

Life Insurance First Year Premium grows in January 2021. Private Insurance companies lead the way

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Overview

As the industry entered the final quarter of the financial year i.e. when a significant portion of tax saving investments' are carried out, the life insurance sector reversed course to report an increase in January 2021 after witnessing a drop for the last two months. First Year Premium of life insurers increased by 3.7% in the month of January 2021 to Rs. 21,390 crore, compared to Rs. 20,623 crore in January 2020 due to an increase in single premiums however, a fall in non-single premiums restricted this increase.

The premium vis-à-vis sum assured pattern continues to indicate the preference for life insurance products as an investment tool than as just protection plan. Premiums for single premium policies (primarily investment oriented) accounted for a significant portion of the premium in YTD January 2021 and increased compared to yoy levels; however, non-single policies witnessed a fall vs. a double digit growth witnessed in YTD January 2021.

Premiums had increased substantially in FY20 as some high yield policies were to be withdrawn in November 2019 but were finally withdrawn in January 2020. This can be evinced in the CAGR of 15.6% for two years ended YTD Jan FY21 albeit with very high increase in YTD Jan FY20, and a relative correction in YTD Jan FY21 (for the industry). LIC too grew at a CAGR of 16.6% for the same period.

Figure 1: Movement in Monthly First Year Premium

Month	Premium in FY19 (Rs cr.)	Premium in FY20 (Rs. cr.)	Premium in FY21 (Rs cr.)	Delta (% change 20 over 19)	Delta (% change 21 over 20)
April	7,280	9,982	6,728	37.1%	-32.6%
May	12,838	18,414	13,739	43.4%	-25.4%
June	16,612	32,241	28,869	94.1%	-10.5%
July	20,219	21,509	22,986	6.4%	6.9%
August	18,639	23,555	27,040	26.4%	14.8%
September	17,491	20,057	25,366	14.7%	26.5%
October	15,480	17,272	22,776	11.6%	31.9%
November	14,858	26,221	19,159	76.5%	-26.9%
December	18,238	25,080	24,383	37.5%	-2.8%
January	17,420	20,623	21,390	18.4%	3.7%

Source: IRDAI, CMIE

Even as the life insurance sector reported positive numbers for January 2021, the YTD numbers have continued to report negative growth in first year premium collection albeit at a lower level. The sector reported a dip of 1.2% in first year premium to Rs. 2,12,436.1 crore in YTD January FY21 from Rs. 2,14,954.0 crore in YTD January FY20 (compared to an increase of 35.2% reported in YTD January FY20).

Furthermore, the overall sum assured declined by 8.7% from Rs 40.2 lakh crore in YTD January FY20 to Rs. 36.7 lakh crore in YTD January FY21 (compared to an increase of 20.7% reported in YTD January FY20).

