.2%	2.1%	18.6%	27.3%
Bajaj Allianz Life	2001	Bajaj Finserv	Allianz SE	4,291	3,290	2.2%	1.9%	30.4%	14.1%
Kotak Mahindra	2001	Kotak Mahindra Bank	Old Mutual	3,404	2,850	1.8%	1.6%	19.5%	29.0%
Birla Sun Life	2001	Aditya Birla Group	Sunlife	2,663	2,535	1.4%	1.4%	5.1%	14.1%
Tata AIA Life	2001	TATA Group	AIA Group	1,489	1,131	0.8%	0.6%	31.6%	52.8%
DHFL Pramerica	2008	DHFL	Prudential International Insurance Holdings	1,450	877	0.7%	0.5%	65.4%	20.8%
PNB Met Life	2001	Punjab National Bank, J&K Bank, M. Pallonji & Co.	Metlife	1,427	1,150	0.7%	0.7%	24.1%	14.6%
India First	2009	BOB, Andhra Bank	Legal & General	1,425	1,671	0.7%	1.0%	-14.7%	13.0%
Canara HSBC OBC	2008	Canara Bank, OBC	HSBC	1,227	983	0.6%	0.6%	24.9%	14.4%
Reliance Life	2011	Reliance Capital	None	916	1,052	0.5%	0.6%	-12.9%	-32.5%
IDBI Federal Life	2008	IDBI, Federal	Ageas	833	794	0.4%	0.5%	5.0%	34.9%
Shriram Life	2005	Shriram group	Sanlam	816	739	0.4%	0.4%	10.4%	4.7%
Exide Life	2001	Exide Industries	None	760	865	0.4%	0.5%	-12.1%	37.1%
Bharti Axa Life	2006	Bharti Group	Axa Insurance	731	609	0.4%	0.3%	20.0%	12.9%
Star Union Dai-Ichi	2007	BOI, Union Bank	Dai-chi	701	700	0.4%	0.4%	0.1%	7.0%
Future Generali	2007	Future Group, IITL	Generali Group	582	400	0.3%	0.2%	45.6%	56.5%
Edelweiss Tokio	2010	Edelweiss Financial Services	Tokio Marine	343	228	0.2%	0.1%	50.1%	24.2%
Aviva Life	2002	Dabur	Aviva Group	326	244	0.2%	0.1%	33.5%	-24.0%
Aegon Life	2008	Bennett Coleman	Aegon	147	91	0.1%	0.1%	60.9%	-32.9%
Sahara Life	2004	Sahara Group	None	4	45			-90.5%	2.9%

INDIAN REINSURANCE INDUSTRY

INDIAN REINSURANCE MARKET

The Non-Life Insurance market in India is recording phenomenal growth, having achieved a GDP of INR 150,708 million ($ 23 Bln) in FY 18. This represented a YoY growth of 17.5% over the previous year, and a further 12% to 15% growth is expected in FY 19 to reach a GDP of INR 1,700,000 million ($ 26 Bln).

The main driver of this growth is the Agriculture segment, which contributed around INR 200,000 million to the total premium base in FY 2017. With the government's stated target of covering 50% of all agricultural activity under the insurance umbrella, this sector is likely to maintain its upward trajectory. These huge additional exposures have resulted in the reduction in gross retained premium percentages and increase in the volume of reinsurance support required.

The growth in the GDP of the Agricultural portfolio is as follows:

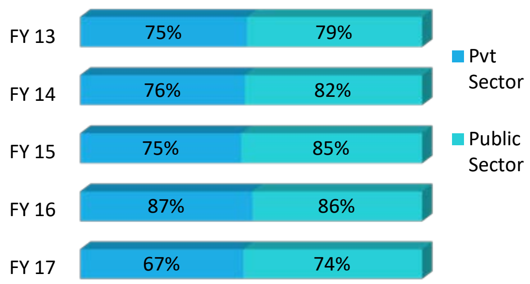
TABLE 8.1

Figures (INR Cr)	FY 16	FY 17	FY 18
Total Agri Premium	5,309	20,611	24,352
Total Insurance Premium	96,376	1,27,631	1,50,708
Agri as a % of Total Premium	6%	16%	16%

This boom in agricultural premiums has to a great extent been responsible for the significant dip in the percentage of GDP retained in India, since domestic capacity in this specialized class of business was soon exhausted. This reduction is in direct contrast to the trend in previous years, where the premiums retained as a percentage of GDP had increased steadily and consistently, as can be seen from the table below:

CHART 8.1

Retention Ratios - PSU Vs. Pvt.



Public Sector retentions dipped from 86% to 74% whereas Private Sector reduced from 87% to 67%. A line-wise breakdown shows that the reduction in retention in Fire, Cargo, Motor and Engineering has been marginal, and in fact, in Aviation it has increased significantly. However, for Miscellaneous Accident (which includes Agriculture), the retention is down from 81% in FY 16 to 64% in FY 17, dragging the overall market retention down from 80.88% to 70.86%, as is seen in the table below:

TABLE 8.2
NET RETAINED PREMIUM ON INDIAN BUSINESS AS A PERCENTAGE OF GROSS DIRECT PREMIUM (EXCL GIC)

Class	FY 15			FY 16			FY 17		
	PSU	PVT	Total	PSU	PVT	Total	PSU	PVT	Total
Fire	63.76%	31.31%	50.94%	62.00%	30.96%	48.70%	60.72%	25.47%	44.40%
Marine Cargo	84.12%	65.41%	75.44%	81.62%	67.18%	74.01%	83.04	63.12%	72.35%
Marine Hull	26.15%	8.71%	24.53%	28.50%	10.45%	26.62%	11.57%	10.26%	11.48%
Motor	95.30%	89.17%	92.04%	94.68%	88.62%	91.46%	89.23%	87%	88.04%
Engineering	69.24%	26.62%	55.73%	63.30%	26.52%	51.40%	63.86	25.20%	50.46%
Aviation	10.45%	50.77%	18.25%	1.22%	60.09%	13.42%	9.59%	54.91%	21.54%
Miscellaneous	86.23%	68.16%	78.60%	88.22%	69.01%	81.00%	69.79%	55.58%	64.01%
Total	**84.74%**	**75.24%**	**80.34%**	**85.71%**	**86.78%**	**80.88%**	**73.92%**	**67.19%**	**70.86%**

At the same time, the government is trying to minimize the outflow of reinsurance premiums outside the country, through a twin-pronged strategy. The effort has been to encourage domestic Insurers to increase their Net Retained Premiums, and at the same time to enhance capacity through a larger and stronger reinsurance capability onshore. This latter policy was introduced in 2015, and since then, a number of amendments have been proposed and implemented to attract international reinsurers to set up shop in India. As against 7 licenses that had been approved in FY 17, the number has gone up to 11 in FY 18.

