



## PERFORMANCE EVALUATION OF NON-LIFE INSURANCE SECTOR IN INSURANCE MARKET IN INDIA

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### **Abstract**

*The insurance sector is one of the oldest forms of services sector in India. The performance of non-life insurance sector is evaluated in the present study. A total of 7 years period is considered for evaluation. The study more specifically concentrates on comparison of insurance density and penetration percent in both life and non-life insurers. Further, the performance of non-life insurers in terms of number of companies in operation, branch network, segment wise Gross Domestic premium, segment wise claim rate of non-life insurers is presented. Further, the study presents Year wise growth of Non-life Insurance companies in India.*

**Key words:** *Claims Ratio, Density, Gross Domestic premium, IRDAI, Penetration.*

### **1. Overview of Insurance Sector in India**

Insurance is the backbone of a country's risk management system. Risk is an inherent part in human's lives. The insurance providers offer a variety of products to businesses and individuals in order to provide protection from risk and to ensure financial security. Insurance, in law and economics, is a form of risk management primarily used to hedge against the risk of a contingent loss. Insurance is defined as the equitable transfer of the risk of a loss, from one entity to another, in exchange for a premium, and can be thought of a guaranteed small loss to prevent a large, possibly devastating loss. Insurance offers security and so peace of mind to the individual. The concept of insurance is that the losses of a few are made good by contribution from many. It is based on the law of large numbers. It stemmed from the need of man to find a solution for mitigation of losses. It also reflects the nature of man to find a solution collectively.

The insurance industry of India has 57 insurance companies 24 are in the life insurance business, while 34 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company.

There are six public sector insurers in the non-life insurance segment. In addition to these, there is a sole national re-insurer, namely Non-life insurance Corporation of India (GIC Re). Other stakeholders in the Indian Insurance market include agents (individual and corporate), brokers, surveyors and third-party administrators servicing health insurance claims.

### **2. Overview of Non-Life Insurance Sector in India**

In public sector, a total of 4 non-life insurance companies have been operating in India. The first Non-life insurance Company in the sector is National Insurance Company Limited which is been operational since 1906. The latest among the public sector companies to be operational is United India Assurance Company Limited which is established in the year 1919-2020.

In private sector, a total of 21 companies have been operating in India. The first company that is been operational in India is royal Sundaram Non-life insurance Company Limited started in 2000-01. The



latest among the private sector companies is Edelweiss Non-life insurance Company Limited. Under Special insurer's category, 2 private sector companies have been operating in India. The EDGC Limited is established in 1957-58 period and Agriculture Insurance Company of India Limited is established in 2003-04. Apart from these private sector companies under specialized category, a total of 7 public sector companies have been operating in India. The first company to be operational is Star health & Allied Insurance Company Limited started in 2006-07 period. The latest among this category is Reliance Health Insurance Limited which has started during 2018-19.

In life insurance business, India is ranked 10 among the 88 countries, for which data is published by Swiss Re. India's share in global life insurance market was 2.73 per cent during 2019. However, during 2019, the life insurance premium in India increased by 9.63 per cent (7.30 per cent inflation adjusted real growth) when global life insurance premium increased by 1.18 per cent (2.20 per cent inflation adjusted real growth).

The Indian non-life insurance sector witnessed a growth of 7.98 per cent (5.70 per cent inflation adjusted real growth) during 2019. During the same period, the growth in global non-life premium was 3.35 per cent (3.50 per cent inflation adjusted real growth). However, the share of Indian non-life insurance premium in global non-life insurance premium was at 0.79 per cent and India ranked 15 in global non-life insurance markets.

In non-life, premium growth of 3.5 per cent in 2019 was slightly above the 10-year average. Swiss Re estimated that a 1.1 ppt pullback in premium growth, making for aggregate sector expansion of 1.6 per cent over 2020-21. Motor, trade, travel and commercial rather than personal lines will likely be hardest hit. The emerging markets will outperform in both life and non-life.

### **3. Objectives and Methodology**

The study focuses on the following objectives.