Figure 2: First Year Premium Growth of Life Insurance Companies

Insurer	For Jan 2019	For Jan 2020	For Jan 2021	Jan 2020 Growth in %	Jan 2021 Growth in %	YTD Jan FY19	YTD Jan FY20	YTD Jan FY21	YTD Jan FY20 Growth in %	YTD Jan FY21 Growth in %	Market Share YTD Jan FY20	Market Share YTD Jan FY21
Private Total	6,201.5	7,152.1	8,246.1	15.3%	15.3%	53,645.1	64,448.2	69,288.0	20.1%	7.5%	30.0%	32.6%
Individual Single Premium	710.6	852.4	1,263.5	20.0%	48.2%	5,313.3	7,178.9	10,158.0	35.1%	41.5%	26.4%	29.1%
Individual Non-Single Premium	3,784.3	4,160.0	4,416.8	9.9%	6.2%	29,059.6	33,402.1	31,660.5	14.9%	-5.2%	56.9%	61.1%
Group Single Premium	1,475.9	1,762.9	2,130.6	19.4%	20.9%	16,374.1	19,899.8	22,962.4	21.5%	15.4%	20.3%	19.9%
Group Non-Single Premium	24.5	24.1	24.2	-1.6%	0.1%	238.4	145.2	236.3	-39.1%	62.8%	0.5%	4.5%
Group Yearly Renewable Premium	206.3	352.7	410.9	71.0%	16.5%	2,659.7	3,822.3	4,270.8	43.7%	11.7%	86.9%	89.8%
LIC of India	11,218.2	13,470.9	13,143.6	20.1%	-2.4%	1,05,359.0	1,50,505.8	1,43,148.1	42.9%	-4.9%	70.0%	67.4%
Individual Single Premium	2,513.6	2,080.9	1,755.9	-17.2%	-15.6%	18,712.5	19,966.0	24,763.1	6.7%	24.0%	73.6%	70.9%
Individual Non-Single Premium	2,360.4	4,976.7	2,656.0	110.8%	-46.6%	19,639.3	25,344.8	20,150.6	29.1%	-20.5%	43.1%	38.9%
Group Single Premium	6,246.4	5,943.6	8,630.8	-4.8%	45.2%	65,447.2	77,969.3	92,677.5	19.1%	18.9%	79.7%	80.1%
Group Non-Single Premium	58.7	415.9	55.8	609.0%	-86.6%	613.3	26,647.2	5,072.0	4244.8%	-81.0%	99.5%	95.5%
Group Yearly Renewable Premium	39.2	53.7	45.1	37.1%	-16.0%	946.7	578.5	484.8	-38.9%	-16.2%	13.1%	10.2%
Grand Total	17,419.8	20,623.0	21,389.7	18.4%	3.7%	1,59,004.1	2,14,954.0	2,12,436.1	35.2%	-1.2%		
Individual Single Premium	3,224.1	2,933.3	3,019.4	-9.0%	2.9%	24,025.8	27,144.9	34,921.1	13.0%	28.6%		
Individual Non-Single Premium	6,144.7	9,136.7	7,072.8	48.7%	-22.6%	48,698.9	58,746.9	51,811.1	20.6%	-11.8%		
Group Single Premium	7,722.2	7,706.5	10,761.4	-0.2%	39.6%	81,821.3	97,869.1	1,15,639.9	19.6%	18.2%		
Group Non-Single Premium	83.2	440.1	80.0	429.0%	-81.8%	851.7	26,792.4	5,308.4	3045.7%	-80.2%		
Group Yearly Renewable Premium	245.5	406.4	456.0	65.6%	12.2%	3,606.4	4,400.7	4,755.7	22.0%	8.1%		

Source: IRDAI

- LIC's first year premium decreased by 4.9% in YTD January FY21 compared to growth of 42.9% in YTD January FY20. On the other hand, private companies reported a growth of 7.5% in YTD January FY21 versus growth of 20.1% in YTD January FY20. Interestingly, LIC grew at a CAGR of 16.6% between YTD Jan FY19 and YTD Jan FY21 compared to industry's growth of 15.6% and private sector growth of 13.6% for the same period.
- Group non-single premiums fell by 81.8% in January 2020 and 80.2% in YTD January FY21 vs. a sharp jump in January 2019 and YTD January FY20. However, Group non-single premiums grew at a CAGR of over 100% between these two periods.
- Single Premium growth has buoyed the premiums for the year, given the current interest rate scenario. Group single premiums grew by 18.2% in YTD January 2020 vs. a growth of 19.6% in YTD January 2019. Individual single premiums grew by 28.6% in YTD January 2020 vs. a growth of 13% in YTD January 2019.

Figure 3: Movement in Premium Type (Rs crore) of Life Insurance Companies

Premium type	For Jan 2019	For Jan 2020	For Jan 2021	Jan 2020 Growth in %	Jan 2021 Growth in %	YTD Jan FY19	YTD Jan FY20	YTD Jan FY21	YTD Jan FY20 Growth in %	YTD Jan FY21 Growth in %	Market Share YTD Jan FY20	Market Share YTD Jan FY21
Single	10,946.4	10,639.8	13,780.8	-2.8%	29.5%	1,05,847.1	1,25,014.0	1,50,561.0	18.1%	20.4%	58%	71%
Non-Single	6,473.4	9,983.2	7,608.9	54.2%	-23.8%	53,157.0	89,940.0	61,875.1	69.2%	-31.2%	42%	29%

Source: IRDAI

- LIC continues to maintain its dominant share in the first year premium for YTD January FY21 (LIC share of 67.4% vs. 32.6% share of private companies).
- In Sum Assured, private companies have a share of 84.6% in YTD January FY21 (vs 82.6% in YTD January FY20) due to their focus on pure protection plans and a strong digital presence.