The list of reinsurers operating in India currently is as follows:

Whilst it will still take a while to achieve the status of an alternate international reinsurance hub, the markers are certainly headed in that direction. To give an impetus to this domestic reinsurance capacity, the Regulator had required all cedants to start following the "Order of Preference" on every facultative and treaty transaction from Jan-17 onwards. The split of Reinsurance business placed within India and premiums exported can be seen in the table below.

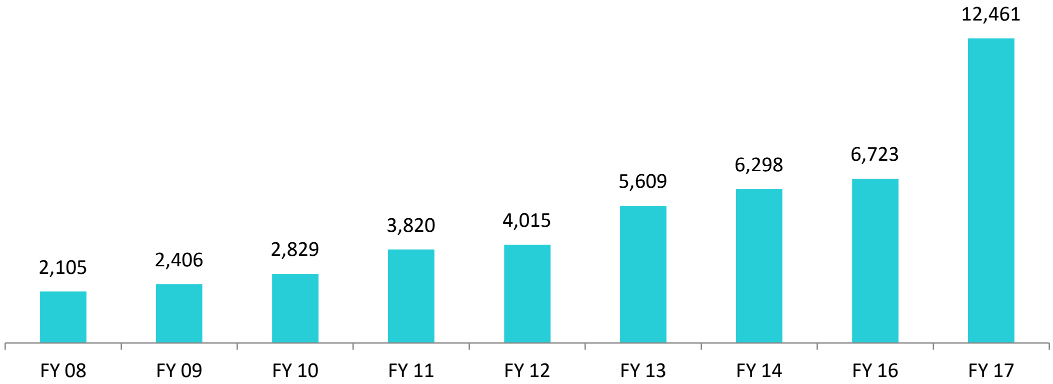
TABLE 8.3
RE-INSURANCE PLACED WITHIN INDIA AND OUTSIDE INDIA AS A PERCENTAGE OF GROSS DIRECT PREMIUM (EXCL GIC)

Class	FY 15		FY 16		FY 17	
	Placed in India	Placed outside India	Placed in India	Placed outside India	Placed in India	Placed outside India
Fire	29.86%	28.98%	36.68%	24.82%	36.84%	29.06%
Marine Cargo	9.34%	16.90%	13.24%	14.96%	13.89%	15.58%
Marine Hull	21.89%	59.70%	37.50%	42.73%	54.27%	37.76%
Motor	8.35%	0.20%	8.93%	0.26%	10.50%	1.59%
Aviation	36.95%	57.86%	71.97%	32.26%	54.30%	48.40%
Engg	27.24%	27.30%	34.75%	23.74%	31.17%	27.08%
Misc.	12.14%	11.09%	12.04%	8.19%	24.84%	12.38%
Total	12.76%	9.31%	14.06%	7.23%	20.62%	10.23%

It will be observed that the domestic reinsurers had absorbed 12.76% of GDP in FY 2015, but this figure had risen sharply to 20.62% by FY 2017. Paradoxically, though the percentage of GDP retained had nearly doubled, the premiums available to overseas reinsurers, also known as Cross Border Reinsurers (CBRs), has gone up in real terms, due to the substantial increase in the overall premium base.

CHART 8.2

Reinsurance Premium Ceded Outside India on Indian Business (Figures in INR Crore)



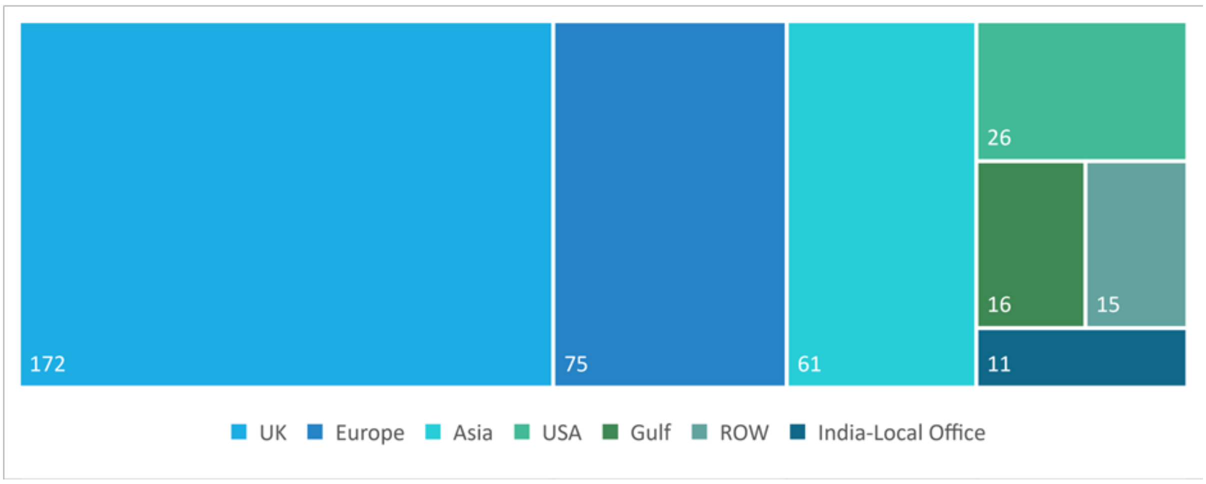
From the graph above, it is clear, that in terms of monetary amounts, the reinsurance premiums exported to CBRs showed a modest increase in the 8 years preceding FY 2017. This last year, however, saw a quantum leap in that number, climbing from INR 67,230 Mln ($ 1 Bln) to INR 124,610 Mln ($ 1.9 Bln) in that 12-month period. Yet again, the major driver of this phenomenon was Agriculture, as demonstrated below:

TABLE 8.4

REINSURANCE CEDED OUTSIDE INDIA ON INDIAN BUSINESS LINE WISE (EXCL GIC) (INR Cr)			
Class	**FY 15**	**FY 16**	**FY 17**
	Premium ceded	**Premium ceded**	**Premium ceded**
Fire	2,220.44	2,110.66	2,540.91
Marine Cargo	375.84	317.58	334.03
Marine Hull	628.55	389.34	693.66
Motor	73.01	106.36	749.82
Aviation	242.14	138.02	171.24
Engg	646.75	562.30	615.91
Misc.	3,021.31	3,098.76	7,355.42
Total	**7,208.05**	**6,723.03**	**12,460.99**

While the figures for premiums exported in Fire, Cargo and Engineering are steady (Aviation is reduced as discussed earlier) in Miscellaneous Accident, which includes Agriculture, the figure explodes from INR 30,988 Mln ($ 0.5 Bln) in FY 2016 to INR 73,554 m ($ 1.1 Bln) in FY 2017. It is interesting to see the spread of markets that provide the required capacity.