1. To compare the performance of life and non-life insurance sector pertaining to Insurance density and penetration rate.
2. To evaluate the performance of non-life insurance sector.
3. To analyze the segment wise performance of non-life insurers.
4. To study the emerging scenario of non-life insurance business in India.

The study is based on secondary data sources. Required data is extracted from IRDAI Annual reports, annual reports of non-life insurers, Insurance Hand Book issued by IRDAI, IBEF reports, journals, articles and web sources. The period of the study is 7 years ranging in between 2013-14 to 2019-20.

### **4. Overview of Insurance Penetration and Density**

The measure of insurance penetration and density reflects the level of development of insurance sector in a country. While insurance penetration is measured as the percentage of insurance premium to GDP, insurance density is calculated as the ratio of premium to population. During the first decade of insurance sector liberalization, the sector has reported increase in insurance penetration from 2.71 per cent in 2001 to 5.20 per cent in 2009. Since then the level of penetration was declining and reached 3.30 per cent in 2014. However, the insurance penetration started again increasing from 2015 and in 2019, penetration was 3.76 per cent. The level of insurance density has reported consistent increase from USD



11.5 in 2001 to USD 64.4 in the year 2010. Since then the level of density was declining up to 2016. But, it started increasing from 2017 and in the year 2019, the insurance density was USD 78.

The penetration of non-life insurance sector in the country has gone up from 0.56 per cent in 2001 to 0.94 per cent in 2019. Non-life insurance density has gone up from USD 2.4 in 2001 to USD 19 in 2019.

**Table-1: Insurance Penetration in Life and Non-Life Sector**

Year	Life	Penetration%	Non-life insurance	Penetration%	Industry	Penetration%
2013	41.00	3.10	11.00	0.80	52.00	3.90
2014	44.00	2.60	11.00	0.70	55.00	3.30
2015	43.20	2.72	11.50	0.72	54.70	3.44
2016	46.50	2.72	13.20	0.77	59.70	3.49
2017	55.00	2.76	18.00	0.93	73.00	3.69
2018	55.00	2.74	19.00	0.97	74.00	3.70
2019	58.00	2.82	19.00	0.94	78.00	3.76

Source: Annual reports of IRDAI,2013-14 to 2019-20

Data presented in table-1 show that year wise performance of both life and non life insurance sector in terms of penetration in percentage. The life insurance density has increased from US\$41 during 2013 to US\$58 IN 2019. In the same period, the life insurance penetration has decreased from 3.10 percent 2.82 percent. With regard to Non-life insurance, the density has increased from US\$11 to US\$19 in between 2013-2019 and there is a consistent increase in the penetration percentage from 0.80 to 0.94 percent. The overall industry has shown positive growth in insurance density which has increased from US\$52 to US\$78, the penetration percentage has shown downward trend from 3.90 percent to 3.76 percent.

### 5. Analysis on Number of policies issued by Non-life Insurers in India

The number of policies issued by General insurers both in public sector and private sector is presented in table-2.

The number of polices issued by public sector has increased from 600.06 lakh policies to 733.50 lakh polices in between 2013-14 to 2019-20. The growth percentage has been fluctuating in the select period. Negative growth is observed during 2013-14, 2015-16, 2017-18, 2018-19 and 2019-20. Highest growth has been observed during 2016-17 period.

**Table-2: Number of policies issued by General Insurers (in lakhs)**

Year	Public Sector	Growth	Private Sector	Growth%
2013-14	600.06	-12.99	424.47	-4.27
2014-15	677.82	12.95	504.97	15.44
2015-16	671.32	-0.95	549.44	3.21
2016-17	852.62	27.00	624.45	21.00
2017-18	797.71	-6.44	787.13	7.30
2018-19	733.02	-8.1	1021.23	10.68
2019-20	733.50	-0.07	1263.91	13.86

Source: Insurance Hand Book, IRDAI 2019-20



In the select period, the number of policies issued by private sector non-life insurance companies has increased from 424.47 lakh to 1263.91 lakh in between 2013-14 to 2019-20. The growth percentage has been positive since 2014-15 period. Highest growth is observed during 2016-17 period and negative growth is only recorded in 2013-14 period. The results clearly reveal that the private sector non-life insurance companies have been increased to more than 2.5 times in a period of 7 years.

