

ECOWRAP

INSURANCE INDUSTRY SET FOR AN OVERHAUL POST PANDEMIC: EVERY 1 IN 3 LIFE INSURANCE POLICIES IN INDIA SOLD TO WOMEN

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The Indian insurance sector has shown resilience in the COVID-19 pandemic with the dip in premiums milder and the recovery been faster. In particular, life insurance was affected during FY21 & FY22 due to the COVID-19 led pandemic, which has restricted the movement due to lockdowns, as insurance business are mostly based on the performance of the agents. During Apr-Feb, FY22, New Business Premium (NBP) of the life insurers increased by 8.4% (YTD) to Rs 2.54 lakh crore.

There are however, several interesting facets of the insurance industry emerged during pandemic that deserves special mention.

Firstly, the pandemic has made people aware not only about the indispensability of health insurance policy but also about the need to have adequate coverage, better features and seamless services. The realisation has led more people to buy new policies or port to insurers who offer better coverage and claim settlement. In FY21, the retail health insurance policies have shown a massive jump of 28.5% to Rs 26,301 crore and continued to grow in FY22 also. During Apr-Jan'22, health insurance portfolio of insurers increased by 25.9%, with rise in retail health policies of 17.3% and group policies of 30.1%.

Secondly, the death claims paid by the life insurance industry has increased by 40.8% to Rs 41,958 crore in FY21. In case of individual life insurance business, during FY21, the life insurers paid 10.84 lakh claims, with a total benefit amount of Rs 26,422 crore (46.4% growth). The ticket size of the death claims increased to Rs 2.44 lakh in FY21, compared to Rs 2.13 lakh in FY20. The rise in death claims seems due to the increased deaths during COVID-19.

Thirdly, despite digitalisation, the share of policies sold through online & web aggregators stands at 1.9% in terms of premium value and around 1.6% in terms of number of policies. The growing channel is 'Bancassurance', in which the share in premium collections has increased to 29% in FY21 from 16.6% in FY14. However, in case of private insurers the share of Bancassurance is around 55%, while LIC depends mostly on 'individual agents'. The individual agents share has been declining and is at 58% in overall industry level in terms of life insurers (Pvt: 23%, LIC: 94%).

Fourthly, in Non-Life insurance business 'Brokers' plays a significant role and their contribution in total premium increased from 21.9% in FY14 to 31.4% in FY21.

Fifthly, it is heartening to note that every 1 in 3 life insurance policies in India are sold to a women. The number of policies issued to women in FY21 is around 93 lakh policies which is a 33% share as against a share of 32.23% in 2019-20. The proportion of policies on women in case of private Life Insurers is 27 % and that of LIC is 35%. In 19 States/UTs, the share in no. of policies bought by women to the total policies sold is higher than the all-India average of 33%.

The insurance penetration in India has increased from 2.71% in FY01 to 5.20% in FY09 due to liberalisation but thereafter the level of penetration was declining and reached 3.30% in FY14. **However, with significant Government support and universal insurance schemes (PMJJBY, PMSBY), the insurance penetration has started increasing again from FY15 and is at 4.20% in FY21.**

We believe, the insurance penetration can be further enhanced by Government through the following measures. **First, though MGNREGA has provided Livelihood Security we propose compulsory enrolment of MGNREGA workers in PMJJBY and PMSBY** for a payment of only Rs 342 (330+12), which can be bought by the Government. As only 10% of HHs/ individuals completed 100 days of work, the cost of compulsory enrolment is only Rs 400-500 crore that may be borne by the Government (we assume that in FY2 ~12-13 crore individual will work under MGNREGA). **Second, rationalising the 18% GST on insurance policies.** **Third, to plug the protection gap quickly**, in line with Jan Suraksha, Government should come out with some standardised products for various sectors so that the protection gap in each segment can be reduced significantly. For example, by considering 2020 floods in India, the total economic loss was Rs 52,500 crore, but insurance was of only 11%. **If Government would have insured it, then the premium for the sum assurance of Rs 60,000 crore would have been only in the range of Rs 13,000 to Rs 15,000 crore, thus saving the Government of at least Rs 40,000 crore!**