CHART 8.3 - PROFILE OF REINSURERS PARTICIPATING IN THE INDIAN MARKET



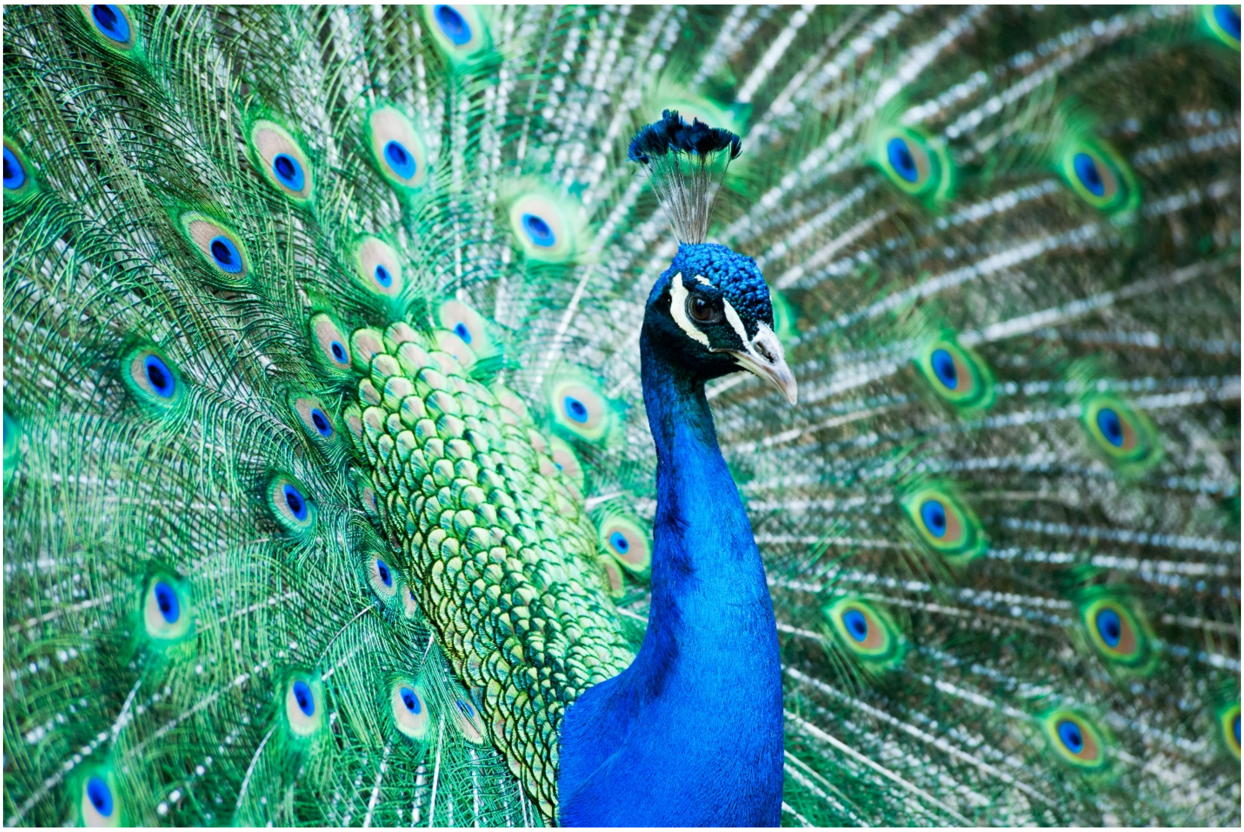
OUTLOOK for 2019

Major outlays have been announced for public Health Insurance in India, and this sector is expected to boom on the lines of the Agriculture experience, with premiums from the Health portfolio being slated to exceed INR 360,000 Mln ($ 6 Bln). Bearing in mind that the Agriculture portfolio is projected to contribute a further INR 300,000 Mln ($ 5 Bln), the overall premiums in the Indian market could reach INR 1,700,000 Mln ($ 26 Bln).

2019 is the year of the next General Election, and it is typical to see increased Government spending on infrastructure and large value projects, so the demand for reinsurance capacity will continue to increase in the Construction space. Liability also continues to require both international capacity and know-how, with demand increasing for new generation products like long term PI and Cyber Crime.

Proportional covers, particularly in the Property classes of business are still indispensable, and with natural peril losses continuing, CAT capacity remains in demand. In fact, many companies are now investing in CAT modelling, giving a further boost to requirement for CAT covers. CAT Mapping is, however, still in the process of being developed, and currently is a challenge for reinsurance pricing. The last year has seen two major Nat Cat events.

The estimate for insured losses from the Mumbai floods in August 2017 is to the tune of INR 5,000m ($ 77 Mln). The more recent floods in Kerala in August 2018 have also been severe, though it is too early to put any figure to the size of this loss. As a result, original pricing for Nat Cat covers should not be under pressure for the time being, and the gentleman's agreement on terms for these extensions in the market should hold for a while.



GIC Re- PERFORMANCE ANALYSIS

Much of the reinsurance capacity required still comes from GIC, who lead almost all the proportional programmes, and many of the Non-proportional protections. The recent growth in the Indian market is mirrored in the growth of Net Premiums of the national reinsurer.

TABLE 8.5
KEY FINANCIALS OF GIC Re (In INR Cr)

	2013-14	2014-15	2015-16	2016-17	2017-18
Net Premium	13,213	13,857	16,375	30,175	37,634
Net earned premium	13,609	13,558	15,173	26,715	38,096
Net Incurred claims	12,107	11,892	12,900	21,646	32,954
Net Commission	2,449	2,784	3,490	5,404	6,370
Operating Expenses	178	159	181	240	216
Investment income	2,568	3,025	2,805	3,055	3,834
Profit after tax	2,253	2,694	2,848	3,128	3,234
Combined Ratio	109%	109%	107%	100%	104%
Solvency Margin	3%	3%	3%	2%	2%

FY 18 has been quite eventful for GIC Re which was listed on the Stock Exchanges on 25th October 2017 and has been ranked as 47th among the top 500 companies by market capitalization. GIC Re completed its Initial Public Offer (IPO) consisting of Offer for Sale (OFS) of 107,500,000 equity shares by the Government of India and fresh issue of 17,200,000 equity shares respectively of face value INR 5 each. Post IPO, the Central government holds 86% of the shares and the balance 14% is held by the public at large. Of this 14%, institutions hold 12% of the shares [insurance companies (9%), Banks/FI (2%) and MF (1%)] while the balance 2% is held by individual shareholders. The shares were listed on National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) on 25th October 2017.

The Global rating agency A M Best reaffirmed the Financial Strength Rating of "A- (Excellent)" and issuer credit rating of "a-" of GIC Re for the 11th continuous year.