## 6. Branch Network of Non-Life Insurers

The branch network of non-life insurers is presented in table-3.

**Table-3: Branch Network of Non-life insurers**

Year	No. of General Insurers	No. of branch offices
2013-14	29	9872
2014-15	29	10407
2015-16	30	10803
2016-17	31	11141
2017-18	35	11200
2018-19	36	11578
2019-20	34	11394

Source: Insurance Hand Book, IRDAI 2019-20

Results show that, the number of non life insurance companies including Public sector, Private Sector, Specialized Sector and Stand alone Health insurers combinely have increased from 29 companies to 34 companies in between 2013-14 to 2019-20 period. The number of branches holds by all the non-life insurance companies have increased from 9872 branches to 11394 branches in between 2013-14 to 2019-20 period. Highest number of branches and companies are in operational during 2018-19 period.

## 7. Insurer Category wise analysis on Gross Direct Premium

Table-4 presents the detailed performance of segment wise Gross Direct premium received by the non life insurers from 5 select categories. Under Fire segment non-life insurance category, the gross direct premium has increased from Rs.7362.63 crore to Rs.15728.70 crore in between 2013-14 to 2019-20 period. The Gross Direct premium from Marine segment non-life insurance sector has increased from Rs3161.80 crore to Rs.3532.42 crore. The Motor segment non-life insurance segment show the Gross Direct premium which has increased from Rs.33822.75 crore to Rs.68951.07 crore. The Health segment has increased from Rs.19634.30 crore Rs.56865.13 crore.

The others segment has shown performance in Gross Direct Premium which has increased from Rs.13572.34 crore to Rs.43839.31 crore.

**Table-4: Segment wise Gross Direct Premium (Rs. crore)**

Year	Fire	Marine	Motor	Health	Others	Total
2013-14	7362.63	3161.80	33822.75	19634.30	13572.34	77553.81
2014-15	8056.54	3020.06	37379.32	22636.57	13593.24	84685.73
2015-16	8731.46	2984.38	42300.86	27457.30	14905.37	96379.37
2016-17	9538.01	2917.47	50250.53	34526.61	30895.72	128128.34
2017-18	10780.70	2894.66	59246.11	41980.56	35760.09	150662.13
2018-19	11667.64	3238.14	64522.35	50833.55	39186.78	169448.46
2019-20	15728.70	3532.42	68951.07	56865.13	43839.31	188916.62
<b>CAGR</b>	<b>11.45%</b>	<b>1.59%</b>	<b>10.71%</b>	<b>16.41%</b>	<b>18.23%</b>	<b>13.56%</b>

Source: Insurance Hand Book, IRDAI 2019-20



Overall, the non-life insurers combinely achieved the Gross direct premium which has increased from Rs.77553.81 crore to Rs.188916.62 crore. The compound annual growth rate for 7 years period show highest in others segment with 18.23 percent followed by Health segment with 16.41 percent. Least compound annual growth rate has show 1.59 percent. The Fire segment has shown 11.45% compound annual growth rate. The total non-life insurers show 13.56 percent compound annual growth rate in 7 years.

### 8. Insurer Segment wise analysis on Claim Ratio

The segment wise claim ratio of 5 select categories of non-life insurer segments is presented in table-5. Results reveal that, the claim ratio in Fire segment range in between 73.78 to 90.48 percent. In marine segment, the claim ratio ranges in between 63.37 to 84.48 percent. In motor segment, the claim ratio ranges in between 77.14 percent to 90.60 percent. The health segment has shown the claim ratio ranges in between 72.96 percent to 93.40 percent. Overall, the claim ratio of non-life insurance companies ranges in between 81.98 percent to 90.91 percent.

