

Life Insurance First Year Monthly Premium – August numbers show growth after a lacklustre July. Private players drive growth.

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Overview

First Year Premium of life insurers grew at a modest rate of 2.9% in August 2021 to reach Rs 27,821 crores from RS 27040 crores in August 2020, after witnessing a double digit drop of 11.1% in July 2021. The growth can be attributed to a rise in the group single premiums for August 2021. For the YTD August FY22, the life insurance sector eked out a low growth rate of 1.6% compared to the drop of 6% for YTD August FY21. Due to the covid 19 pandemic lockdown and resultant impact, premiums were lower in the Q1FY21 and resultant different growth after the same, base effect may also be possible in monthly FY22 numbers. Hence, if we look at the two-year CAGR performance, private players have shown a strong momentum.

Figure 1: Movement in Monthly First Year Premium (Rs cr)

Month	Premium in FY20 (Rs. cr.)	Premium in FY21 (Rs cr.)	Premium in FY22 (Rs cr.)	Delta (% change 20 over 19)	Delta (% change 21 over 20)	Delta (% change 22 over 21)
April	9,982	6,728	9,739	37.1%	-32.6%	44.8%
May	18,414	13,739	12,977	43.4%	-25.4%	-5.5%
June	32,241	28,869	30,009	94.1%	-10.5%	4.0%
July	21,509	22,986	20,435	6.4%	6.9%	-11.1%
August	23,555	27,040	27,821	26.4%	14.8%	2.9%
September	20,057	25,366		14.7%	26.5%	
October	17,272	22,776		11.6%	31.9%	
November	26,221	19,159		76.5%	-26.9%	
December	25,080	24,383		37.5%	-2.8%	
January	20,623	21,390		18.4%	3.7%	
February	18,533	22,425		1.8%	21.0%	
March	25,409	43,417		-32.2%	70.9%	

Source: Life Insurance Council

Figure 2: First Year Premium Growth of Life Insurance Companies (Rs cr)

Insurer	For Aug 2019	For Aug 2020	For Aug 2021	Aug 2020 Growth in %	Aug 2021 Growth in %	YTD Aug, FY20	YTD Aug, FY21	YTD Aug, FY22	YTD Aug, FY21 Growth %	YTD Aug, FY22 Growth %
Private Total	6,440.7	7,325.6	8,860.0	13.7%	20.9%	28,480.4	27,946.1	34,388.3	-1.9%	23.1%
Individual Single Premium	688.2	1,097.8	1,450.3	59.5%	32.1%	3,313.2	4,229.3	5,598.5	27.7%	32.4%
Individual Non-Single Premium	3,359.9	3,120.8	4,348.3	-7.1%	39.3%	14,092.5	11,813.7	15,446.7	-16.2%	30.8%
Group Single Premium	1,909.4	2,859.6	2,465.7	49.8%	-13.8%	9,095.6	10,178.6	10,731.0	11.9%	5.4%
Group Non-Single Premium	10.5	7.5	19.7	-28.3%	161.0%	45.4	48.4	109.6	6.7%	126.5%
Group Yearly Renewable Premium	472.6	239.8	575.9	-49.3%	140.2%	1,933.8	1,676.2	2,502.6	-13.3%	49.3%
LIC of India	17,114.3	19,714.2	18,960.8	15.2%	-3.8%	77,221.0	71,415.2	66,592.4	-7.5%	-6.8%
Individual Single Premium	6,543.4	5,429.6	2,311.3	-17.0%	-57.4%	12,678.3	12,390.8	7,808.4	-2.3%	-37.0%
Individual Non-Single Premium	2,002.0	2,169.9	2,344.3	8.4%	8.0%	9,156.0	8,865.8	9,281.3	-3.2%	4.7%
Group Single Premium	8,044.9	11,730.5	13,896.9	45.8%	18.5%	35,912.0	46,603.0	48,374.3	29.8%	3.8%
Group Non-Single Premium	469.2	318.2	106.9	-32.2%	-66.4%	19,325.3	3,420.7	614.2	-82.3%	-82.0%
Group Yearly Renewable Premium	54.9	66.1	301.4	20.3%	356.2%	149.4	134.9	514.2	-9.7%	281.1%
Grand Total	23,555.0	27,039.8	27,820.7	14.8%	2.9%	1,05,701.4	99,361.3	1,00,980.7	-6.0%	1.6%
Individual Single Premium	7,231.5	6,527.4	3,761.7	-9.7%	-42.4%	15,991.5	16,620.1	13,406.9	3.9%	-19.3%
Individual Non-Single Premium	5,362.0	5,290.8	6,692.6	-1.3%	26.5%	23,248.5	20,679.5	24,728.0	-11.0%	19.6%
Group Single Premium	9,954.3	14,590.1	16,362.6	46.6%	12.1%	45,007.6	56,781.5	59,105.3	26.2%	4.1%
Group Non-Single Premium	479.7	325.7	126.6	-32.1%	-61.1%	19,370.6	3,469.1	723.8	-82.1%	-79.1%
Group Yearly Renewable Premium	527.5	305.9	877.3	-42.0%	186.8%	2,083.2	1,811.1	3,016.8	-13.1%	66.6%

