



Emerging Trends in Non-life Insurance and way forward

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The healthy expansion of Indian Non-life Insurance sector over the last decade & future growth prospects

Over the past decade, the non-life insurance sector has witnessed a 16% CAGR, standing at 1.6 times the GDP growth rate, largely driven by ever-growing private sector participation, improvement in distribution capabilities and substantial advancements in operational efficiencies. Despite the COVID-19 pandemic and a spate of climate-related events that disrupted the normal course of life in India, the sector expanded in FY20-21 as private non-life insurers registered a growth rate of 5% according to IRDAI's annual report 2020-21.

Total gross premiums written off by non-life insurers topped Rs. 1.99 lakh crore (US\$ 26.3 billion) in FY21, an increase of 5% from FY20 as per IRDAI data, supporting the Indian economy which shrank by 3% in the same period. This year in the 9 months ended in December 2021, this figure has already touched Rs. 1.61 lakh crore (US\$ 21.3 billion), an increase of 11% over the corresponding period last fiscal.

Despite the current growth, total non-life insurance penetration in India is only at just 1.0 % of the GDP for CY20 as reported by Swiss Re Sigma in its March 2021 report. This reflects the vast un-tapped potential in the non-life insurance space, one which is at the cusp of entering the next phase of untethered expansion. As the Indian economy aims at reaching the \$5 trillion GDP mark by 2025, the non-life sector will play a role of paramount importance in catapulting India as a formidable force in the global economy landscape.

Staying abreast with trends seen in developed countries

The Indian economy is catching up with developed countries like the U.S.A and will increasingly need to adopt Insurance technology or Insurtech in a bid to enhance insurance penetration and better risk protection at lower costs. Reflecting this, domestic insurers are making significant progress in implementing advanced analytics and artificial intelligence (AI) to make use of data and customize solutions that are more relevant to the end consumer. With \$3.66 billion of capital already invested in the InsurTech space so far, India is now the 2nd largest InsurTech market in the APAC region as reported S&P Global in 2021. The National Investment Promotion and Facilitation Agency of the Government of India has estimated that the online individual insurance market will grow from \$365 million in FY20 to more than \$1.25 billion by FY25, thereby offering the GI sector with immense growth opportunities.

Public welfare through Insurance

As per UN's projection the population of our country is to become 164 cr by 2050, and it will be extremely crucial to safeguard their health, life, property and other interests in the exciting growth period ahead. Towards this end, our honourable Prime Minister Shri. Narendra Modi has laid the foundation of schemes like the Ayushman Bharat Pradhan Mantri Jan Arogya Yojna (AB PM-JAY) that is the largest health insurance scheme in the world and aims at providing a health cover of INR 5 Lakh per family per year for secondary and tertiary care hospitalization to over 107 million vulnerable families (approximately 500 million beneficiaries). Moreover, the government too has launched flagship schemes like the Pradhan Mantri Fasal Bima Yojna (PMFBY) that is insuring close to 20 million farmers, 80% of whom are marginal farmers. While such Government schemes will help in driving the adoption & penetration of Insurance even in rural hinterlands, the Insurance sector will need to play a larger role going forward driven by innovation, digitalisation, and awareness initiatives.

Resilience of multiline non-life insurers

The support non-life insurance industry has provided to the customers and contribution made in the country's economy during the pandemic and several natural calamities are testaments to the resilience shown by multiline non-life insurance companies in handling unprecedented risks. Insurance companies with varied line of businesses have better ability to handle any risks as they can diversify the risks across various business streams. This enables non-life insurers to be consistent in supporting customers and maintaining stability in the company in challenging times. This will also encourage investors/shareholders

Protecting investor and consumer interests will be a key trend moving ahead

As the larger trend of going public and listing on the country's bourses catches up with the Insurance space, there will be a need for robust stakeholder/shareholder management as individual promoters will give way to multiple shareholders including Private Equity (PE) firms and retail investors. This will involve putting shareholder's interest on par with consumer interests and a careful balancing between both. Additionally, better catastrophe management will be important for all similarly publicly listed firms and will have to be fulfilled by the Insurance sector so as not to let the onus of protection shift towards the Government.

Way forward

Over the next many years, the non-life insurance industry needs to grow at 2X to 3X of the country's GDP growth rate and perhaps doubling it every 5-6 years for the next 2-3 decades. The growth will be driven by increases in per capita income, improving risk awareness among individuals, corporates and SMEs, and improving insurance penetration as InsurTech helps in uncovering greater efficiencies. On its part, the sector will have to step up in personalizing the customer experience and developing ingenious product solutions suitable to the needs of individuals and country at large.