**Table-5 Segment wise Claims Ratio**

Year	Fire	Marine	Motor	Health	Others	Total
2013-14	76.54	63.37	79.50	97.05	72.96	81.98
2014-15	73.78	67.44	77.14	96.93	73.91	81.70
2015-16	74.44	72.05	81.18	98.46	75.91	85.06
2016-17	84.38	74.98	88.17	101.05	81.91	90.91
2017-18	82.35	65.30	83.45	92.21	78.90	85.26
2018-19	90.48	84.48	90.60	89.34	82.88	89.16
2019-20	78.07	71.27	85.61	85.70	93.40	85.90
Average	80.01	71.27	83.66	94.39	79.98	85.71

Source: Insurance Hand Book, IRDAI 2019-20

### 9. Comparative analysis on Gross Direct premium income in non-life insurance sector

The Gross direct premium income recorded for 4 category of non-life insurers such as Public Sector, private sector, specialized insurer and stand alone health insurer are presented in table-6. Results reveal that, the gross direct premium income has increased from Rs.40980.06 core to Rs.76539.05 crore. The growth percent has been fluctuating. The growth ranges in between 1.59 to 12.50 percent. Highest growth is observed during 2016-17 period with 24.52 percent and least growth is noticed during 2018-19 with 1.59 percent.

The study on private sector non-life insurers show Gross Direct premium income increased from Rs.32010.30 crore to Rs.90743.94 crore in between 2013-14 to 2019-20. The growth percent varies in between 9.59 to 35.55 percent. Highest growth rate is observed during 201-17 period with 35.55 percent and least growth is noticed during 2014-15 period with 9.59 percent.

The performance of Specialized insurers pertaining to Gross direct premium income show the growth from Rs.4698.72 crore to Rs.10436.71 crore in between 2013-14 to 2019-20 period. The growth rate varies in between -12.7 percent to 70.33 percent. Highest growth rate in Gross Direct premium income is noticed during 2016-17 period and least performance is noticed during 2014-15 period.



The performance of Standalone Health insurers pertaining to Gross Direct premium income ranges in between Rs.2245.02 crore to Rs.14472.89 crore in between 2013-14 to 2019-20 periods. The growth percentage varies in between 27.47 percent to 41.93 percent.

Highest growth is observed during 2017-18 period with 41.93 percent and least growth is noticed during 2019-20 with 27.47 percent.

The total non-life insurance sector performance show Gross Direct premium income rising from Rs.79934.14 crore to Rs.192192.59 crore in between 2013-14 to 2019-20 period. The growth percentage varies in between 9.03 percent to 31.85 percent. Highest growth percentage is recorded during 2016-17 period and least is observed during 2014-15 period.

**Table-6: Gross Direct Premium income of General and Health Insurers (Rs. crore)**

Year	Public Sector	% of Growth	Private Sector	% of Growth	Specialized Insurer	% of Growth	Stand alone Health Insurers	% of Growth	Total	% of Growth
2013-14	40980.06	10.54	32010.30	14.52	4698.72	5.48	2245.02	30.05	79934.14	12.26
2014-15	45016.62	9.85	35089.96	9.59	4102.08	-12.7	2942.58	31.07	87151.24	9.03
2015-16	5064.24	12.50	36694.07	13.12	4841.95	18.04	4152.67	41.12	99332.93	13.98
2016-17	63060.11	24.52	53804.96	35.55	8247.18	70.33	5857.83	41.06	130970.09	31.85
2017-18	70569.78	11.91	65419.82	21.59	9133.81	10.75	8314.28	41.93	153437.68	17.15
2018-19	71693.15	1.59	81287.16	24.25	8148.42	-10.79	11354.04	36.56	172482.77	12.41
2019-20	76539.05	6.79	90743.94	11.63	10436.71	28.08	14472.89	27.47	192192.59	11.43

Source: Insurance Hand Book, IRDAI 2019-20

## 10. Emerging scenario of Non-life insurance Sector in India

The insurance industry in India was expected to reach US\$ 280 billion by 2020. The life insurance industry is expected to increase at a CAGR of 5.3% between 2019 and 2023. India's insurance penetration was pegged at 3.76% in FY20, with life insurance penetration at 2.82% and non-life insurance penetration at 0.94%. In terms of insurance density, India's overall density stood at US\$ 78 in FY20.