Source: Life Insurance Council

- LIC's first year premium decreased by 3.8% in August 2021 compared to a strong growth of 15.2% in August 2020, while private companies grew by a robust 20.9% in August 2021 after witnessing a slower growth rate of 13.7% in August 2020. A similar trend continued for YTD August FY22, where LIC reported a drop of 6.8% vs. the significantly higher growth of 23.1% reported by the private companies.

- LIC continues to maintain its dominant share in the first-year premium for YTD August FY22 (LIC share of 65.9% vs. 34.1% share of private companies). However, LIC has continued to cede ground to the private sector given that the private sector has been growing at a faster pace.

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

Premium Type	For Aug 2019	For Aug 2020	For Aug 2021	Aug 2020 Growth in %	Aug 2021 Growth in %	YTD Aug, FY20	YTD Aug, FY21	YTD Aug, FY22	YTD Aug, FY21 Growth %	YTD Aug, FY22 Growth %
Single	17,185.8	21,117.5	20,124.2	22.9%	-4.7%	60,999.1	73,401.6	72,512.2	20.3%	-1.2%
Non-Single	6,369.2	5,922.3	7,696.5	-7.0%	30.0%	44,702.3	25,959.7	28,468.6	-41.9%	9.7%

Source: Life Insurance Council

- For August 2021, non-single premiums grew at a much faster clip, while single premiums continued to report a drop. The drop in individual single premiums can be attributed to the base effect as a significant single premium plan was relaunched in August 2020. However, single premiums continue to account for a substantial portion of the overall premiums. The share of single premiums has grown from 58% for YTD August FY20 to 72% in YTD August FY22.
- The private sector has a larger share in the non-single sub-segment (given their focus on individual premiums), while LIC continues to dominate the single premium sub-segment.
- In August 2021, Pension plans accounted for a significant chunk of the group single premiums, followed by General Annuity and Group Gratuity Schemes, while General annuity plans dominate individual single premiums.
- In individual non-single plans, the share of non-linked without profit plans increased, even as with profit plans continue to maintain a significantly larger share.

Figure 4: Movement in Premium Type (Rs crore) of Life Insurance Companies

Premium Type	For Aug 2019	For Aug 2020	For Aug 2021	Aug 2020 Growth in %	Aug 2021 Growth in %	YTD Aug, FY20	YTD Aug, FY21	YTD Aug, FY22	YTD Aug, FY21 Growth %	YTD Aug, FY22 Growth %
Individual	12,593.5	11,818.1	10,454.3	-6.2%	-11.5%	39,240.0	37,299.6	38,134.9	-4.9%	2.2%
Group	10,961.5	15,221.7	17,366.5	38.9%	14.1%	66,461.4	62,061.7	62,845.9	-6.6%	1.3%

Source: Life Insurance Council

- For August 2021, the group premiums grew at 14.1% (vs a much higher rate of 38.9% in August 2020) compared to the drop of 11.5% (vs a lower decrease of 6.2% in August 2020) in individual premiums. Meanwhile, the YTD August FY22 individual premiums reported a reversal of the fall witnessed in YTD July FY20, while group premiums grew at 1.3% vs the decline of 6.8% for YTD August 2020.
- Individual premiums continue to remain significantly smaller in size compared to group premiums, but its share in overall premiums has been on a growth trajectory. This increase in individual premiums can be accounted by the non-single premium sub-segment, especially in the private sector.

In Q1FY22, the growth in premiums albeit muted was driven by unit-linked products and protection plans. However, the life insurance sector witnessed significant claims in Q1FY22 due to the second wave of the pandemic and profitability suffered as companies made provisions/ reserves to alleviate the impact of the claims.

We have seen a gradual pick-up in growth over the past few months, and August 2021 has witnessed robust growth trends across the industry with a focus on Annuity, non-par and ULIPs. Given the demographics and market under penetration, continued easing of restrictions and opening of the economy, the life insurance premiums are expected to witness significant movement over FY22. Key risks such as a delay in the economic recovery and resurgence of covid cases i.e., a third wave could negatively impact premium growth, and rise in the premium rates of term plans.

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