Figure 4: Movement in Sum Assured (Rs lakh crore) of Life Insurance Companies

Insurer	For Jan 2019	For Jan 2020	For Jan 2021	Jan 2020 Growth in %	Jan 2021 Growth in %	YTD Jan FY19	YTD Jan FY20	YTD Jan FY21	YTD Jan FY20 Growth in %	YTD Jan FY21 Growth in %	Market Share YTD Jan FY20	Market Share YTD Jan FY21
Private	2.7	3.8	4.1	39.6%	6.1%	25.3	33.2	31.0	31.1%	-6.4%	82.6%	84.6%
LIC of India	0.7	1.7	0.9	129.6%	-44.8%	8.0	7.0	5.6	-12.2%	-19.5%	17.4%	15.4%
Grand Total	3.5	5.5	5.0	58.3%	-9.2%	33.3	40.2	36.7	20.7%	-8.7%	100%	100%

Source: IRDAI

- Another interesting facet that can be derived from the above data is the fact that premiums have fallen at a much lower rate vs. the fall in sum assured indicating that a larger share of the premiums has been towards investment products rather than protection products. This trend has been noticed for both private companies as well as LIC.
- As can be seen in Figure 5, group premiums grew, while individual premiums dropped in January 2021 vs. the positive growth witnessed in January 2020. However, YTD numbers reveal a contrary trend with Individual premiums have grown, while group premium have fallen.

Figure 5: Movement in Premium Type (Rs crore) of Life Insurance Companies

Premium type	For Jan 2019	For Jan 2020	For Jan 2021	Jan 2020 Growth in %	Jan 2021 Growth in %	YTD Jan FY19	YTD Jan FY20	YTD Jan FY21	YTD Jan FY20 Growth in %	YTD Jan FY21 Growth in %	Market Share YTD Jan FY20	Market Share YTD Jan FY21
Individual	9,368.9	12,070.0	10,092.3	28.8%	-16.4%	72,724.7	85,891.8	86,732.2	18.1%	1.0%	40%	41%
Group	8,050.9	8,553.0	11,297.4	6.2%	32.1%	86,279.4	1,29,062.2	1,25,703.9	49.6%	-2.6%	60%	59%

Source: IRDAI

- The pandemic has created a rise in the demand for protection plans, while the market volatility continued to affect the demand for linked plans. Furthermore, even as market have witnessed strong performance recently, ULIPs may witness some pressure going forward given the budget proposals to allow tax exemption for maturity proceeds of only those ULIPs purchased beginning February 1, 2021, which have an annual premium less than Rs. 2.5 lakh.
- The life insurance premiums have been all over the place, with monthly premiums increasing and retreating due to the lockdown and business disruption. Growth in the monthly premiums for the private companies has been at the same level witnessed in the last year.
- The industry is expected to grow in single digits for the year as compared to a double digit growth witnessed last year. Overall, the outlook is expected to be stable in the medium term.