GIC Re has now received approval to set up its own syndicate in the Lloyds of London and has been allowed to start underwriting business from 1st April 2018. **'GIC Syndicate 1947'** is being run by Pembroke-a speciality provider of Lloyds managing agency services.

GIC RE – BUSINESS COMPOSITION

GIC Re is the 10th largest international reinsurer group based on Gross Written premium. It continues its growth trajectory in FY 18 by reporting higher premium & net profit. The net profits grew by 3% during FY 18. However, the underwriting results for the year were impacted due to major catastrophic events across the world and accordingly underwriting loss for FY 18 increased to INR 1,497 Cr ($ 230 Mln) vis-à-vis INR 606 Cr ($ 93 Mln) in FY 17.

CHART 8.4
Business Composition - Earned Premium

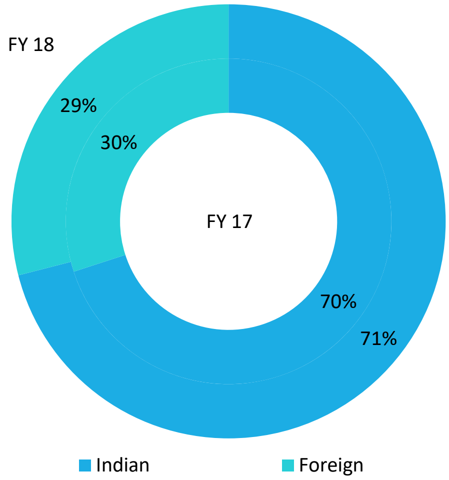


CHART 8.5
Indian Business Composition Segment wise

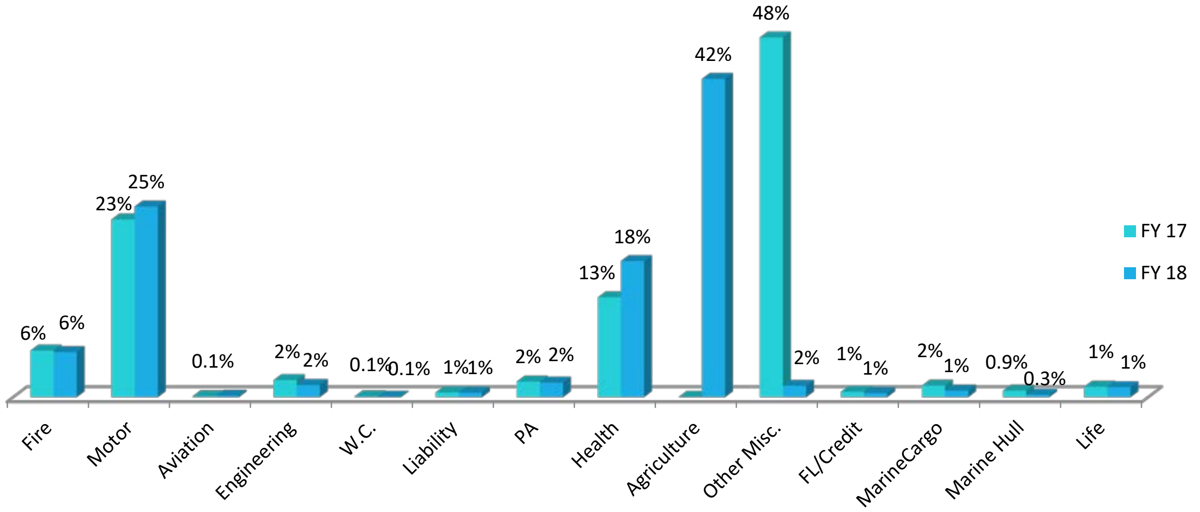
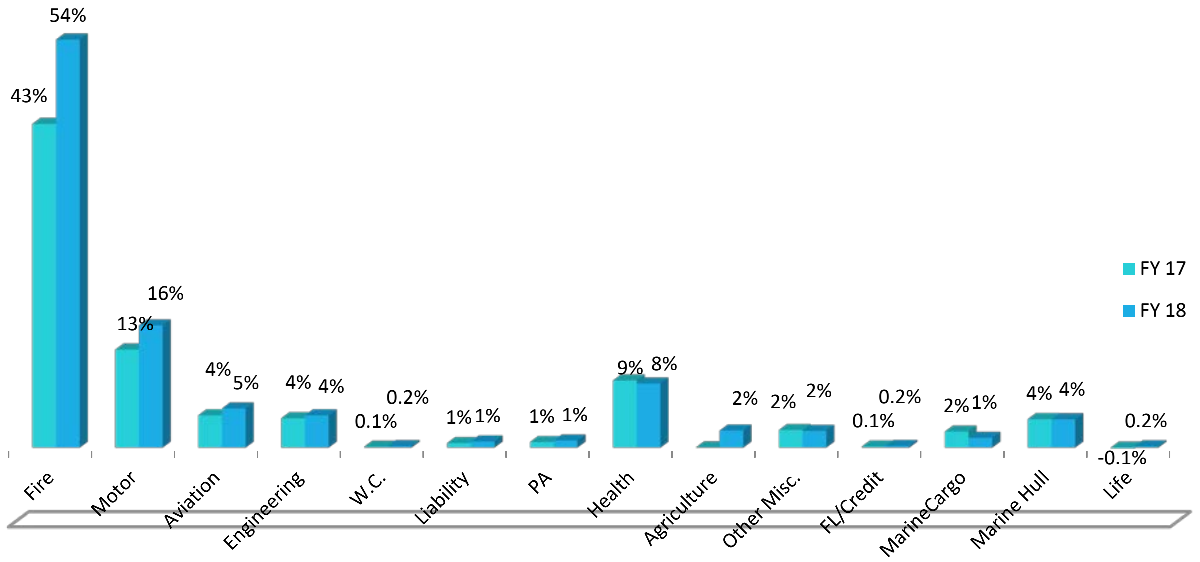