There are 24 life insurance and 34 non-life insurance companies in the Indian market who compete on price and services to attract customers, whereas there are two reinsurance companies. The industry has been spurred by product innovation and vibrant distribution channels, coupled with targeted publicity and promotional campaigns by insurers.

The market share of private sector companies in the general and health insurance market increased from 47.97% in FY19 to 48.03% in FY20. In the life insurance segment, private players held a market share of 33.78% in premium underwritten services in FY20.



In FY21 (until February 2021), premium from new business of life insurance companies in India stood at US\$ 31.9 billion.

Gross premiums written of non-life insurers in India reached US\$ 24.41 billion in FY21 (between April 2020 and February 2021), from US\$ 24.55 billion in FY20 (between April 2019 and February 2020), driven by strong growth from non-life insurance companies.

The total benefit amount claimed from private life insurance companies was Rs. 5,725 crore (US\$ 780 million), whereas LIC had a total benefit claim amount of Rs. 13,694 crore (US\$ 1,866 million) in FY20. With such a huge base, LIC has performed well to maintain a settlement ratio of 96.69% by number of policies and 93.45% by benefit amount.

Union Budget 2021 increased FDI limit in insurance from 49% to 74%. India's Insurance Regulatory and Development Authority (IRDAI) have announced the issuance, through Dig locker, of digital insurance policies by insurance firms.

Under the Union Budget 2021, Finance Minister Ms. Nirmala Sitharaman announced that the initial public offering (IPO) of LIC will be implemented in FY22, as part of the consolidation in the banking and insurance sector. Though no formal market valuation has been undertaken, LIC's IPO has the potential to raise Rs. 1 lakh crore (US\$ 13.62 billion).

In February 2021, the Finance Ministry announced to infuse Rs. 3,000 crore (US\$ 413.13 million) into state-owned non-life insurance companies to improve the overall financial health of companies.

According to data from the Insurance Regulatory and Development Authority of India (IRDAI), 25 non-life insurance companies recorded a 10.8% increase in their collective premium in January 2021 to Rs. 16,247.24 crore (US\$ 2.24 billion) compared with Rs. 14,663.40 crore (US\$ 2.02 billion) in January 2020.

In February 2021, Star Health Insurance partnered with PhonePe to offer digital health insurance on PhonePe, through its Arogya Sanjeevani policy. Going forward, increasing life expectancy, favourable savings and greater employment in the private sector is expected to fuel demand for pension plans. Likewise, strong growth in the automotive industry over the next decade would be a key driver for the motor insurance market. Motor insurance accounted for 32.59% of the non-life insurance premiums earned, followed by health insurance at 28.9%, in November 2020.

The public and private sectors have been actively working towards crop insurance. For instance, in October 2020, the Andhra Pradesh rolled out free of cost crop insurance scheme for the state farmers while the Reliance Non-life insurance and SatSure partnered to launch the satellite-based crop monitoring and predictive analytics support for better risk management and to improve efficiency of its crop insurance business operations. On January 13, 2021, Crop Insurance Scheme, the Pradhan Mantri Fasal Bima Yojana (PMFBY), completed five years of operations towards strengthening risk coverage of crops for farmers of India.



## 11. Conclusions

The evaluation of non-life insurance companies in Indian insurance sector has shown steady growth in the select period of study. Comparing to life insurance, the non-life insurance sector has shown lesser penetration growth rate, whereas, consistency is more observed in non-life insurance sector. The number of policies issued in private sector have been increased to more than 2 ½ times whereas the public sector has shown lesser growth in comparison with private sector companies. The study reveal that Compound Annual Growth rate has been highest for others category followed by Health, Fire and Motor segments. The claim ratio results show that, highest average claim ratio is observed for health segment followed by Motor segment. The total non-life insurance sector performance show Gross Direct premium income rising from Rs.79934.14 crore to Rs.192192.59 crore in between 2013-14 to 2019-20 period. Gross premiums written of non-life insurers in India reached US\$ 24.41 billion in current year, i.e., 2020 driven by strong growth from non-life insurance companies.

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