

Life Insurance First Year Monthly Premium – Impact of regulations – Base effect bites.

August 09, 2021 | BFSI Research

Overview

First Year Premium of life insurers witnessed a double digit drop of 11.1% in July 2021 to Rs 20,435 crores from Rs 22,986 crores in July 2020. The decline can be attributed to a drop in the group single premiums for July 2021. Single For YTD July FY22, the life insurance sector eked out a low growth rate of 1.2% compared to the drop of 12% for YTD July FY21. Regional lockdowns and the second wave of the pandemic have restricted growth.

The FY20 numbers are not directly comparable as group non single premiums had increased due to the gratuity limit increase which necessitated liability adjustment. If the same is normalized, we can observe a growth trend over the same period.

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		26.4%	14.8%	
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: IRDAI

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

Insurer	For Jul 2019	For Jul 2020	For Jul 2021	Jul 2020 Growth in %	Jul 2021 Growth in %	YTD Jul, FY20	YTD Jul, FY21	YTD Jul, FY22	YTD Jul, FY21 Growth %	YTD Jul, FY22 Growth %
Private Total	6,197.4	7,815.1	8,403.8	26.1%	7.5%	22,039.8	20,620.6	25,528.4	-6.4%	23.8%
Individual Single Premium	757.3	1,136.2	1,473.9	50.0%	29.7%	2,625.0	3,131.5	4,148.1	19.3%	32.5%
Individual Non-Single Premium	3,378.3	3,094.1	4,040.3	-8.4%	30.6%	10,732.5	8,692.9	11,098.4	-19.0%	27.7%
Group Single Premium	1,716.0	3,119.4	2,320.1	81.8%	-25.6%	7,186.2	7,319.0	8,265.3	1.8%	12.9%
Group Non-Single Premium	10.3	9.4	55.7	-9.0%	494.7%	34.8	40.8	89.9	17.2%	120.2%
Group Yearly Renewable Premium	335.5	456.0	513.8	35.9%	12.7%	1,461.2	1,436.4	1,926.7	-1.7%	34.1%
LIC of India	15,311.9	15,171.0	12,030.9	-0.9%	-20.7%	60,106.7	51,701.0	47,631.6	-14.0%	-7.9%
Individual Single Premium	1,961.0	3,305.9	2,141.6	68.6%	-35.2%	6,135.0	6,961.2	5,497.1	13.5%	-21.0%
Individual Non-Single Premium	2,179.7	2,274.3	2,280.9	4.3%	0.3%	7,154.0	6,695.9	6,937.0	-6.4%	3.6%
Group Single Premium	6,251.0	8,985.0	7,313.4	43.7%	-18.6%	27,867.1	34,872.5	34,477.4	25.1%	-1.1%
Group Non-Single Premium	4,877.2	593.7	176.7	-87.8%	-70.2%	18,856.1	3,102.5	507.3	-83.5%	-83.6%
Group Yearly Renewable Premium	43.0	12.0	118.3	-72.1%	885.6%	94.5	68.9	212.8	-27.1%	209.1%
Grand Total	21,509.2	22,986.1	20,434.7	6.9%	-11.1%	82,146.5	72,321.5	73,160.0	-12.0%	1.2%
Individual Single Premium	2,718.3	4,442.1	3,615.5	63.4%	-18.6%	8,760.0	10,092.7	9,645.2	15.2%	-4.4%
Individual Non-Single Premium	5,558.0	5,368.5	6,321.2	-3.4%	17.7%	17,886.5	15,388.8	18,035.4	-14.0%	17.2%
Group Single Premium	7,967.0	12,104.4	9,633.5	51.9%	-20.4%	35,053.3	42,191.4	42,742.7	20.4%	1.3%
Group Non-Single Premium	4,887.5	603.0	232.4	-87.7%	-61.5%	18,890.9	3,143.4	597.2	-83.4%	-81.0%
Group Yearly Renewable Premium	378.5	468.0	632.1	23.7%	35.1%	1,555.7	1,505.2	2,139.5	-3.2%	42.1%

Source: IRDAI

- LIC's first year premium decreased by 20.7% in July 2021 compared to the marginal drop of 0.9% in July 2020, while private companies grew by a subdued 7.5% in July 2021 after witnessing a much higher rate of 26.1% in July 2020. A similar trend continued for YTD July FY22, where LIC reported a drop of 7.9% vs. the significantly higher growth of 23.8% reported by the private companies.