Annexure: Company wise share in First Year Premium

S. No.	Insurer	For Jan 2019	For Jan 2020	For Jan 2021	Jan 2020 Growth in %	Jan 2021 Growth in %	YTD Jan FY19	YTD Jan FY20	YTD Jan FY21	YTD Jan FY20 Growth in %	YTD Jan FY21 Growth in %	Market Share YTD Jan FY19	Market Share YTD Jan FY20	Market Share YTD Jan FY21
	Grand Total	17,419.8	20,623.0	21,389.7	18.4%	3.7%	1,59,004.1	2,14,954.0	2,12,436.1	35.2%	-1.2%	100%	100%	100%
1	UC of India	11,218.2	13,470.9	13,143.6	20.1%	-2.4%	1,05,359.0	1,50,505.8	1,43,148.1	42.9%	-4.9%	66.3%	70.0%	67.4%
	Private Total	6,201.5	7,152.1	8,246.1	15.3%	15.3%	53,645.1	64,448.2	69,288.0	20.1%	7.5%	33.7%	30.0%	32.6%
2	Aditya Birla Sun Life	284.0	244.2	263.4	-14.0%	7.9%	2,969.3	2,763.5	3,490.8	-6.9%	26.3%	1.9%	1.3%	1.6%
3	Aegon Life	10.2	8.4	9.6	-18.0%	15.3%	87.3	75.1	55.8	-14.0%	-25.7%	0.1%	0.0%	0.0%
4	Aviva Life	16.2	17.3	15.8	6.7%	-8.4%	157.5	183.7	149.5	16.6%	-18.7%	0.1%	0.1%	0.1%
5	Bajaj Allianz Life	307.8	472.5	508.4	53.5%	7.6%	3,412.3	4,132.2	4,328.4	21.1%	4.7%	2.1%	1.9%	2.0%
6	Bharti Axa Life	71.2	67.0	73.0	-5.9%	9.0%	688.3	682.5	575.8	-0.8%	-15.6%	0.4%	0.3%	0.3%
7	Canara HSBC OBC Life	134.3	110.9	163.5	-17.4%	47.5%	1,084.7	1,258.4	1,743.7	16.0%	38.6%	0.7%	0.6%	0.8%
8	Edelweiss Tokio Life	35.0	40.6	40.3	15.9%	-0.8%	305.3	290.9	304.7	-4.7%	4.8%	0.2%	0.1%	0.1%
9	Exide Life	70.6	85.4	70.6	20.9%	-17.3%	570.2	688.7	525.0	20.8%	-23.8%	0.4%	0.3%	0.2%
10	Future Generali Life	44.0	100.9	40.1	129.6%	-60.3%	461.4	642.5	312.0	39.2%	-51.4%	0.3%	0.3%	0.1%
11	HDFC Life	1,295.7	1,478.8	1,723.5	14.1%	16.6%	11,235.4	13,755.6	15,355.2	22.4%	11.6%	7.1%	6.4%	7.2%
12	ICICI Prudential Life	933.2	1,048.4	1,239.1	12.3%	18.2%	7,761.1	9,220.9	9,138.0	18.8%	-0.9%	4.9%	4.3%	4.3%
13	IDBI Federal Life	88.7	51.6	81.4	-41.8%	57.7%	605.2	443.3	458.3	-26.7%	3.4%	0.4%	0.2%	0.2%
14	India First Life	169.4	171.4	142.6	1.2%	-16.8%	1,505.8	1,453.6	1,513.3	-3.5%	4.1%	0.9%	0.7%	0.7%
15	Kotak Mahindra Life	301.6	387.9	497.9	28.6%	28.4%	2,675.1	3,888.7	3,341.6	45.4%	-14.1%	1.7%	1.8%	1.6%
16	Max Life	463.0	554.8	638.3	19.8%	15.0%	3,561.1	4,248.3	4,881.9	19.3%	14.9%	2.2%	2.0%	2.3%
17	PNB Met Life	137.7	170.0	204.1	23.5%	20.1%	1,170.0	1,414.0	1,374.5	20.9%	-2.8%	0.7%	0.7%	0.6%
18	Pramerica Life	77.7	28.9	22.6	-62.8%	-21.7%	1,074.5	459.0	178.7	-57.3%	-61.1%	0.7%	0.2%	0.1%
19	Reliance Nippon Life	79.5	75.9	97.3	-4.5%	28.1%	785.6	800.2	809.5	1.9%	1.2%	0.5%	0.4%	0.4%
20	Sahara Life	0.0	0.0	0.0	-72.0%	NA	0.1	0.0	0.0	-85.4%	NA	0.0%	0.0%	0.0%
21	SBI Life	1,344.5	1,595.4	1,875.2	18.7%	17.5%	10,814.0	14,382.5	16,313.6	33.0%	13.4%	6.8%	6.7%	7.7%
22	Shriram Life	48.0	53.7	75.9	11.7%	41.4%	608.2	556.3	601.6	-8.5%	8.1%	0.4%	0.3%	0.3%
23	Star Union Dai-ichi Life	48.7	61.5	109.1	26.3%	77.3%	476.7	608.6	837.4	27.7%	37.6%	0.3%	0.3%	0.4%
24	Tata AIA Life	240.7	326.8	354.4	35.8%	8.4%	1,635.9	2,499.6	2,998.8	52.8%	20.0%	1.0%	1.2%	1.4%

Source: IRDAI

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