



INDIAN LIFE INSURANCE INDUSTRY

The NBP growth stabilizes after a slower
COVID year. Net claims increase across
the sector in FY2022 due to the pandemic

OCTOBER 2022

Karthik Srinivasan
+91 22 6114 3408
karthiks@icraindia.com

Sahil Udani
+91 22 6114 3429
sahil.udani@icraindia.com

Neha Parikh
+91 20 6114 3428
neha.parikh@icraindia.com

A hand holding a smartphone is shown in the background. Overlaid on the image is a network of blue icons connected by lines. The icons include a calendar, a puzzle piece, a person in a notebook, a heart, a lightbulb, a mail envelope, a warning triangle, a cloud, a link, a checkmark, a clock, a gear, and a plus sign. The text 'LIFE INSURANCE' is written in large, blue, sans-serif capital letters across the bottom right of the image.

LIFE INSURANCE

This ICRA paper analyses the performance of 15 life insurance (LI) ²companies in India, one of which is in the public sector while the rest are in the private sector. These companies collectively represented over 98% of the new business written in the domestic LI industry in FY2022. The industry performance encompasses all the players in the LI industry, while the financial performance, analysis section and outlook pertain to the 15 entities mentioned above.

- **Healthy business growth in FY2022 after slowdown in FY2021:** The LI industry's new business premium (NBP) growth had rebounded in FY2022 to 13% (Rs. 3.14 trillion). This was following the slowdown during the Covid-19 period. The growth was back to the longer-term pre-Covid median of 11.5%. While growth was sharper in Q1 FY2023, Q1 FY2022 was affected by the second wave of the Covid-19 pandemic in the country. Typically, the last quarter is the strongest in terms of growth for the industry. A closer look indicates a sharper growth for the private sector in FY2022 (which had increased 21% year-on-year (YoY) in annual premium equivalent (APE) terms to Rs. 663 billion), aided by regular premium income, compared to the 8% growth for Life Insurance Corporation of India (LIC; which was aided by higher group single policies). Q1 FY2023 saw a sharp uptick for the private sector as well as LIC.
- **Gradual increase in individual SA over five years:** The total sum assured (SA) for the private sector and LIC had increased in FY2022 and Q1 FY2023 from the year-ago periods. The total SA for the private sector was Rs. 47.3 trillion, up 17% YoY, while it had increased 16% YoY to Rs. 10.4 trillion for LIC. The total SA had increased at a compound annual growth rate (CAGR) of 12% between FY2018-22 for the private sector, with the same witnessed across individual and group policies. The average individual SA had remained constant at Rs. 1.99 million in FY2022, while it had declined to Rs. 1.91 million in Q1 FY2023 (Rs. 2.36 million in Q1 FY2022). The increase in individual SA over the years was due to the shift in the product mix towards protection products (which have a higher SA). However, the growth in protection is expected to slow down with the increase in reinsurance rates. The average individual SA for LIC had increased to Rs. 0.31 million in FY2022 (Rs. 0.28 million in FY2021).
- **Growth to resume in FY2023:** ICRA expects the NBP to grow by 15% in FY2023 to Rs. 3.6 trillion, as the nominal gross domestic product (GDP) is projected to grow by 15%. The NBP is expected to increase further to Rs. 4.08 trillion in FY2024, with the nominal GDP growth projected at 10%. ICRA expects the NBP growth to accelerate in H2; Q4 has always been the strongest quarter for LI business growth. With the nominal GDP growth stabilising from FY2024, ICRA expects the NBP growth to rationalise as well. **The outlook on the sector remains stable.**
- **Proposed regulatory changes to help future growth:** The proposed changes in regulations for the issuance of subordinated debt and the open architecture would enable higher growth amongst the larger players in the private sector. The proposed changes in management expenses and commissions would increase costs in the short run. This, in addition to the changes announced in the regulatory oversight on new product launches, is a signal from the regulator that it is looking to achieve a sharp increase in insurance density and penetration targets.

