

# Indian insurance: Going on 18

Age is just a number and adulthood just a tag. As Indian general insurance turns 18 and acquires the adulthood tag, a look at what it achieved in 2017-18 and what it looks forward to.

By Anoop Khanna



Ceasing to be a teen and stepping into adulthood is always an exciting phase. This phase brings with it maturity and a whole lot of expectations. The new adult, though an adult, is still the new-kid-on-the-block and has to measure up to these expectations.

The Indian insurance industry is also stepping into its adult phase now. 2018-19 would be the 18th financial year for the industry post-liberalisation in 2000.

## Breached INR1.5tn in 2017-18

During the period April 2017 to March 2018 the Indian general insurance industry (including standalone health insurers and specialised insurers) wrote gross premium of INR1.51tn. The industry closed the financial year on 31 March 2018 with a gross premium income of INR1.5tn (\$23.22bn) at a growth rate of 17.54 per cent.

During the financial year 2016-17 the industry had achieved gross premium income of INR1.2tn (\$19.5bn) at a growth rate of 32 per cent. This spike in the growth rate in 2016-17 was due to the prime minister's crop insurance scheme which was introduced that

year and saw a massive enrolment of farmers into the government sponsored agriculture insurance scheme.

## Aspirations and expectations abound

As the Indian economy looks ahead with optimism to grow further, the Indian insurance industry too is excited with a whole lot of aspirations and expectations. With its 1.34bn strong population and a large consumer base India is a very fertile ground for insurers to continue this growth run for another 15-20 years.

## Public listing of insurers

The year saw the Indian reinsurer GIC Re and four more insurers listed on the Indian bourses. This exercise brought in additional capital of INR437bn (\$6.75bn) for the industry. The listing should help maintain good solvency positions for these insurers in addition to improving the corporate governance and disclosure standards of the industry.

The response of retail customers and investors to the public listing exercise by the insurers was not very encouraging. However, this was because

the retail investor is yet to grasp the potential of the sector and develop an appetite for insurance stocks.

## National Health Protection Mission

Another milestone the insurance industry achieved during 2017-18 was the Ayushman Bharat - National Health Protection Mission which was announced by the government of India in its 2018-19 budget.

It is expected to be a booster for general insurance penetration which is virtually stagnating between 0.7 per cent and 0.8 per cent for several years now.

Health insurance along with motor insurance has been the main driver of the Indian general insurance industry and together these two contribute almost 65 per cent of the total annual general insurance premium in India.

## Technology to bring in more customers

Two pure digital general insurers debuted on the scene during 2017-18. Several traditional insurers adopted blockchain technology, chatbots, artificial intelligence and internet of things

to make their customer engagement more smooth and transparent.

This digital drive will be keenly watched in the years ahead. The insurance industry hopes to attract more consumers online, especially millennials.

### RERA opens a big opportunity

Legislation of the Real Estate (Regulation and Development) Act (RERA) is a big opportunity for general insurers. It should encourage real estate developers to buy title insurance cover.

This should also help in the growth of the home insurance segment which has hardly seen any growth hitherto. The housing sector contributes 5-6 per cent

to the country's gross domestic product.

### Immense potential for cyber insurance

With cyber breaches growing by the day, cyber risk covers are bound to be more in demand. Cyber risks are now accepted as a business risk and not just a technology problem. Hence, insurers are working to provide a wholesome risk mitigation product.

### Three public sector general insurers to be merged

In 2017-18 the industry also saw the initiation of the merger process of three public sector general insurers into one

mega general insurer. This will add to the enterprise value and bring in more synergies and consolidation. Creating large entities makes sense as the market is presently fragmented.

Challenges are a plenty

While the Indian insurance industry, as it goes on to 18, has matured quite a lot, it still needs to surmount many more challenges, the foremost being low penetration. The online environment and innovating simple products with the judicious deployment of human resource can also be a great help. ■

The Reserve Bank of India's Reference Rate for the US Dollar on 03 April 2018 was INR65.0240.

## Leaders speak

Asia Insurance Review speaks with four CEOs/COO of Indian general insurance companies for their views one the year ahead.

### GIC Re CMD Mrs Alice G Vaidyan:

"The industry is at an inflexion point moving from growth to consolidation. The government push in agriculture insurance and now towards universal health service provision by way of NHPS will significantly boost insurance penetration in the country. The proposed merger of the three PSU general insurance entities will be another significant event. The whole is greater than the sum of its parts. The merged entity will benefit from rationalisation, synergy and achieve scale. The market in general will move towards greater pricing discipline aiming at underwriting profitability and return on equity with more players entering the bourses. Resorting to technological innovations will help the industry in this consolidation phase to boost productivity gains, particularly in claims management and data sharing initiatives."



### Bajaj Allianz General Insurance CEO Mr Tapan Singhel:

"I'm personally very excited about the new financial year because I see that listing has brought a lot of discipline in the market. In line with the economic growth in the country and increasing disposable income, we are also seeing a surge in awareness of insurance. Health insurance in particular will see an upward trend in this financial year. With an overall focus on customer centricity, we are witnessing a lot of excitement in terms of innovations leveraging new technologies and burgeoning of new start-ups in terms of Insurtech in the industry. Technologies such as artificial intelligence, machine learning, bots will come into play, but with all this the human element will still remain."



### ICICI Lombard General Insurance MD Mr Bhargav Dasgupta:

"The non-life insurance industry in India has grown at CAGR of 17 per cent between FY2012 - 17. Currently, the per capita income levels stand above \$1,900, however, non-life insurance penetration remains at a low 0.8 per cent of GDP. Given this, we expect the sector to continue its growth momentum driven by overall economic expansion and asset purchase by India's young and aspiring population. Further, with schemes such as National Health Protection Scheme announced in the recent budget, we believe that segments such as health insurance will get a fillip."



### Future Generali India Insurance Chief Operating Office Mr Easwara Narayanan

"The general insurance industry has been growing at around 16 per cent every year since 2006-2007, but with higher penetration the general insurance industry is expected to quadruple in size over the next 10 years. 2017-18 has also been quite good for the industry which saw a growth of 18 per cent up to February. The market continues to appeal to new capital; barring a few of mega-risks, there is adequate capacity in the market to cover large and mega risks. Linking of insurance policies with common identifiers such as vehicle registration number, Aadhaar; digitisation of database of insurance companies, etc, would also eventually lead to better management of insurance and greater penetration in the form of upsell and cross sell."

