

## Life Insurance First Year Premium dips in December due to unusual base effect

**Contact:**  
**Sanjay Agarwal**  
Senior Director  
sanjay.agarwal@careratings.com  
+91-22- 6754 3582  
Mob.+91-810-800-7676

**Saurabh Bhalerao**  
Associate Director  
saurabh.bhalerao@careratings.com  
+91-22-6754 3519  
Mob. +91-900-495-2514

**Mradul Mishra (Media Contact)**  
mradul.mishra@careratings.com  
+91-22-6754 3573

### Overview

The life insurance sector continued to report a drop in December 2020 after witnessing a growth for four continuous months in FY21. First Year Premium of life insurers fell by 2.8% in the month of December 2020 to Rs 24,383 crore, compared to Rs 25,080 crore in December 2019 due a fall in group non-single premiums, however, the individual segment muted the fall.

The premium vis-à-vis sum assured pattern indicates an increasing preference for life insurance products as an investment tool than as just protection plan.

Single premium policies (primarily investment oriented) accounted for a significant portion of the policies sold in December 2020 but the growth declined compared to yoy levels; however, non-single policies witnessed a fall vs. a double digit growth witnessed in December 2019.

The premiums fell primarily due to the base effect. Premiums had increased substantially in FY20 as some high yield policies were to be withdrawn in November 2019 but were finally withdrawn in January 2020.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 16.2% for two years ended YTD Dec FY21 albeit with very high increase in YTD Dec FY20, and a relative correction in YTD Dec FY21 (for the industry). LIC too grew at a CAGR of 17.5% for the same period.

**Figure 1: Movement in Monthly First Year Premium**

Month	Premium in 2018 (Rs cr.)	Premium in 2019 (Rs. cr.)	Premium in 2020 (Rs cr.)	Delta (% change 19 over 18)	Delta (% change 20 over 19)
March	29,171	37,459	25,409	28.4%	-32.2%
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%

Source: IRDAI, CMIE

The life insurance sector has continued to report negative growth in first year premium collection. The sector reported a dip of 1.7% in first year premium to Rs. 1,91,046.4 crore in YTD December FY21 from Rs. 1,94,331.1 crore in YTD December FY20 (compared to an increase of 37.3% reported in YTD December FY20). However, on CAGR basis, the

**Disclaimer:** This report is prepared by CARE Ratings Ltd. CARE Ratings has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in this report is guaranteed. CARE Ratings is not responsible for any errors or omissions in analysis/inferences/views or for results obtained from the use of information contained in this report and especially states that CARE Ratings has no financial liability whatsoever to the user of this report

sector grew at almost 16% of the period in the two years. On the other hand, the overall sum assured declined by 8.6% from Rs 34.7 lakh crore in YTD December FY20 to Rs. 31.7 lakh crore in YTD December FY21 (compared to an increase of 16.3% reported in YTD December FY20).