² ICICI Prudential Life Insurance, Aditya Birla Sun Life Insurance, Bajaj Allianz Life Insurance, Bharti AXA Life Insurance, Canara HSBC OBC Life Insurance, HDFC Life Insurance, IndiaFirst Life Insurance, Kotak Mahindra Life Insurance, Max Life Insurance, LIC, PNB MetLife Insurance, Reliance Nippon Life Insurance, SBI Life Insurance, Star Union Dai-ichi Life Insurance, and TATA AIA Life Insurance

Subscribe to the full report to get the following:

- Industry Performance Analysis and Outlook
 - NBP performance in FY2022 and Q1FY2023
 - LI penetration trend in India
 - Single, regular and group premium trend
 - Agent strength and trend analysis
 - NBP outlook for FY2023e and FY2024e
- Financial performance update for LIC, and 15 private sector players
 - Single premium, and renewal premium trend and analysis
 - Cost, and operating structure trend, and analysis
 - Profitability matrix, and trend
 - Investment book profile and Investment income performance & trend
 - Persistency performance and trend
 - Capitalization levels

ABOUT ICRA

ICRA Limited (formerly Investment Information and Credit Rating Agency of India Limited) was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange.

Alliance with Moody's Investors Service

The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder. The participation of Moody's is supported by a Technical Services Agreement, which entails Moody's providing certain high-value technical services to ICRA. Specifically, the agreement is aimed at benefiting ICRA's in-house research capabilities, and providing it with access to Moody's global research base. The agreement also envisages Moody's conducting regular training and business seminars for ICRA analysts on various subjects to help them better understand and manage concepts and issues relating to the development of the capital markets in India. Besides this formal training programme, the agreement provides for Moody's advising ICRA on Rating-products strategy, and the Ratings business in general.

The ICRA Factor

Our services are designed to

- Provide information and guidance to institutional and individual investors/creditors;
- Enhance the ability of borrowers/issuers to access the money market and the capital market for tapping a larger volume of resources from a wider range of the investing public;
- Assist the regulators in promoting transparency in the financial markets;
- Provide intermediaries with a tool to improve efficiency in the funds raising process.

Business Contacts

Mr. L. Shivakumar
E-mail: shivakumar@icraindia.com
+91 22 6114 3406 / +91 98210 86490

Mr. Jayanta Chatterjee
E-mail: Jayantac@icraindia.com
Tel: +91 80 4332 6401/ +91 98450 22459

Media and Public Relations

Ms. Naznin Prodhani
E-mail: Communications@icraindia.com
Tel: +91 124 4545 860

Registered Office

B-710, Statesman House 148,
Barakhamba Road
New Delhi-110001
Tel: +91 11 23357940-45

Corporate Office

Building No. 8, 2nd Floor,
Tower A, DLF Cyber City, Phase II,
Gurgaon - 122 002
Tel: +91-124-4545300

Ahmedabad

1809-1811, Shapath V,
Opp: Karnavati Club,
S.G.Highway, Ahmedabad - 380015
Tel: +91 79 4027 1500/501

Bengaluru 1

'The Millenia', Tower B Unit No. 1004,
10th Floor, 1 & 2 Murphy Road,
Bengaluru - 560 008
Tel: +91 80 4332 6400

Bengaluru 2

2nd Floor, Vayudooth Chamber
15-16, Trinity Circle, M.G. Road,
Bengaluru - 560 001
Tel: +91 80 4922 5500

Chennai

5th Floor, Karumuttu Centre
634, Anna Salai, Nandanam
Chennai - 600 035
Tel: +91 44 4596 4300

Hyderabad 1

4th Floor, 'Shoban'
6-3-927/A&B, Somajiguda
Raj Bhavan Road,
Hyderabad - 500 082
Tel: +91 40 4067 6500

Hyderabad 2

No. 7-1-58, 301, 3rd Floor, 'Concourse',
Above SBI-HPS Branch, Ameerpet,
Hyderabad - 500 016
Tel: +91 40 4920 0200

Kolkata

A-10 & 11, 3rd Floor,
FMC Fortuna 234/3A,
A.J.C. Bose Road,
Kolkata -700 020
Tel: +91 33 7150 1100/01

Mumbai

3rd Floor, Electric Mansion
Appasaheb Marathe Marg,
Prabhadevi,
Mumbai - 400 025
Tel: +91 22 6169 3300

Pune

5A, 5th Floor, Symphony, S. No. 210
CTS 3202 Range Hills Road,
Shivajinagar, Pune - 411 020
Tel: +91 20 2556 1194

Email: Info@icraindia.com

Helpdesk: 9354738909

Website: www.icra.in/ www.lcraesearch.in