

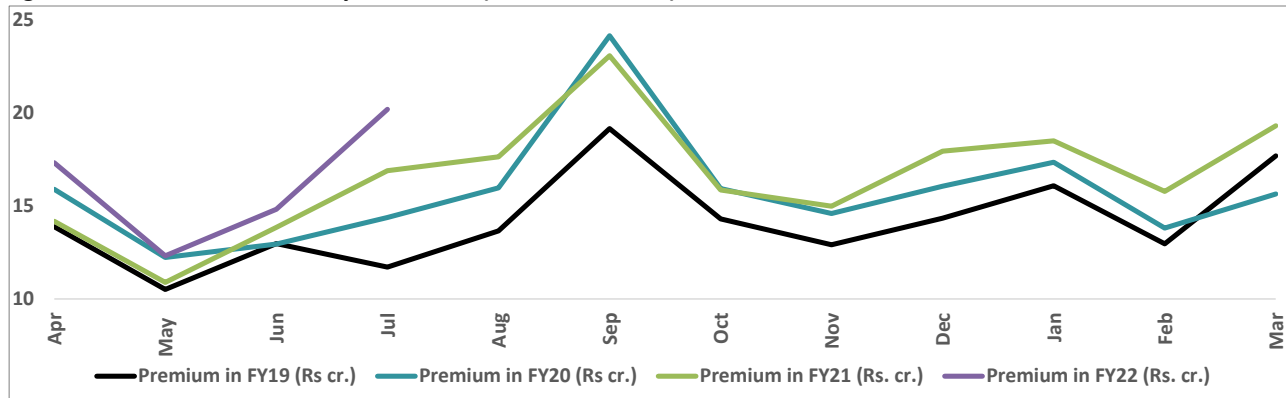
# Non-Life Insurance Premiums: Strong July Performance shrugs off the pandemic cloud. Health remains ahead, while Motor too shows some growth.

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## Overview

The non-life insurance industry has continued its strong performance with the July 2021 monthly numbers reported a 19.5% growth continuing with the trend seen during the previous months. Non-life insurance premium reached Rs 20,171.2 crores for the month of July 2021 compared to Rs. 16,884.8 crores in July 2020. The growth has been driven by the health and fire segments with the motor segment also turning in positive numbers.

**Figure 1: Movement in Monthly Premiums (in Rs '000 crores)**



Source: IRDAI

**Figure 2: Movement in Gross Direct Premium Underwritten (Rs cr)**

Insurers	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 in %	YTD Jul FY22 Growth in %
General Insurers	12,479.1	14,003.8	16,469.2	12.2%	17.6%	50,900.3	49,843.7	56,280.6	-2.1%	12.9%
Stand-alone Pvt Health Insurers	915.4	1,374.8	1,752.8	50.2%	27.5%	3,220.5	4,089.8	5,975.5	27.0%	46.1%
Specialized PSU Insurers	975.6	1,506.2	1,949.2	54.4%	29.4%	1,321.1	2,006.1	2,351.2	51.9%	17.2%
<b>Total</b>	<b>14,370.1</b>	<b>16,884.8</b>	<b>20,171.2</b>	<b>17.5%</b>	<b>19.5%</b>	<b>55,441.9</b>	<b>55,939.7</b>	<b>64,607.3</b>	<b>0.9%</b>	<b>15.5%</b>

Note: HDFC Ergo Health merged into HDFC Ergo in FY21, hence FY20 numbers have been regrouped to reflect the same and align with FY21 and FY22 numbers; Source: IRDAI, General Insurance Council

- General Insurers grew at 17.6% for July 2021 which higher than the 12.2% growth witnessed in July 2020. The YTD numbers grew at a 12.9% for YTD Jul FY22 vs a decline of 2.1% in YTD Jul FY21. The General Insurance segment continues to maintain the highest share; however, its continued growth can be attributed to the health portfolio.
- Standalone Pvt Health issuers have reported a sustained premium growth of Rs. 1,752.8 crores in July 2021, demonstrating a growth of 27.5%. A much sharper growth has been observed in the YTD Jul FY22 numbers which reached Rs 5,975.5 crore from Rs 4,089.8 crores in YTD Jul FY21, a jump of 46.1% vs. a growth of 27% in YTD Jul FY21.
- Specialized insurers too have grown by 29.4% in July 2021 and by 17.2% for YTD Jul FY22. The growth can be attributed to the cop insurance premiums, the same is lower compared to the previous year when the crop insurance premiums mostly shifted from the public general insurers to the Agriculture Insurance Company of India Ltd.
- For the month of July 2021, Public insurers premium growth was higher by 112 bps at 20.1% compared to the 19% premium growth reported by the private players. However, the YTD Jul FY22 numbers continued the previous trend of private players outpacing their public peers.