CHART 8.6
Foreign Business Composition Segment wise



GIC RE – CLAIMS TREND

CHART 8.7
Indian Business - Claims Ratio Trend

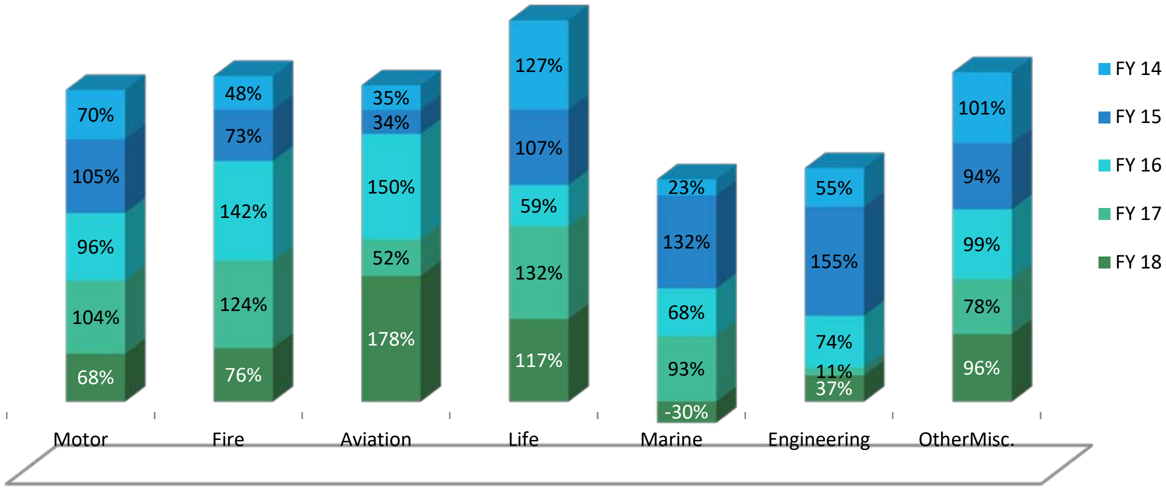
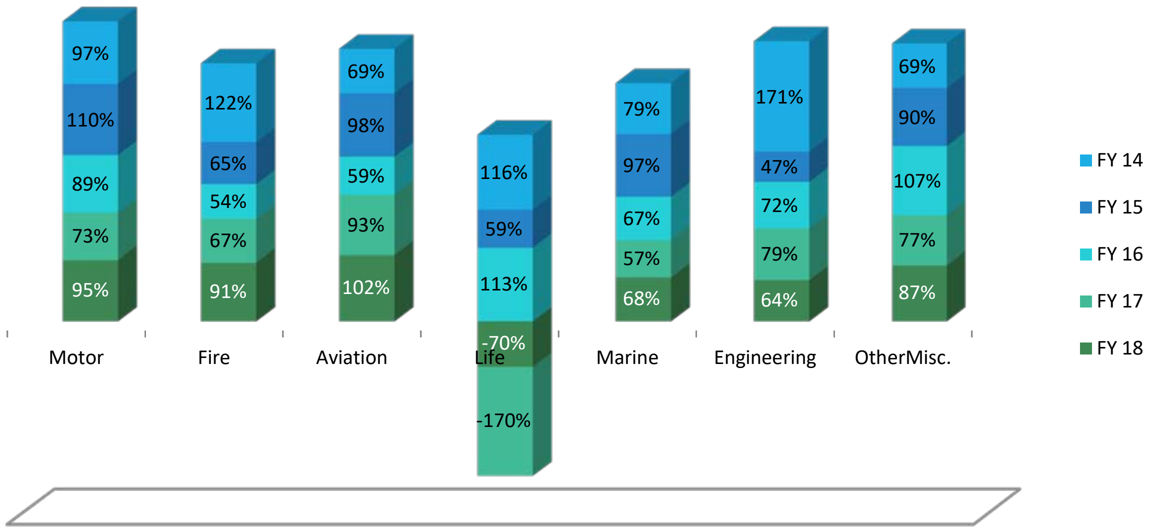


CHART 8.8
Foreign Business - Claims Ratio Trend



Terrorism Pool

The Indian Market Terrorism Risk Insurance Pool has completed 16 years of successful operations. The capacity offered by the Pool is currently at INR 2,000 Cr ($ 307 Mln) per location for terrorism risk.

The Pool's premium income for FY 18 was INR 533.93 Cr ($ 82 Mln) and Claims paid by the Pool during FY 18 were INR 19.46 Cr ($ 3 Mln). No major losses were reported to the Pool during 2017-18.

WHAT NEXT?

VIEWPOINT

Over the past 4 years, the government of India has given a massive push to the insurance industry by launching a series of insurance products, the latest being the 'Ayushman Bharat-National Health Protection Mission' (AB-NHPM) scheme. Despite this, the insurance penetration has grown only marginally from 3.3% in FY 14 to 3.7% in FY 17.

Ayushman Bharat Scheme is expected to do to the health insurance industry what PMFBY scheme did to the crop insurance industry-exponential growth in premium volume & enhanced insurance penetration. However, there seem to be a lot of challenges in its implementation like administrative issues, poor healthcare infrastructure, lack of uniformity in the hospital procedures, uneven distribution of the human resource in the health care sector, political fallout, etc.

Another grave problem faced by the health insurance segment is that of fraudulent claims & high claims ratio. The health insurance portfolio is bleeding, and poor implementation of the scheme will lead to further losses. Having a strong operational system to keep a check on the functioning of the scheme is a must for the successful implementation of the scheme.

The out-of-pocket expenditure on healthcare in India is significantly high compared to other countries. But, the government healthcare spending is more focused on benefitting the low income and the BPL segments. There is a significant increase in the lifestyle and communicable diseases. The medical inflation point is one which needs serious deliberations since it leads to indebtedness among the poor and middle-class population.

The time has come for the government to think of having a separate regulator for the Healthcare industry to keep a check on the healthcare costs.

Despite the pressing need for insurance, only 34% of the population have a health insurance policy in the country. Low penetration and under insurance are serious issues which need to be addressed. Illiteracy too adds to the woes of the industry.

The industry needs to come out with a way to bring the uninsured under the insurance net. Right campaigning and enlightening the people about the technical aspects, the rising medical costs, the details of products & its benefits might provide some respite.

The insurers need to offer innovative & mindful product at a right price. This coupled with an efficient and foolproof service mechanism would prove helpful. To increase penetration, the insurers could offer to incentivize the insured in the form of offering discounts, providing free check-ups, encouraging healthy lifestyle, etc. Technology should be leveraged in best possible way to expand reach, and provide value added services to customers. There is a need to tap the uninsured segment of the population.

The health insurance industry will continue to form a significant portion of the industry pie; however, focused marketing & operational efficiency can ensure that the segment also becomes the source of profitability to the industry.

APPENDIX

REGULATORY CHANGES IN FY 2017-18

NON-LIFE INSURANCE

IRDAI issued Guidelines on Motor Insurance Service Provider (MISP)

IRDAI has issued new guidelines for automobile dealers who sell insurance on behalf of insurance companies. The new guidelines have come into force from November 1, 2017.