INDIAN'S POSITION IN GLOBAL INSURANCE MARKET

- ◆ The Indian insurance sector has shown resilience in the COVID-19 pandemic with the dip in premiums milder and it is expected that the recovery shall be faster for both life and non-life insurance going forward. In the last decade, the industry grew at a robust pace with innovations in product, policy and procedures to tap the under-penetrated Indian insurance market, which is in the range of 3-4% compared to global peers.
- ◆ As per Swiss Re, India is ranked 11th in global insurance business. India's share in global insurance market was 1.72% during 2020 (1.69 per cent in 2019). In life insurance business, India is ranked 10th in the world, with a share of 2.9% during 2020. Meanwhile in non-life insurance business, India's ranked has improved to 14th rank in the world, with a market share of 0.79% during 2020.
- ◆ The insurance penetration in India has increased from 2.71% in FY01 to 5.20% in FY09 due to liberalisation but thereafter the level of penetration was declining and reached 3.30% in FY14. **However, with the Government support and universal insurance schemes (PMJJBY, PMSBY), the insurance penetration started increasing again from FY15 and is at 4.20% in FY21.**

INSURANCE BUSINESSES SLOWED DURING COVID-19 PANDEMIC

- ◆ In FY21, the Indian insurance industry has showed a decline in growth in premium collections across business segments (Life_new Business: 9.74%, Non-life: 7.50%). However, if we look the actual data on premium collections it is more than FY20 though the growth has slowed down. This indicates that life insurance has been impacted during FY21 due to the COVID-19 led pandemic, which has restricted supply-chain movement due to lockdowns, as insurance business are mostly based on the performance of the agents.
- ◆ On a positive note, the number of policies issued by non-life insurers in FY21 has increased by 1.7% to 23.61 crore, while a decline of 2.5% to 2.81 crore policies in life insurance segments.

India's Insurance Penetration & Density Trend

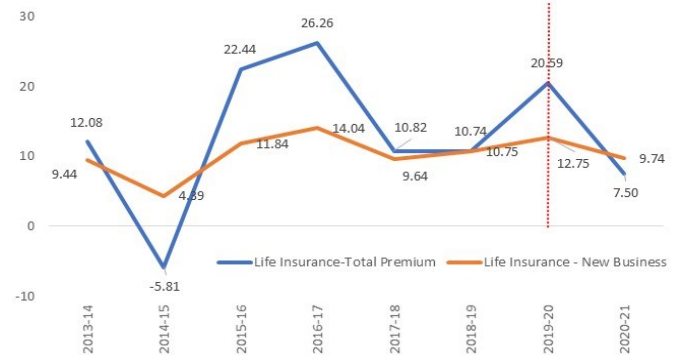


Source: IRDAI, SBI Research

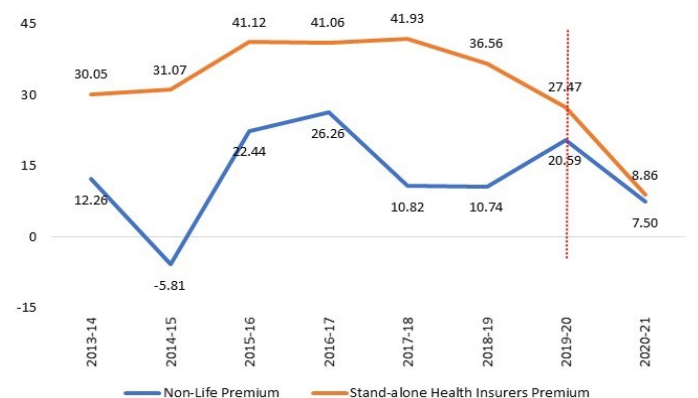
Cross Country Comparison of Insurance Penetration & Density						
Country	Insurance Density (US \$)			Insurance Penetration (%)		
	Life	Non-Life	Total	Life	Non-Life	Total
US	1918	5754	7673	3.0	9.0	12.0
UK	3574	949	4523	8.8	2.3	11.1
France	1959	1359	3317	5.1	3.5	8.6
South Africa	560	124	684	11.2	2.5	13.7
Switzerland	3667	3557	7224	4.3	4.1	8.4
Japan	2329	951	3280	5.8	2.4	8.1
India*	59	19	78	3.2	1.0	4.2
China	241	214	455	2.4	2.1	4.5
Singapore	4528	1110	5638	7.6	1.9	9.5
South Korea	2050	1691	3741	6.4	5.2	11.6
World	360	449	809	3.3	4.1	7.4