- LIC continues to maintain its dominant share in the first-year premium for YTD July FY22 (LIC share of 65.1% vs. 34.9% 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 Jul 2019	For Jul 2020	For Jul 2021	Jul 2020 Growth in %	Jul 2021 Growth in %	YTD Jul, FY20	YTD Jul, FY21	YTD Jul, FY22	YTD Jul, FY21 Growth %	YTD Jul, FY22 Growth %
Single	10,685.3	16,546.6	13,249.0	54.9%	-19.9%	43,813.3	52,284.2	52,387.9	19.3%	0.2%
Non-Single	10,823.9	6,439.5	7,185.7	-40.5%	11.6%	38,333.1	20,037.4	20,772.1	-47.7%	3.7%

Source: IRDAI

- For July 2021, non-single premiums grew, while single premiums reported a drop. at a much sharper rate compared to the single premiums. However, single premiums continue to account for a substantial portion of the overall premiums. The share of single premiums has grown from 53% for YTD July FY20 to 72% in YTD July FY22.
- The private sector has a larger share in the non-single sub-segment (given the focus on individual premiums), while LIC continues to dominate the single premium sub-segment.
- Pension and General Annuity plans accounted for a significant chunk of the group single premiums in July 2021, while General annuity plans dominate individual single premiums.
- Group gratuity schemes along with others accounted for a significant chunk of the group yearly renewable premiums in July 2021.

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

Premium Type	For Jul 2019	For Jul 2020	For Jul 2021	Jul 2020 Growth in %	Jul 2021 Growth in %	YTD Jul, FY20	YTD Jul, FY21	YTD Jul, FY22	YTD Jul, FY21 Growth %	YTD Jul, FY22 Growth %
Individual	8,276.3	9,810.6	9,936.7	18.5%	1.3%	26,646.5	25,481.5	27,680.6	-4.4%	8.6%
Group	13,232.9	13,175.5	10,498.0	-0.4%	-20.3%	55,500.0	46,840.0	45,479.4	-15.6%	-2.9%

Source: IRDAI

- For July 2021, the group premiums dropped at a significantly higher rate of 20.3% (vs a fall of 0.4% in July 2020) compared to the modest growth of 1.3% (vs a growth of 18.5% in July 2020) in individual premiums. meanwhile, the YTD July FY22 individual premiums reported a reversal of the fall witnessed in YTD July FY20, while group premiums fell at a much lower rate of 2.9% for YTD July FY22 vs a fall of 15.6% for YTD July FY20.
- Individual premiums 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.

Figure 5: Movement in Sum Assured (Rs lakh crore) of Life Insurance Companies

Sum Assured	For Jul 2019	For Jul 2020	For Jul 2021	Jul 2020 Growth in %	Jul 2021 Growth in %	YTD Jul, FY20	YTD Jul, FY21	YTD Jul, FY22	YTD Jul, FY21 Growth %	YTD Jul, FY22 Growth %
Private	3.2	3.0	3.4	-6.2%	12.2%	12.2	10.9	13.9	-10.9%	28.2%
LIC	0.5	0.8	1.0	40.9%	26.1%	1.6	1.7	2.5	3.4%	45.3%
Total	3.8	3.8	4.4	0.5%	14.9%	13.8	12.6	16.4	-9.2%	30.5%

Source: IRDAI

- In terms of Sum Assured, the sector reported an increase of 14.9% to Rs 4.4 lakh crores for July 2021 from Rs 3.8 lakh crores for July 2020. The growth has continued to be driven by group single premium and group yearly renewable policies. On the other hand, for YTD July FY22, the SA reached 16.4 lakh crores from 12.6 lakh crores for YTD July FY21, a growth of 30.5%. Group renewable premium policies have overtaken Individual non-single policies to have the largest share of the sum assured. Despite, the private sector continuing to account for the lion's share (~87%) of the sum assured indicative of its focus on protection plans, LIC has reported a significantly higher rate of 45.3% for YTD July FY22. The growth has been driven by the Group Yearly Renewable Premium policies.

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. Given the demographics and market under penetration, and the gradual removal of the restrictions by the governments, the life industry is expected to demonstrate sustained long-term growth supported by a digital push across service lines. 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.

Contact:

Sanjay Agarwal
Saurabh Bhalerao
Mradul Mishra

Senior Director
Associate Director – BFSI Research
(Media Contact)

sanjay.agarwal@careratings.com
saurabh.bhalerao@careratings.com
mradul.mishra@careratings.com

+91-22-6754 3582/+91-810-800-7676
+91-22-6754 3519/+91-900-495-2514
+91-22-6754 3573

Disclaimer: This report is prepared by CARE Ratings Limited. 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

CARE Ratings Limited

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital
Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel.: +91-22-6754 3456 | CIN: L67190MH1993PLC071691

Connect:

