

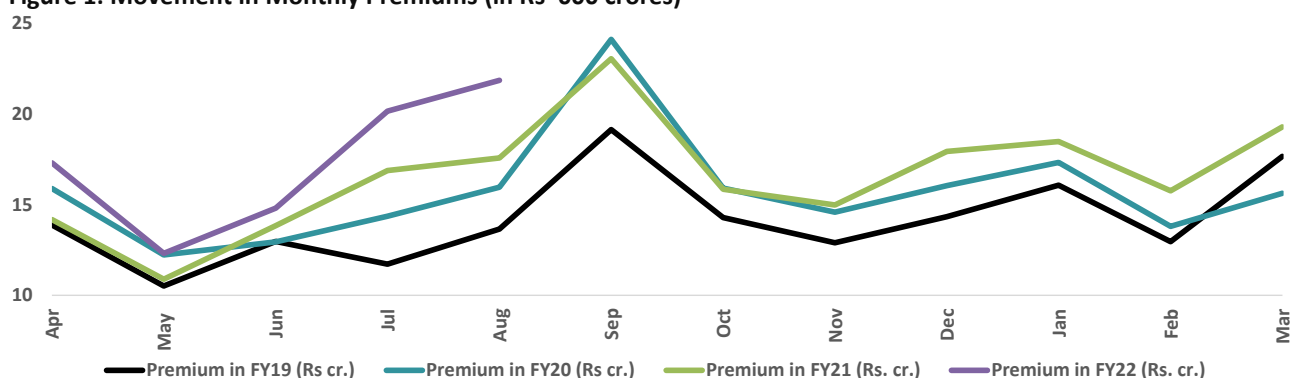
## Non-Life Insurance Premiums: August numbers report strong growth. Health moderates compared to previous month.

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### Overview

The non-life insurance industry has continued its robust performance with the August 2021 monthly numbers reporting a 24.4% growth vs 10.1% growth witnessed in August 2020 and 19.5% growth witnessed in July 2021. Non-life insurance premium reached Rs 21,871.7 crores for the month of August 2021 compared to Rs. 17,580.6 crores in August 2020. The growth has continued to be driven by the health segment; however, the crop insurance segment has emerged as the largest contributor to the premiums for the month of August 2021.

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



Source: IRDAI

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

Insurers	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 in %	YTD Aug FY22 Growth in %
General Insurers	12,630.0	13,277.6	15,648.6	5.1%	17.9%	63,530.3	63,121.3	71,929.2	-0.6%	14.0%
Stand-alone Pvt Health Insurers	887.7	1,279.7	1,613.5	44.2%	26.1%	4,108.2	5,369.5	7,589.0	30.7%	41.3%
Specialized PSU Insurers	2,446.6	3,023.3	4,609.6	23.6%	52.5%	3,767.6	5,029.4	6,960.7	33.5%	38.4%
<b>Total</b>	<b>15,964.2</b>	<b>17,580.6</b>	<b>21,871.7</b>	<b>10.1%</b>	<b>24.4%</b>	<b>71,406.2</b>	<b>73,520.2</b>	<b>86,478.9</b>	<b>3.0%</b>	<b>17.6%</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 Insurers grew at 17.9% for August 2021 which higher than the 5.2% growth witnessed in August 2020. The YTD numbers grew at a 14% for YTD Jul FY22 vs a marginal decline of 0.6% in YTD Aug 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 lower y-o-y growth of 26.1% in August 2021 (compared to last August's growth rate of 44.2%) to Rs. 1,613.5 crores after growing by 46.6% for the first four months of this year. The premiums have also declined sequentially by 7.9% on m-o-m basis.
- Specialized insurers too have grown by 52.5% in August 2021 (significantly higher vs. the last year) and by 38.4% for YTD Aug FY22. The growth can be attributed to the cop insurance premiums, which have increased due to the kharif season.
- Public insurers premium growth was higher at 30.1% compared to the 19.9% premium growth reported by the private players. Public insurers growth has been driven by the jump in crop insurance premiums especially in the Agriculture Insurance Company of India Ltd. On the other hand, the YTD Aug FY22 numbers have continued the previous trend of private players outpacing their public peers.