Source: Swiss Re, Sigma 4/2021; * data relates to financial year 2020-21

India's Life Insurance Industry Growth (YoY)



India's Non-Life Insurance Industry Growth (YoY)



Source: IRDAI, SBI Research

INSURANCE BUSINESSES RECOVERING SLOWLY IN FY22

- ◆ After muted showing in December 2021 and January 2022 because of the third wave of the Covid-19 pandemic, life insurance companies reported impressive growth in new business premium (NBP) in February, driven mainly by initial public offering-bound LIC of India’s sharp jump in NBP in the same period, fuelled by 40% growth in group single premiums. NBP of life insurers rose 22.47% (YoY) to Rs 27,464.76 crore in February, with LIC’s NBP recording a jump of 35.4% to Rs 17,849.34 crore, and private insurers reporting a growth 5% to Rs 9975 crore. However, during Apr-Feb, 2021-22, NBP of the life insurers increased by 8.4% (YTD) to Rs 2.54 lakh crore, of which LIC grew by 0.23%, while private insurers grew by 24.7%.
- ◆ The premium of non-life insurers slipped after rising for two straight months as sales fell across categories, with the crop protection business faring the worst. The industry’s revenue or gross premium underwritten declined 22.6% over the previous month to Rs 16,561 crore in February 2022. While, YoY growth registered 5% and 20% above the corresponding pre-pandemic period in 2020.
- ◆ This indicates that life insurance was affected during FY21 & FY22 due to the COVID-19 led pandemic.
- ◆ The rise in Indian equity market of 58% in FY21 has given better returns to the all investors. During the year, Indian insurer’s investment income also doubled to Rs 4.66 lakh crore from Rs 2.33 lakh crore in FY20.
- ◆ The ULIPs also registered a growth of 9.6% to Rs 91,007 crore in 2020-21. However, the share of ULIPs in total premium marginally decreased to 14.47% in FY21 as against 15% in FY20.

HEALTH INSURANCE - CHANGING PARADIGM

- ◆ The pandemic has made people aware not only about the indispensability of health insurance policy but also about the need to have adequate coverage, better features and seamless services. The realisation has led to more people to buy new policies or port to insurers who offers better coverage and claim settlement.

Monthly Growth of Premium Collections by Insurers



Yearly Growth of Premium Collections by Insurers



Source: IRDAI, SBI Research

Non-life Insurers Health Portfolio (in Rs crore)

Period	Health -Retail	Health - Group	Health-Govt. schemes	Over-seas Medical	Grand Total	Growth (YoY)
FY22 (Apr- Jan'22)	23810	31078	5590	357	60835	25.9
FY21 (Apr- Jan'21)	20302	23897	3927	199	48324	-
FY21	26301	27708	4319	244	58572	13.3
FY20	20466	25567	4826	815	51675	13.5
FY19	18312	20517	5900	803	45532	-

Source: SBI Research

- ◆ In FY21, the retail health insurance policies has shown a massive jump of 28.5% to Rs 26,301 crore and continued to grow in FY22 also. During Apr-Jan'22, health insurance portfolio of insurers increased by 25.9%, with rise in retail health policies of 17.28% and group policies of 30.1%.
- ◆ Insurance has been rapidly evolving as per the changing needs, and today's generation is looking for products which are customised & made for them. So, there is a need to innovate the products to bring more number of people under insurance coverage.