The highlights are:

- The MISP shall be sponsored by either insurer or an insurance intermediary. An insurance intermediary appointed MISP, shall work for the number of insurers as allowed under the respective regulations governing the intermediary.
- The sponsoring entity(ies) shall be responsible for all acts of omission and commission of the MISP.
- IRDAI has formulated a set of guidelines for MISPs with respect to their appointment by insurer or insurance intermediary, training, renewal of permission and review of operations.
- IRDAI has set out a specific code of conduct for the sponsoring entity, its employees and MISP.
- According to the set code of conduct for MISP, the MISPs will have to offer a choice of motor insurance policies of different insurers and inform the prospect of the premium rates of different insurers. The MISP will have to obtain consent of the customer while issuing the policy and provide a copy in electronic form. They cannot deny the prospect to seek for insurance policy from any insurer or insurance intermediary.
- MISPs wouldn't interfere in the appointment and assessment activities of surveyors and loss assessors. They are not allowed to directly or indirectly influence the claims to inflate their own revenue. Also, in cases where the MISP offers a cashless service, they shall not discriminate between policyholders who have bought insurance policies from them.
- Further, the insurer will have to intimate the policy holder directly regarding the initial estimate of the loss and the final amount for which the claim was settled.
- It also provides details of distribution fees payable to MISP by an insurer and insurance intermediary.
- The existing automotive dealers who hold intermediary license/certificate of registration won't be allowed to distribute and service motor insurance policies. In order to distribute and service motor insurance policies, they will have to surrender the existing license and necessarily become MISPs.

IRDAI directed insurers to ensure easy availability of motor cover

IRDAI has directed insurance companies to ensure easy availability of motor third party liability only policy. It has asked insurers to co-operate with the police authorities to facilitate issue and renewal of third-party liability policy to owners of the vehicles without third party cover.

IRDAI directed insurance companies to not reject claims on grounds of genetic disorder

IRDAI vide its letter dated 19th March 2018 has directed all the insurance companies offering health insurance that no claim in respect of any existing health insurance policy shall be rejected based on exclusions related to 'Genetic Disorder'. It should not be excluded in the new products launched and/or filed under the provisions of Guidelines on product Filing in Health insurance business.

IRDAI vide its order dated 28th March 2018 revised the Motor TP Liability insurance premium

IRDAI vide the said order has revised the Motor Third Party Liability insurance premium rates for a few categories of vehicles. The new rates would be effective from 1st April 2018. IRDAI has advised insurance companies to ensure that the motor third party liability insurance is made available at their underwriting offices and through all available channels of distribution. The detailed rates of premium based on the category of the vehicle is mentioned in the said circular issued by IRDAI.

REINSURANCE

IRDAI directed insurers to strictly follow order of preference for reinsurance contracts

IRDAI has directed the insurance companies to strictly adhere to the order of preference while giving out reinsurance contracts to avoid any regulatory action. Currently, the order followed is that first preference is given to an Indian reinsurer having a prescribed credit rating, followed by branches of foreign reinsurers.

Central Government approved Obligatory cession to Indian Reinsurers for the FY 2017-18

IRDAI vide its circular dated 20th September 2017 communicated to all the general, Health and Exempted Insurers the obligatory cession approved by the Central Government to Indian Reinsurers for 2017-18, which is mentioned below: -

1. Obligatory cession for 2017-18 would be at 5% for all classes of business
2. For the purpose of obligatory cession, there would be no sum-insured limit in any line of business
3. Commission and Profit Commission as specified in the 2016-17 notification would continue to be the same for 2017-18 Obligatory cession

The percentage of sharing of obligatory cession between the 2 Indian reinsurer would be notified shortly.

IRDAI's proposal to exempt certain reinsurance schemes approved by GST Council

IRDAI vide its circular dated 27th March 2018 has informed that the proposal to exempt reinsurance schemes in respect of specified insurance schemes has been approved by the GST council on 18th Jan 2018 on the condition that the benefit of reduction in the premium on such insurance schemes, must be passed on to the beneficiaries and the state and central exchequers. If the necessary benefit is not passed on by the insurers, suitable action may be initiated against them with National Anti-Profiteering Authority under section 171 of the CGST Act.

A detailed list of the insurance schemes which are exempt under GST and whose reinsurance have also been exempted is there in the said circular. Some of them being, Janashree Bima yojana, Varishtha pension Bima Yojana, RSBY, PMSBY, PMJDY, PMFBY, PMVVY, Janata Personal Accident Policy, Hut insurance scheme, etc.

INSURANCE INTERMEDIARIES

IRDAI directed insurers & insurance intermediaries to upload point of sales persons data

Insurers and insurance intermediaries have been directed to share details of the Point of Sales Persons (POS) engaged by them with the Insurance Information Bureau of India to ensure that such representatives deal only with their products. The IRDAI has issued a circular in this regard advising the companies and intermediaries to upload the existing database of their POS. It also referred to the recent amendments in the guidelines on the POS, especially the clause making it mandatory for all insurers and intermediaries to cross check with the Bureau's database before engaging a POS. This is to ensure that the applicant is not engaged as POS with any other insurer or insurance intermediary. The circular said that besides uploading the database on the designated portal, they should start using the functionalities of the POS portal and upload details of new POS enrolled by them as stipulated in the guidelines from April 15.

IRDAI modifies Guidelines on Point of Sales (POS) – Life Insurance Products

IRDAI vide its circular dated 4th August 2017 issued the following changes to the 'Categories of POS Products':

1. IRDAI included the Non-linked, Non-par Health Insurance products with fixed benefits to the categories of POS Products.
2. IRDAI relaxed the upper limit of 'Sum Assured on death': - Earlier the limit was capped up to INR 25 lakhs ($ 38,435) (excluding ADB Rider). Going forward there would be No Limit to the maximum sum assured on Death. This is applicable with immediate effect.

IRDAI amended IRDAI's (Payment of commission, remuneration or reward to Ins Agents / Intermediaries) Regulations 2016

The Second amendment regulations on IRDAI's (Payment of commission, remuneration or reward to Ins Agents / Intermediaries) Regulations 2016 has been notified on 10th October 2017 and the details are mentioned below:

- *Health Ins: For Health – Govt. Scheme* – maximum commission payable would be as specified in the gazette notification. IRDAI has added a separate schedule – schedule IV which contains 'Rules governing the insurance marketing firm'.

- *Motor Ins:* From 4th year of registration of the automobile vehicle (other than 2 wheelers), an additional 2.5% commission would be payable on Motor TP part of the Motor (comprehensive) policy. A higher commission i.e. 17.5% be paid for two-wheeler policy (for 1st 3 years. From 4th year, it would be 17.5% + 2.5%.

The amended regulations are applicable w.e.f. 1st November 2017.

IRDAI issued (Insurance Web Aggregators) Regulations, 2017

With the issuance of the new regulations the 2013 regulations stand repealed. Key changes are:

- All kind of insurance products can be sold on the portal
- Ticket size of the policies has been increased
- Remuneration in the form of reward allowed even on zero-commission policies
- Net worth revised to INR 25 lakhs ($ 38,435)

There are a few minor changes in the clauses pertaining to corporate governance, conflict of interest, intermediary registration, remuneration, etc. These Regulations have come into force on 13th April 2017.