**Figure 2: First Year Premium Growth of Life Insurance Companies**

Insurer	For Dec 2018	For Dec 2019	For Dec 2020	Dec 2019 Growth in %	Dec 2020 Growth in %	YTD Dec FY19	YTD Dec FY20	YTD Dec FY21	YTD Dec FY20 Growth in %	YTD Dec FY21 Growth in %	Market Share YTD Dec FY20	Market Share YTD Dec FY21
<b>Private Total</b>	<b>7,245.6</b>	<b>8,217.9</b>	<b>10,037.7</b>	<b>13.4%</b>	<b>22.1%</b>	<b>47,443.5</b>	<b>57,296.2</b>	<b>61,042.0</b>	<b>20.8%</b>	<b>6.5%</b>	<b>29.5%</b>	<b>32.0%</b>
Individual Single Premium	700.0	969.7	1,417.1	38.5%	46.1%	4,602.7	6,326.5	8,894.5	37.5%	40.6%	26.1%	27.9%
Individual Non-Single Premium	4,404.7	5,146.7	5,259.0	16.8%	2.2%	25,275.3	29,242.2	27,243.6	15.7%	-6.8%	58.9%	60.9%
Group Single Premium	1,901.6	1,703.4	2,613.0	-10.4%	53.4%	14,898.3	18,136.9	20,831.8	21.7%	14.9%	20.1%	19.9%
Group Non-Single Premium	11.5	22.0	24.6	91.5%	11.8%	213.9	121.0	212.1	-43.4%	75.3%	0.5%	4.1%
Group Yearly Renewable Premium	227.9	376.2	724.1	65.1%	92.5%	2,453.4	3,469.5	3,859.9	41.4%	11.3%	86.9%	89.8%
<b>LIC of India</b>	<b>10,992.2</b>	<b>16,862.0</b>	<b>14,345.7</b>	<b>53.4%</b>	<b>-14.9%</b>	<b>94,140.8</b>	<b>1,37,034.9</b>	<b>1,30,004.4</b>	<b>45.6%</b>	<b>-5.1%</b>	<b>70.5%</b>	<b>68.0%</b>
Individual Single Premium	2,542.9	1,232.0	1,885.9	-51.6%	53.1%	16,198.9	17,885.1	23,007.2	10.4%	28.6%	73.9%	72.1%
Individual Non-Single Premium	2,268.4	2,722.0	2,774.0	20.0%	1.9%	17,278.9	20,368.2	17,494.6	17.9%	-14.1%	41.1%	39.1%
Group Single Premium	6,131.0	10,404.9	9,328.4	69.7%	-10.3%	59,200.8	72,025.7	84,046.7	21.7%	16.7%	79.9%	80.1%
Group Non-Single Premium	22.3	2,480.2	327.0	11003.6%	-86.8%	554.7	26,231.3	5,016.2	4629.3%	-80.9%	99.5%	95.9%
Group Yearly Renewable Premium	27.5	22.9	30.5	-17.0%	33.3%	907.5	524.7	439.7	-42.2%	-16.2%	13.1%	10.2%
<b>Grand Total</b>	<b>18,237.8</b>	<b>25,079.9</b>	<b>24,383.4</b>	<b>37.5%</b>	<b>-2.8%</b>	<b>1,41,584.3</b>	<b>1,94,331.1</b>	<b>1,91,046.4</b>	<b>37.3%</b>	<b>-1.7%</b>		
Individual Single Premium	3,242.9	2,201.7	3,303.0	-32.1%	50.0%	20,801.6	24,211.6	31,901.6	16.4%	31.8%		
Individual Non-Single Premium	6,673.1	7,868.7	8,033.0	17.9%	2.1%	42,554.2	49,610.3	44,738.3	16.6%	-9.8%		
Group Single Premium	8,032.6	12,108.3	11,941.4	50.7%	-1.4%	74,099.1	90,162.6	1,04,878.5	21.7%	16.3%		
Group Non-Single Premium	33.8	2,502.2	351.5	7301.1%	-86.0%	768.5	26,352.3	5,228.4	3329.0%	-80.2%		
Group Yearly Renewable Premium	255.4	399.0	754.6	56.2%	89.1%	3,360.9	3,994.3	4,299.6	18.8%	7.6%		

Source: IRDAI

- LIC's first year premium decreased by 5.1% in YTD December FY21 compared to growth of 45.6% in YTD December FY20. While private companies reported a growth of 6.5% in YTD December FY21 versus growth of 20.8% in YTD December FY20. Interestingly, LIC grew at a CAGR of 17.5% between YTD Dec FY19 and YTD Dec FY21 compared to industry's growth of 16.2% and private sector growth of 13.4% for the same periods.
- Group non-single premiums fell by 86% in December 2020 and 80.2% in YTD December FY21 vs. a sharp jump in December 2019 and YTD December 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 16.3% in YTD December 2020 vs. a growth of 21.7% in YTD December 2019. Individual single premiums grew by 31.8% in YTD December 2020 vs. a growth of 16.4% in YTD December 2019.