## Segmental Premiums

**Figure 3: Movement in Segment Premiums**

Segment	Total Premium Rs cr			% Share			YoY Growth	
	YTD Aug FY20	YTD Aug FY21	YTD Aug FY22	YTD Aug FY20	YTD Aug FY21	YTD Aug FY22	YTD Aug FY21	YTD Aug FY22
Health	20,274.1	22,830.2	30,192.3	28.4%	31.1%	34.9%	12.6%	32.2%
Motor	26,406.5	22,162.2	23,459.3	37.0%	30.1%	27.1%	-16.1%	5.9%
Crop Insurance	8,363.3	10,124.2	11,671.2	11.7%	13.8%	13.5%	21.1%	15.3%
Fire	7,606.4	10,096.1	10,779.7	10.7%	13.7%	12.5%	32.7%	6.8%
Personal Accident	2,101.8	1,919.0	2,735.3	2.9%	2.6%	3.2%	-8.7%	42.5%
Marine	1,594.7	1,365.8	1,782.7	2.2%	1.9%	2.1%	-14.4%	30.5%
Liability	1,293.2	1,422.7	1,710.6	1.8%	1.9%	2.0%	10.0%	20.2%
Engineering	1,107.4	1,148.6	1,467.2	1.6%	1.6%	1.7%	3.7%	27.7%
Credit Insurance	531.3	485.6	497.7	0.7%	0.7%	0.6%	-8.6%	2.5%
Aviation	242.3	270.9	334.7	0.3%	0.4%	0.4%	11.8%	23.5%
All Other Miscellaneous	1,885.2	1,694.8	1,848.2	2.6%	2.3%	2.1%	-10.1%	9.1%
<b>Grand Total</b>	<b>71,406.2</b>	<b>73,520.2</b>	<b>86,478.9</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>3.0%</b>	<b>17.6%</b>

Source: IRDAI

In YTD FY22, all segments have showed a growth compared to the last year, when several segments had reported a drop in their premium numbers.

- The health segment has grown by 34.9% in YTD Aug FY22 which is significantly higher than the growth of 12.6% witnessed in YTD Aug FY21, given that the early part of FY21 was spent 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. Health insurance premiums have been the main drivers of the non-life insurance industry since the commencement of the Covid-19 pandemic. As per media reports, non-life insurers have received more covid related health claims in the first five months of FY22 compared to the 12 months of FY21, however, covid claims have been moderating towards the later part of August.
- The Motor insurance segment has continued improving its growth rate from YTD Jul FY22' rate of 4.8% to 5.9% in YTD Aug FY22, compared to a 16.1% drop in YTD Aug FY21. The increase can be attributed to the continued higher sales witnessed in August 2021. In August 2021, on a y-o-y basis, three wheelers grew by 59.7%, commercial vehicles (for five players) grew by 17.7% and passenger vehicles by 7.6%, however, tractors and two wheelers domestic sales de-grew by 17% and 14.6% YoY (refer CARE Ratings Auto update). Muted growth in the economy and overall subdued auto activity impacted the motor insurance business earlier. But auto sales have risen for a past couple of months, brightening the outlook. However, the short-term auto outlook is hampered by the chip shortage.
- Crop insurance has increased by 15.3% in YTD Aug FY22 to Rs. 11,671 crores from Rs 10,096 crore in YTD Aug FY21, driven the kharif season crop enrolment deadlines. This jump has propelled the crop insurance segment to the third place ahead of the fire segment for the period under review. In FY21, crop insurance had a share of 9.6%, which had declined from 12.1% in FY20. As per the Standing Committee on Agriculture's report on Pradhan Mantri Fasal Bima Yojana (PMFBY), around 30% of the land holdings have been covered under PMFBY, highlighting the potential of the segment. However, issues such as delay in claims settlement, delay in the release of subsidy, and voluntary nature of the scheme have hampered the scheme.
- The YTD Aug FY22 Fire segment grew by a subdued 6.8% vs. the 32.7% growth witnessed in YTD Aug 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 180 bps compared to YTD Aug FY20. In FY21, fire insurance had a share of 10.1%, which had increased from 8.3% in FY20.

### Concluding remarks

The non-life industry has continued its FY22 journey on a strong note. The YTD Aug FY22 growth has continued to be driven by the private sector which grew at a faster pace (growth of 18.5% in YTD Jul FY22) compared to the public sector (growth of 16.5% in YTD Aug FY22). The non-life premiums are expected to be driven by (1) continued uptick in the health segment and as covid claims are moderating compared to earlier levels, (2) motor insurance segment reporting a growth in premiums, albeit on a lower base, and (3) enhanced digital solutions complemented by the offline offerings. Further it should be noted that the top four segments in the non-life insurance industry account for the bulk of the sectors premiums (over 85% share). IRDAI has recently revamped guidelines on Trade credit insurance, title insurance, and cyber insurance and has also issued an exposure draft on surety insurance. These segments are currently small but could increase their contribution going ahead.

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, the sector is expected to witness pressure on near-term profitability.

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