**Figure 3: Movement in Segment Premiums**

Segment	Total Premium Rs cr			% Share			YoY Growth	
	YTD Jul FY20	YTD Jul FY21	YTD Jul FY22	YTD Jul FY20	YTD Jul FY21	YTD Jul FY22	YTD Jul FY21	YTD Jul FY22
Health	16,674.7	18,333.8	24,606.3	30.1%	32.8%	38.1%	9.9%	34.2%
Motor	21,089.8	16,997.4	17,810.6	38.0%	30.4%	27.6%	-19.4%	4.8%
Fire	6,695.6	8,924.5	9,548.7	12.1%	16.0%	14.8%	33.3%	7.0%
Crop Insurance	3,592.4	4,817.3	4,221.3	6.5%	8.6%	6.5%	34.1%	-12.4%
PA	1,701.4	1,573.2	1,977.2	3.1%	2.8%	3.1%	-7.5%	25.7%
Marine	1,362.8	1,156.6	1,492.4	2.5%	2.1%	2.3%	-15.1%	29.0%
Liability	1,130.0	1,221.6	1,477.8	2.0%	2.2%	2.3%	8.1%	21.0%
Engineering	923.7	936.9	1,238.6	1.7%	1.7%	1.9%	1.4%	32.2%
Credit Guarantee	463.1	387.5	413.8	0.8%	0.7%	0.6%	-16.3%	6.8%
Aviation	189.4	164.1	284.6	0.3%	0.3%	0.4%	-13.3%	73.4%
All Other Miscellaneous	1,618.9	1,426.7	1,536.0	2.9%	2.6%	2.4%	-11.9%	7.7%
<b>Grand Total</b>	<b>55,441.9</b>	<b>55,939.7</b>	<b>64,607.3</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.9%</b>	<b>15.5%</b>

Source: IRDAI, General Insurance Council

In YTD FY22, most segments have showed a growth compared to the last year, when a majority of the segments reported a drop in their premium numbers.

- The health segment has grown by 34.2% in YTD Jul FY22 which is significantly higher than the growth of 9.9% witnessed in YTD Jul FY21, given that the first four months of FY21 were under a nationwide lockdown. Additionally, YTD premium growth of standalone health insurers has continued to be higher than industry average in YTD FY22, indicative that retail premiums are growing faster than the group business as the standalone health insurers derive most of their premiums from the retail segment. The government schemes have also been a significant factor in the growth as these premiums have reached Rs 2,906.2 crores for the YTD Jul FY22 vs. premiums of Rs 805.5 crores for a similar period last year., Health insurance premiums have been the main drivers of the non-life insurance industry since the commencement of the Covid-19 pandemic.
- The Motor insurance segment has continued its growth from the previous month stood at 4.8% compared to a 19.4% drop in YTD Jul FY21. The increase can be attributed to the continued higher sales witnessed in July 2021 According to SIAM, when compared with July 2020, the domestic sales volumes of passenger vehicles, three wheelers and commercial vehicles witnessed strong growth of 44.7%, 40.5%, and 61.6% respectively in July 2021. Muted growth in the economy and overall subdued auto activity have impacted the motor insurance business till date. However, the outlook for the segment is brighter given that CARE Ratings, under the normal scenario, expects automobile domestic wholesales in FY22 to grow at 12-14% for passenger vehicles, decline by up to 2% for two wheelers, and increase by 33-35% for three wheelers.
- The YTD Jul FY22 Fire segment grew by a subdued 7% vs. the 33.3% growth witnessed in YTD Jul FY21 as the growth rates normalised in the current year after an increase in reinsurance rates by GIC Re last year. The rate increase has resulted in the share of the fire segment increasing by nearly 270 bps compared to YTD Jul FY20.
- Crop insurance has reduced by 12.4% in YTD Jul FY22 to 4,221.3 crores from Rs 4,817.3 crore in YTD Jul FY22 as anecdotal data suggests that as the crop insurance scheme has been made optional, farmer enrolment has reduced. Another reason for the drop in farmer enrolment is reportedly the delay in pay-outs Another reason that can be attributed to lower crop insurance is the mismatch between digital records and land ownership claims made by the concerned farmers (this mismatch prevents farmers from available crop insurance)

The non-life industry has continued its FY22 journey on a strong note. The YTD Jul FY22 growth has continued to be driven by the private sector which grew at a faster pace (growth of 18% in YTD Jul FY22) compared to the public sector (growth of 12.2% in YTD Jul FY22). The non-life premiums are expected to be driven by (1) continued uptick in the health segment, (2) motor insurance segment reporting a growth in premiums, albeit on a lower base, and (3) enhanced digital solutions complemented by the offline offerings.

As mentioned in our earlier updates, Q1FY22 has been adversely impacted on account of the rise in claims due to the second wave of the pandemic. Given the opening of the economy and anticipated growth in the same, the industry performance is expected to improve over time. However, given that no increase in the motor TP premium has been announced and covid claims are persisting (net incurred health insurance claims have jumped more than 1.5 times in Q1FY22 vs Q1FY21), the sector is expected to witness pressure on near-term profitability.

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