IRDAI issued IRDAI (Insurance brokers) regulations 2018

IRDAI laid down a detailed procedure pertaining to broker registration; renewal of certificate of registrations; functions of the direct broker, reinsurance broker and composite broker; and other important and required compliances for the functioning of brokers as intermediaries.

Key Highlights:

- The limit for claim consultancy has been increased to INR 10 Cr ($ 2 Mln). The insurance broker may undertake claims consultancy for a claim exceeding the prescribed limit, with the prior approval of IRDAI
- A detailed policy regarding outsourcing activities undertaken by an insurance broker has been given. IRDAI has stipulated certain functions including risk management and claims consultancy which cannot be outsourced by an insurance broker to a third party. A board approved outsourcing policy is a must for a broker
- Risk management services can be undertaken by a broker by charging fees
- Compliance with e-commerce Guidelines and Web-Aggregators Regulations while dealing with on-line sales is a must
- Composite and reinsurance brokers are required to enter into Terms of Business Agreement with the (re)insurer setting out the minimum terms as prescribed under the regulations.
- Minimum capital required for Direct broker: INR 75 lakhs ($ 115,306) Reinsurance Broker: INR 4 Cr (0.6 Mln) and Composite Broker: INR 5 Cr ($ 1 Mln).

OTHER IMPORTANT REGULATORY CHANGES

IRDAI issued Guidelines on Information and Cybersecurity for insurers

IRDAI issued Guidelines on Information and Cybersecurity for Indian insurers mandating the insurers to appoint/ designate a Chief Information Security Officer (CISO) by 30th April 2018. The CISO would articulate and enforce policies to protect the company's information assets and would also be responsible for providing advice and support to management and information users in the implementation of information and cyber security policy. IRDAI further added that all the insurance companies would have to put in place a cyber crisis management plan by 30th June 2018. The insurers are also required to finalise a Board approved Information and cyber security policy for the company by 31st July 2018. The first comprehensive assurance audit of information and cyber security framework would have to be completed and report submitted to IRDAI by 31st March 2018.

IRDAI launches web portal for insurers

IRDAI has launched a web portal for insurers that will allow them to register and sell policies online which is also open to intermediaries in insurance business. Announcing the launch of registration portal for insurance self-networking platform (ISNP), IRDAI said insurance companies, brokers and corporate agents can sell and service insurance policies through this platform. Insurers and intermediaries can create a login credential for registration and submit ISNP application form on the portal. In its guidelines issued in March, IRDAI had said that companies may offer discounts to customers if their policies are sold through e-commerce websites.

IRDA issues new outsourcing guidelines for insurers

IRDAI vide the said guidelines has clearly defined the areas of work that should be done in-house and those which can be outsourced to third-parties. Where the activity outsourced is assessed as Material as per Annexure I, IRDAI has made it clear that such activities should be outsourced only to the outsourcing service provider stipulated by it in the said guidelines. Vide the said regulations, insurers are prohibited from outsourcing any of the following activities:

- Investment and related functions
- Fund management including NAV calculations
- Compliance with AML & KYC (KYC verification through third party is allowed)
- Product designing, all actuarial functions and enterprise-wide risk management;
- Decision making in Underwriting and Claims functions excluding procedural activities related to payment of Survival Benefit claims in Life Insurance;
- Policyholders Grievances Redressal;
- Decision to appoint Insurance Agents, Surveyors and Loss Assessors;
- Approving Advertisements

The new regulations are applicable w.e.f. 20th April 2017 and shall supersede the guidelines issued earlier. However, these norms are not applicable to re-insurers. If an Insurer is engaged in both direct Insurance as well as Reinsurance business, these regulations are applicable only in respect of direct Insurance business of such Insurers.

IRDAI issued IRDAI (Appointed Actuary) Regulations, 2017

The said regulations are applicable with immediate effect and supersede the regulations laid down in the year 2000. The said regulations provide in detail the provisions pertaining to duties and obligations of an appointed actuary, his powers and the provisions for existing Appointed Actuaries as on the date of notification of these regulations. Appointed Actuaries (AAs) are entrusted with the responsibility of maintaining solvency position of the Company. The AA needs to ensure that the premium rates of the products are fair. In addition, the AA can seek any information from any officer or employee of the insurer. The AA will be entitled to attend all meetings of the management including the directors of the insurer. The AA would enjoy absolute privilege to make any statement, oral or written, which would be required for the purpose of, the performance of his functions as appointed actuary.

IRDAI has issued circular pertaining to pricing in case of Put or Call options in JV Agreements.

The Reserve Bank of India had, vide amendment Notification No. FEMA 294/2013-RB dated 12th November 2013, permitted the optionality clause (put and call options) in contracts. The Government of India, in consultation with the Reserve Bank of India, has clarified that any Agreement with "options" entered into prior to 12th November 2013 is in contravention of FEMA Regulations. In this context some insurers had approached IRDAI seeking clarification as to whether the existing contracts with optionality clauses, entered prior to the notification of the above amendment comply with the FEMA stipulations. In view of the above, IRDAI vide the said circular states that, “All insurers who have Joint Venture Agreements with foreign entities should examine whether they have option clauses therein and ensure that they are in compliance with the FEMA Regulations, including those regarding pricing.” Insurers are further advised to furnish a confirmation of compliance with the above to IRDAI.

IRDAI notified New rules to protect policyholders

IRDAI notified the IRDA (Protection of Policyholders’ Interests) Regulations, 2017 on 30th June 2017. The new regulations define more stringent timelines for investigation and settlement of claims. Further, the 2017 regulations impose a Board-approved policy on insurers, with minimum disclosure requirements to counter mis-selling to policyholders. Separate regulations have been laid out for health policies in the new regulations. In case of a general insurance policy, the IRDAI has tightened the timelines for surveyors/ loss assessors. In case of any deviation and delay in the timelines, the surveyors are required to keep the insured informed about the progress of the report. In case of the claims in respect of health policies, they are required to be settled within 30 days from the date of receipt of the last necessary document. In cases which warrant investigation, the claim is to be settled within 45 days. In case of delay in settlement of claims, the insurer is required to pay a penal interest at the rate of 2% above the bank rate. Ambiguity in respect of the duration for which interest is required to be paid has also been cleared.

IRDAI mandates insurers to put unclaimed money in special fund for elderly

Vide this order, IRDAI mandates the insurance companies to deposit the Insurance accruals lying unclaimed for a period of over 10 years as on 30th September into a fund meant for senior citizens by 1st March 2018. IRDAI has asked insurance companies to get details of such accounts from Department of Financial Services and also seek from them the prescribed format in which the unclaimed deposits have to be submitted.