INDIVIDUAL DEATH CLAIMS INCREASED IN FY21

◆ The death claims paid by the life insurance industry has increased by 40.8% to Rs 41,958 crore in FY21. In case of individual life insurance business, during the year 2020-21, the life insurers paid 10.84 lakh claims, with a total benefit amount of Rs 26,422 crore (46.4% growth). The ticket size of the death claims has increased to Rs 2.44 lakh in FY21, compared to Rs 2.13 lakh in FY20. The rise in death claims seems due to the increased deaths by COVID-19.

DISTRIBUTION CHANNELS OF INSURANCE BUSINESS

- ◆ Despite digitalisation, the share of policies sold through online & web aggregators stands at 1.9% in terms of premium value and around 1.6% in terms of number of policies. The growing channel is ‘Bancassurance’, in which the share in premium collections has increased to 29% in FY21 from 16.6% in FY14. However, in case of private insurer’s the share of Bancassurance is around 55%, while LIC depends mostly on ‘individual agents’. The individual agents share has been declining and is at 58% in overall industry level in terms of life insurers (Pvt: 23%, LIC: 94%).
- ◆ However, in non-life insurance business ‘Brokers’ play a massive role and their contribution in total premium increased from 21.9% in FY14 to 31.4% in FY21. ‘Corporate Agent-Banks’ and ‘Individual Agents’ share has been declining. This may be due to the low commission to Agents/Banks and better support in claim settlement by brokers like car dealers, hospitals etc.

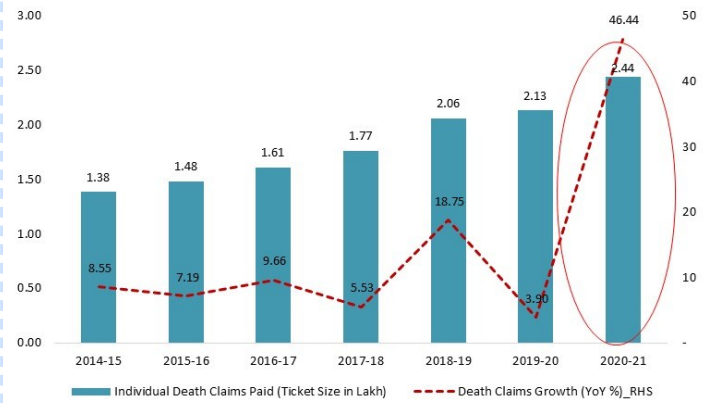
PARTICIPATION OF WOMEN IN LIFE INSURANCE

◆ The number of policies issued to women in FY21 is around 93 lakh policies which is 33% share as against a share of 32.23% in 2019-20. The proportion of policies on women in case of private Life Insurers is 27 % and that of LIC is 35%. In 19 States/UTs, the share in no. of policies bought by women to the total policies sold is higher than the all-India average of 33%

INSURANCE FOR ALL - “JAN SURAKSHA”

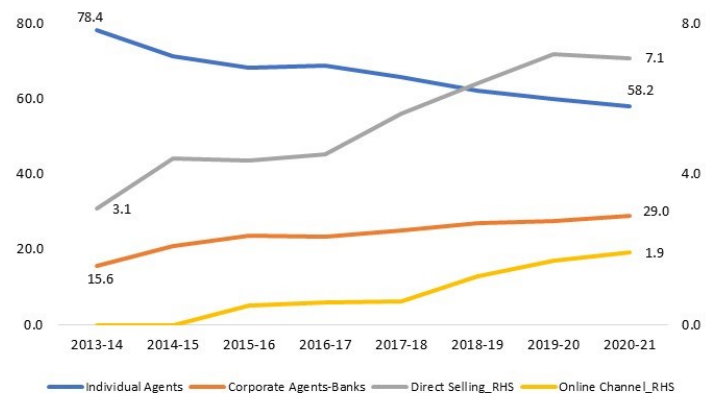
◆ On 09 May 2015, Government of India launched 2 insurance schemes - Pradhan Mantri Suraksha Bima Yojana (PMSBY) that covers accidental cover of Rs 2 lakh with Rs 12 premium & Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) for life cover of Rs 2-lakh with Rs 330 premium– to enhance the level of insurance penetration and to provide insurance cover to under-privileged sections of people.