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

Premium type	For Dec 2018	For Dec 2019	For Dec 2020	Dec 2019 Growth in %	Dec 2020 Growth in %	YTD Dec FY19	YTD Dec FY20	YTD Dec FY21	YTD Dec FY20 Growth in %	YTD Dec FY21 Growth in %
Single	11,275.5	14,310.0	15,244.4	26.9%	6.5%	94,900.7	1,14,374.2	1,36,780.1	20.5%	19.6%
Non-Single	6,962.3	10,769.9	9,139.0	54.7%	-15.1%	46,683.6	79,956.9	54,266.3	71.3%	-32.1%

Source: IRDAI

- LIC continues to maintain its dominant share in the first year premium for YTD December FY21 (LIC share of 68% vs. 32% share of private companies).
- In Sum Assured, private companies have a share of 85.1% (vs 84.6% in YTD December 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 Dec 2018	For Dec 2019	For Dec 2020	Dec 2019 Growth in %	Dec 2020 Growth in %	YTD Dec FY19	YTD Dec FY20	YTD Dec FY21	YTD Dec FY20 Growth in %	YTD Dec FY21 Growth in %	Market Share YTD Dec FY20	Market Share YTD Dec FY21
Private	3.1	3.6	3.6	16.6%	1.6%	22.6	29.3	27.0	30.0%	-8.0%	84.6%	85.1%
LIC of India	0.9	1.0	0.7	12.2%	-28.7%	7.3	5.4	4.7	-26.3%	-11.7%	15.4%	14.9%
Grand Total	4.0	4.6	4.3	15.6%	-5.0%	29.8	34.7	31.7	16.3%	-8.6%	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, individual premiums grew, while group premiums dropped in December 2020 vs. the positive growth witnessed in December 2019.

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

Premium type	For Dec 2018	For Dec 2019	For Dec 2020	Dec 2019 Growth in %	Dec 2020 Growth in %	YTD Dec FY19	YTD Dec FY20	YTD Dec FY21	YTD Dec FY20 Growth in %	YTD Dec FY21 Growth in %
Individual	9,916.0	10,070.4	11,336.0	1.6%	12.6%	63,355.8	73,821.9	76,639.9	16.5%	3.8%
Group	8,321.8	15,009.5	13,047.5	80.4%	-13.1%	78,228.5	1,20,509.2	1,14,406.5	54.0%	-5.1%