Thereafter, insurers will have to transfer the unclaimed deposits of policyholders every financial year as per the Senior Citizens Welfare Fund Rules (SCWF), 2016. The latest direction is in continuation of IRDAI's previous orders regarding unclaimed amounts of policyholders. The Centre brought in SCWF Act, 2015 as part of the Finance Act, 2015, which mandates transfer of unclaimed amounts of policyholders to the fund (SCWF) after a period of 10 years.

IRDAI directs insurers to run ICT security audit

IRDAI has directed insurers to conduct security audit of their Information and Communication Technology (ICT) infrastructure. The insurers were asked to take `immediate steps' for conducting the audit of their systems including Vulnerability Assessment and Penetration Tests (VAPT) through Cert-in empaneled Auditors, identify the gaps and ensure that audit findings are rectified swiftly. They should also firm-up their Cyber Crisis Management Plan (CCMP) for handling Cyber incidents more effectively.

Central Government issued The Prevention of Money-laundering (Maintenance of Records) Second Amendment Rules, 2017

Central government issued these rules on 1st June 2017 and IRDAI Vide its circular dated 8th November 2017 makes it mandatory to provide Aadhar card and PAN card / Form 60 for availing the financial services including insurance and also for linking the existing policies with the same. These Rules were made applicable to the Life and General insurers (including Standalone Health insurers) with immediate effect.

IRDAI issued Guidelines on Investment by Private Equity (PE) Funds in Indian Insurance Companies 2017

IRDAI has issued the said Guidelines 2017 on 5th December 2017.

Key highlights:

a. Applicable to unlisted Indian insurance companies & to the PE funds investing in such companies.
b. Allow PE funds to invest either directly in Indian insurance companies in the capacity of an investor and/or to invest through a special purpose vehicle (SPV) in the capacity of a promoter in the insurance company.
c. Foreign investment in such private equity funds will be determined in accordance with the guidelines issued by the Department of Industrial Policy and Promotion from time to time.
d. Minimum shareholding by promoters/promoter group: 50% of the paid-up equity capital of the insurance company. This requirement shall however not apply to a company where the present holding of the promoters is < 50%. In such cases the present holding of the promoters shall be considered as the minimum holding.
e. Investment by a PE fund shall be subject to compliance with the fit and proper criteria prescribed by the IRDAI.
f. Direct investment by PE Fund not more than 10% of the paid-up equity share capital in the insurance company.
g. PE fund investing through an SPV, in the capacity of a promoter will not be permitted to leave at will.
h. Lock-in period of 5 years for the SPV which invests in the insurance company and also the investors of the SPV. (Exclusion: shareholder(s) of the SPV holding < 10% capital of the SPV)
i. A PE fund through an SPV shall not be a promoter for more than one life insurer, one general insurer, one health and one reinsurer.

In addition to the requirements set out under the Guidelines, it has been expressly clarified that private equity funds shall be required to continue to comply with the applicable provisions of, *inter alia*, the IRDAI (Transfer of Equity Shares of Insurance Companies) Regulations 2015, which govern the transfer of equity shares in insurance companies, as well as the guidelines on Indian owned and controlled, as issued by the IRDAI.

IRDAI permits Indian, foreign insurers to open offshore business at GIFT IFSC

IRDAI has issued regulations for undertaking offshore insurance business from GIFT IFSC. Under the regulations, the foreign insurers have been permitted to open IFSC Insurance Offices (IIO) at GIFT IFSC, which has been notified as foreign territory by the Government of India. Foreign direct insurers (life, non-life and general) and foreign re-insurers are permitted to open office to undertake dollar-denominated business from within the IFSC in GIFT SEZ, all other Special Economic Zones in India, and foreign countries (including foreign to foreign, India to foreign and foreign to India). It would also be allowed to undertake domestic insurance and reinsurance business in line with the provisions of IRDA regulations.

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TABLES & GRAPHS LISTING

1. Tables

2. Graphs

GOVERNMENT INSURANCE SCHEMES

- **PMJDY – Pradhan Mantri Jan Dhan Yojana**
  - This scheme Ensures access to various financial services like savings bank account, credit facility, remittances facility, insurance & pension to the low-income groups.

- **PMSBY – Pradhan Mantri Suraksha Bima Yojana**
  - This is a part of PMJDY scheme, which provides Death & Accident cover (irrecoverable & total loss and partial loss) to the saving bank account holders.

- **PMJJBY– Pradhan Mantri Jeevan Jyoti Bima Yojana**
  - This is a part of PMJDY scheme, which provides life cover to the saving bank account holders, where the Sum Insured is payable to the nominee on the death of the insured.

- **PMFBY – Pradhan Mantri Fasal Bima Yojana**
  - This scheme provides insurance coverage to the farmers in the event of failure of any of the notified crop as a result of natural calamities, pests & diseases.

- **AB-NHPM - Ayushman Bharat-National Health Protection Mission scheme -**
  - This is a healthcare scheme which provides coverage to the poor, deprived rural families and identified occupational categories of urban workers' families. It covers medical and hospitalization expenses for almost all secondary care and most of tertiary care procedures. It has defined 1,350 medical packages covering surgery, medical and day care treatments including medicines, diagnostics and transport.

- **Rashtriya Swasthya Bima Yojana**
  - This was a government-run cashless health insurance programme for the unorganized sector workers belonging to the BPL category & their family members.

- **Janashree Bima yojana**
  - This scheme Provides life insurance protection cover to the rural and urban people belonging to the BPL category.

- **Varishtha pension Bima Yojana-**
  - Provides social security to the elderly (people over 60 years) against future fall in their interest income due to uncertain market conditions.

- **Janata Personal Accident Policy**
  - This is an insurance product by insurers, which offers death & permanent disability cover to individuals regardless of their profession and income.

- **Hut insurance scheme**
  - This scheme provides property insurance cover for dwellings constructed in rural areas with financial assistance from Banking/ Cooperative / Government Institutions.

ABOUT INDIA INSURE

As Pioneers in the broking industry in India, we understand that the essence of insurance broking is customer relationship based on unwavering trust, the kind of trust that assures our customers that their best interests are always kept in mind. We have consistently demonstrated that the best way to serve needs, and then to craft customized solutions is to provide superior customer support- support that is personalized, thorough and always there when our customers need it.

We provide a comprehensive array of services in the areas of insurance - property, casualty, employee benefit, reinsurance and risk management services. In addition, we have developed product specific competencies that allow us to respond to unique demands and opportunities in specific verticals.

At India Insure a dedicated team of over 150 trained and experienced personnel would be at your service in providing unique tailor-made insurance solutions and risk consulting services.

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