INDIVIDUAL DEATH CLAIMS OF LIFE INSURERS



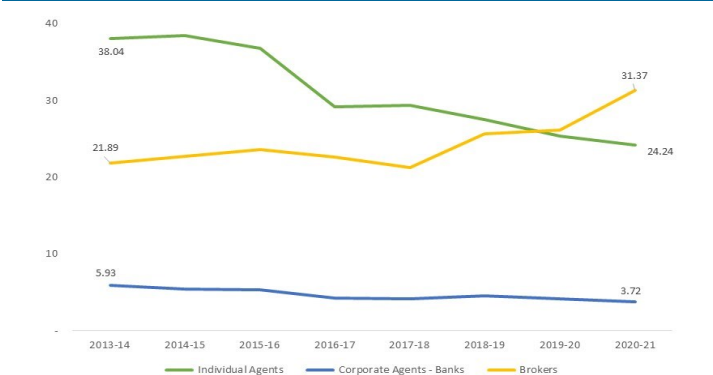
Source: IRDAI, SBI Research

INDIVIDUAL NEW BUSINESS PERFORMANCE OF LIFE INSURERS - BANKASSURANCE SHARE IS INCREASING



Source: IRDAI, SBI Research

CHANNEL-WISE GROSS DIRECT PREMIUM - GENERAL INSURANCE



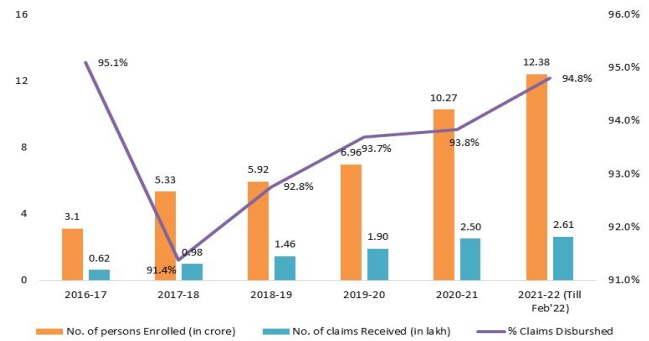
Source: IRDAI, SBI Research

- ◆ Till Feb 2022, cumulatively there are 12.39 crore persons enrolled in PMJJBY and 27.7 crore persons in PMSBY, with claim servicing ratio of 93.7% & 77.3% respectively. Apart from the PMJJBY & PMSBY, all the PMJDY account holders with debit card, are covered with inbuilt accident insurance cover of Rs 2 lakh.
- ◆ It is interesting to note that the number of people covered through life insurance by insurance companies during FY15 to FY21 stands at around 16.7 crore, while Government sponsored PMJJBY scheme has enrolled more than 12 crore people during the same period.
- ◆ During 2020-21, the insurance industry has covered a total of 101.62 crore number of lives under Personal Accident Insurance. It includes 49.04 crore number of lives covered under Government Sponsored Schemes namely PMSBY, PMJDY and IRCTC Travel Insurance for e-ticket passengers.
- ◆ Further, it is interesting to know that the women's share in insurance is increasing in India. In FY20, the share of women was 33% in terms of number of policies. However, in the Government sponsored schemes, the share of women stands at 37% in PMSBY and 27% in PMJJBY, which is encouraging.

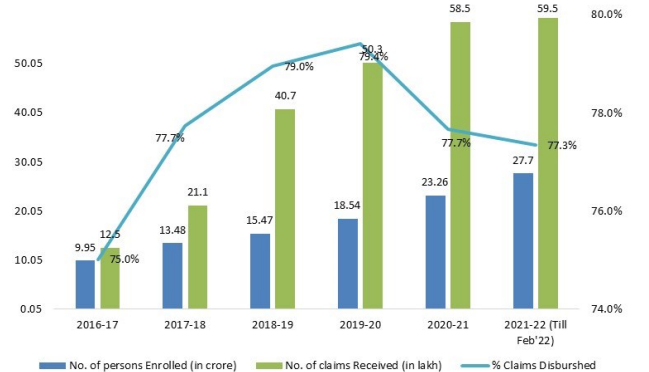
WHAT MORE IS REQUIRED???

