



ICRA

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SERVICE COMPANY

## INDIAN LIFE INSURANCE INDUSTRY REPORT

Profitability of life insurance players  
impacted in Q1 FY2022 due to pandemic;  
NBP growth to resume in 9M FY2022

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The background features a blurred image of a laptop with a hand holding a smartphone in front of it. Overlaid on this is a network of light blue icons connected by lines, including a calendar, a puzzle piece, a lightbulb, a heart, a mail envelope, a person profile, a clock, a warning triangle, a bell, a checkmark, a plus sign, and a list icon. The text 'LIFE INSURANCE' is written in a large, light blue, sans-serif font across the bottom right of the image.

LIFE INSURANCE

## SUMMARY

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### Highlights

This ICRA paper analyses the performance of 16 life insurance companies in India, of which one 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 life insurance industry during FY2021. The industry performance encompasses all the players in the life insurance industry, while the financial performance, analysis section and outlook pertains to the 16 entities listed earlier.

- **Business growth resumes after the slowdown in Q1 FY2022:** The total New Business Premium (NBP) growth had tapered to 7% (Rs. 2.78 trillion) in FY2021, compared to a 21% growth in FY2020. The growth remained subdued in 5M FY2022 at 2% or Rs. 1.01 trillion due to the localised lockdown in Q1 FY2022. Typically, the last quarter is the strongest in terms of growth for the industry. A closer look between the growth rates indicates a sharp decline in the NBP growth for LIC in FY2021. FY2020 had seen a sharp uptick in the group non single premium for LIC (predominantly led by high fund/pension management business). Private sector NBP had slowed down in FY2020, but yet showed a positive growth (8% in FY2021 vs. 9% in FY2020), which accelerated in 5M FY2022 (31%) due to strong growth in the individual business.
- **Gradual increase in individual sum assured over four years:** The total sum assured (SA) for both the private sector and LIC had increased in FY2021 and 5M FY2022 from the year ago periods. The total SA for the private sector was Rs. 4.04 trillion up 1% YoY while for LIC it had increased 7.5% YoY to Rs. 8.9 trillion. The total SA had increased at a CAGR of 11.2% in the last four years for the private sector. The average individual SA had marginally increased to Rs. 19.9k in FY2021, while in 5M FY2022 it had declined to Rs. 20k (Rs. 24k in 5M FY2021). The increase in individual SA over the years is due to a shift in product mix towards protection products (which has a higher SA), however, the growth of protection is expected to slow down with the increase in reinsurance rates.
- **Moderate growth expectations for FY2022:** ICRA estimates the NBP to grow 14% in FY2022 to Rs. 3.18 trillion, as the nominal GDP is projected to grow by 16%. ICRA expects the NBP growth to accelerate in H2, and Q4 has always been the strongest quarter for life insurance business growth. The NBP density is expected to increase to Rs. 2,326 from Rs. 2,054 at present. Increasing focus on protection products should help increase the insurance density in India. **The outlook on the sector continues to remain stable.**
- **LIC IPO to drive global interest in the life insurance segment in India:** The proposed IPO of the biggest life insurer in the country is likely to pave the way for other private life insurers to list themselves on the exchange. With the listing, LIC would be subject to stringent disclosures thereby providing better insights into the strategies followed by LIC. LIC currently maintains solvency of 1.7x as on June 30, 2021; though higher than the regulatory requirement of 1.5x lower than the other large players in the life insurance segment. With the listing, the company could look at shoring the solvency levels.

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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.

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- Assist the regulators in promoting transparency in the financial markets;
- Provide intermediaries with a tool to improve efficiency in the funds raising process.

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