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. However ULIPs may witness some interest due to strong market performance.
- The life insurance business witnessed a fall in the earlier part of the year due to the lockdown and business disruption but grew in the second quarter. However the industry reverted to negative growth in the third quarter.
- 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 Dec 2018	For Dec 2019	For Dec 2020	Dec 2019 Growth in %	Dec 2020 Growth in %	YTD Dec FY19	YTD Dec FY20	YTD Dec FY21	YTD Dec FY20 Growth in %	YTD Dec FY21 Growth in %	Market Share YTD Nov FY19	Market Share YTD Dec FY20	Market Share YTD Dec FY21
<b>Grand Total</b>		<b>18,237.8</b>	<b>25,079.9</b>	<b>24,383.4</b>	<b>37.5%</b>	<b>-2.8%</b>	<b>1,41,584.3</b>	<b>1,94,331.1</b>	<b>1,91,046.4</b>	<b>37.3%</b>	<b>-1.7%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
1	LIC of India	10,992.2	16,862.0	14,345.7	53.4%	-14.9%	94,140.8	1,37,034.9	1,30,004.4	45.6%	-5.1%	66.5%	70.5%	68.0%
	<b>Private Total</b>	<b>7,245.6</b>	<b>8,217.9</b>	<b>10,037.7</b>	<b>13.4%</b>	<b>22.1%</b>	<b>47,443.5</b>	<b>57,296.2</b>	<b>61,042.0</b>	<b>20.8%</b>	<b>6.5%</b>	<b>33.5%</b>	<b>29.5%</b>	<b>32.0%</b>
2	Aditya Birla Sun Life	417.3	318.5	514.0	-23.7%	61.4%	2,685.3	2,519.4	3,227.4	-6.2%	28.1%	1.9%	1.3%	1.7%
3	Aegon Life	8.5	7.4	2.0	-12.8%	-72.6%	77.0	66.8	46.1	-13.3%	-30.9%	0.1%	0.0%	0.0%
4	Aviva Life	14.9	14.2	5.8	-4.9%	-59.3%	141.3	166.5	133.6	17.8%	-19.7%	0.1%	0.1%	0.1%
5	Bajaj Allianz Life	385.4	418.3	686.8	8.5%	64.2%	3,104.5	3,659.7	3,820.0	17.9%	4.4%	2.2%	1.9%	2.0%
6	Bharti Axa Life	83.0	75.3	81.1	-9.3%	7.8%	617.1	615.5	502.7	-0.3%	-18.3%	0.4%	0.3%	0.3%
7	Canara HSBC OBC Life	113.8	146.5	149.6	28.7%	2.1%	950.4	1,147.6	1,580.2	20.7%	37.7%	0.7%	0.6%	0.8%
8	Edelweiss Tokio Life	43.7	44.2	47.9	1.1%	8.4%	270.3	250.3	264.4	-7.4%	5.7%	0.2%	0.1%	0.1%
9	Exide Life	67.0	88.3	73.6	31.9%	-16.6%	499.6	603.4	454.4	20.8%	-24.7%	0.4%	0.3%	0.2%
10	Future Generali Life	75.5	58.5	57.0	-22.5%	-2.5%	417.5	541.5	271.9	29.7%	-49.8%	0.3%	0.3%	0.1%
11	HDFC Life	1,421.0	1,503.9	1,910.3	5.8%	27.0%	9,939.7	12,276.8	13,631.7	23.5%	11.0%	7.0%	6.3%	7.1%
12	ICICI Prudential Life	957.8	1,112.3	1,469.4	16.1%	32.1%	6,827.8	8,172.5	7,898.9	19.7%	-3.3%	4.8%	4.2%	4.1%
13	IDBI Federal Life	103.3	47.5	58.0	-54.0%	22.1%	516.5	391.8	376.9	-24.2%	-3.8%	0.4%	0.2%	0.2%
14	India First Life	182.9	156.2	240.1	-14.6%	53.8%	1,336.4	1,282.2	1,370.7	-4.1%	6.9%	0.9%	0.7%	0.7%
15	Kotak Mahindra Life	344.1	583.3	569.1	69.5%	-2.4%	2,373.5	3,500.8	2,843.7	47.5%	-18.8%	1.7%	1.8%	1.5%
16	Max Life	521.8	637.1	768.1	22.1%	20.6%	3,098.2	3,693.5	4,243.6	19.2%	14.9%	2.2%	1.9%	2.2%
17	PNB Met Life	161.0	198.5	220.9	23.3%	11.3%	1,032.4	1,244.0	1,170.4	20.5%	-5.9%	0.7%	0.6%	0.6%
18	Pramerica Life	74.5	39.8	22.7	-46.6%	-42.8%	996.8	430.1	156.1	-56.9%	-63.7%	0.7%	0.2%	0.1%
19	Reliance Nippon Life	99.0	114.1	134.7	15.3%	18.0%	706.1	724.3	712.2	2.6%	-1.7%	0.5%	0.4%	0.4%
20	Sahara Life	0.0	0.0	0.0	-83.0%	NA	0.1	0.0	0.0	-84.9%	NA	0.0%	0.0%	0.0%
21	SBI Life	1,741.1	2,071.4	2,322.4	19.0%	12.1%	9,469.5	12,787.1	14,438.4	35.0%	12.9%	6.7%	6.6%	7.6%
22	Shriram Life	63.0	77.3	106.3	22.8%	37.5%	560.2	502.6	525.7	-10.3%	4.6%	0.4%	0.3%	0.3%
23	Star Union Dai-ichi Life	84.0	106.1	156.9	26.3%	47.9%	428.0	547.1	728.3	27.8%	33.1%	0.3%	0.3%	0.4%
24	Tata AIA Life	283.0	399.0	440.7	41.0%	10.4%	1,395.2	2,172.8	2,644.4	55.7%	21.7%	1.0%	1.1%	1.4%

Source: IRDAI