- ◆ To achieve the **Universal Health Coverage**, Government has launched Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) on 23rd September 2018. As on 20.07.2021, a total of 16.14 crore Ayushman cards have been issued to the scheme beneficiaries. However, Government may announce an opt-in scheme for health insurance in line with Jan Suraksha schemes. The opt-in scheme may be implemented by auto debit amount from the interest from savings account and paid towards Medclaim policy. The approximate size of the health insurance now is Rs 60,835 crore and savings bank interest is at least Rs 1.35 lakh crores.
- ◆ Though MGNREGA has provided Livelihood Security, we propose **compulsory enrolment of MGNREGA workers in PMJJBY and PMSBY** for a payment of only Rs 342 (330+12), which can be bought by the Government. As only 10% of HHs/individuals completed 100 days of work, the cost of compulsory enrolment is only Rs 400-500 crore that may be borne by the Government (we assume that in FY22 ~12-13 crore individual will work under MGNREGA).

Progress of PMJJBY



Progress of PMSBY



Financial Empowerment of Women



Source: IRDAI, DFS, PMJDY, SBI Research

- ◆ In principle, a **comprehensive database of a basic social security framework** for migrants, preferably through a simple interstate self-registration process that can be authenticated through SMSs, may be developed. This could be enhanced to include migrant children in the annual work plans of the Sarva Shiksha Abhiyan and even access to skill programmes. The E-Shram portal may be used for this purpose.
- ◆ At present all insurance policies are taxed at GST of 18%. A reduction in premium will go a long way in building a secure nation where every household will have the ability to overcome financial stress caused by unforeseen events of life. Further, in India the insurance penetration is low; the introduction of tax in the realm of insurance may not represent the best step forward. After COVID 19 pandemic effect on the economy, it seems this is right time to **reduce the GST rate to 5% or “Nil” rate on Life/Health/Term insurance** to cover maximum population of India.
- ◆ In India, the overall **Protection Gap** in all the segments (both life & Non-life) is about 70 to 80%. In other words, only 20% to 30% is being availed any type of insurance. To plug the protection gap quickly, in line with Jan Suraksha, Government should come out with some standardised products for various sectors so that the protection gap in each segment can be reduced significantly. By considering 2020 floods in India, the total economic loss was of \$7.5 billion (Rs 52,500 crore) but insurance of only 11%. If Government would have insured it, then the premium for the sum assurance of Rs 60,000 crore would have only in the range of Rs 13,000 to Rs 15,000 crore.

OUTLOOK & WAY FORWARD

- ◆ The world economy is making a strong recovery from the COVID-19 shock and the outlook is positive. However, peak growth is behind us and this cyclical recovery is not a structural one. The recovery will be uneven, with risks tilted to the downside. Supply-side shocks, including global supply chain issues, labour shortages and energy shortages, may persist, while monetary policy is becoming less accommodative. Inflation is a major near-term macro risk and we expect it to be elevated for some time, stemming from the same supply-side factors that are constraining growth.
- ◆ As per Sigma (Swiss Re), the outlook for global insurance premiums is expected to show above-trend real growth of 3.3% in 2022 and 3.1% in 2023. Growth is benefiting from rising risk awareness in both the life and non-life segments, as consumers and businesses alike seek protection following the shock of the COVID-19 pandemic and above-average natural catastrophes. It is estimated that the global insurance premiums should exceed USD 7 trillion for the first time by mid-2022.

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Contact Details:

Dr. Soumya Kanti Ghosh
Group Chief Economic Adviser
State Bank of India, Corporate Centre
M C Road, Nariman Point, Mumbai - 400021
Email: soumya.ghosh@sbi.co.in, gcea.erd@sbi.co.in
Phone:022-22742440
 : kantisoumya