

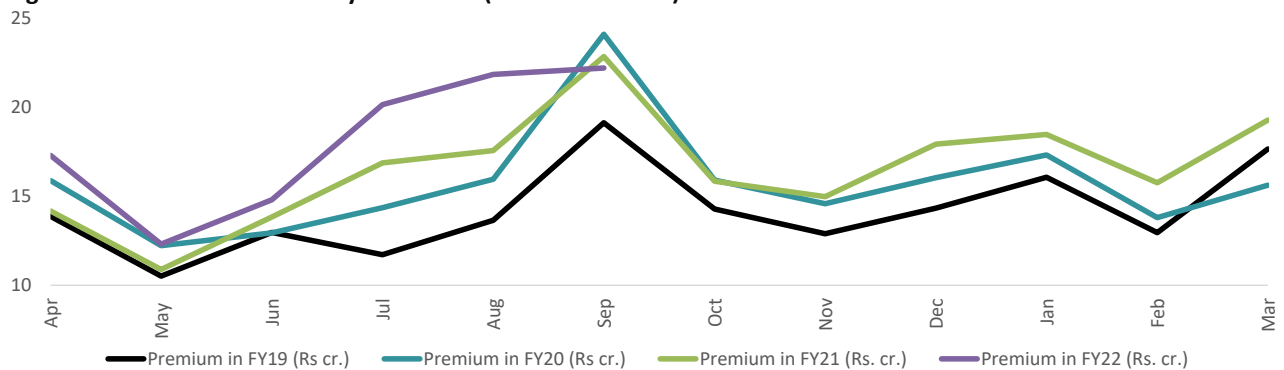
Non-Life Insurance Premiums: Cumulative growth remains robust even as Crop insurance declines

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Overview

The non-life insurance industry broke its monthly growth and reported a drop of 2.8% in its monthly premiums in September 2021, however this decrease was lower than the fall of 5.2% reported in September 2020 and is attributed mainly to decline in crop insurance by 29.7%. Non-life insurance premium reached Rs 22,226.4 crores for the month of September 2021 compared to Rs. 22,870.8 crores in September 2020. The growth has continued to be driven by the health segment; with fire and the PA segments also emerging as significant contributors of growth for the month of September 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 Sep 2019	For Sep 2020	For Sep 2021	Sep 2020 Growth in %	Sep 2021 Growth in %	H1FY20	H1FY21	H1FY22	H1FY21 Growth in %	H1FY22 Growth in %
General Insurers	19,881.2	18,904.0	19,021.7	-4.9%	0.6%	83,411.9	82,025.2	90,950.9	-1.7%	10.9%
Stand-alone Pvt Health Insurers	928.6	1,325.0	1,743.0	42.7%	31.6%	5,037.0	6,694.6	9,332.0	32.9%	39.4%
Specialized PSU Insurers	3,311.8	2,641.9	1,461.7	-20.2%	-44.7%	7,079.5	7,671.3	8,422.4	8.4%	9.8%
Total	24,121.6	22,870.8	22,226.4	-5.2%	-2.8%	95,528.4	96,391.1	1,08,705.3	0.9%	12.8%

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 marginally at 0.6% for September 2021 compared to the drop of 4.9% reported in September 2020. The YTD numbers grew at a 10.9% for H1FY22 vs a decline of 1.7% in H1FY21. The General Insurance segment continues to maintain the highest share; however, its continued growth can be attributed to the health portfolio, with motor also accounting for some growth.
- Standalone Pvt Health issuers have reported a sustained premium y-o-y growth of 31.6% in September 2021 (lower compared to last September's growth rate of 42.7%) to Rs. 1,743.0 crores. Further, the premiums have also grown sequentially compared to Rs 1,613.5 crores in August 2021. On the other hand, a much sharper growth has been observed in the H1FY22 numbers which reached Rs 9,332.0 crore from Rs 6,694.6 crores in H1 FY21, a jump of 39.4% vs. a growth of 32.9% in H1 FY21, indicative of the robust growth in the retail health premiums.
- On the other hand, Specialized insurers reported a significant drop of 44.7% in September 2021 (significantly higher vs. the last year) but rose by 9.8% for H1FY22.

Figure 3: Movement in Premiums

Insurers	For Sep 2019	For Sep 2020	For Sep 2021	Sep 2020 Growth in %	Sep 2021 Growth in %	H1FY20	H1FY21	H1FY22	H1FY21 Growth in %	H1FY22 Growth in %
Public Sector	11,669.4	11,106.6	9,411.5	-4.8%	-15.3%	42,978.6	43,319.8	46,947.8	0.8%	8.4%
Private Sector	12,452.1	11,764.2	12,814.9	-5.5%	8.9%	52,549.8	53,071.2	61,757.5	1.0%	16.4%

Source: IRDAI

- Public insurers premium reported a drop of 15.3% in September 2021 which was significantly higher than the drop of 4.8% reported in September 2020. On the other hand, private players grew at 8.9% in September 2021 vs. a drop of 5.5% in September 2020. H1FY22 numbers have continued the previous trend of private players

outpacing their public peers. Market share of private sector general insurance cos has increased from 52% in September 2019 to 58% in September 2021.

Figure 4: Movement in Segment Premiums

Segment	Total Premium Rs cr			% Share			YoY Growth	
	H1FY20	H1FY21	H1FY22	H1FY20	H1FY21	H1FY22	H1FY21	H1FY22
Health	24,863.7	28,716.2	37,108.0	26.0%	29.8%	34.1%	15.5%	29.2%
Motor	32,394.2	27,963.6	29,339.8	33.9%	29.0%	27.0%	-13.7%	4.9%
Crop Insurance	19,217.6	18,351.4	17,455.2	20.1%	19.0%	16.1%	-4.5%	-4.9%
Fire	8,646.2	11,345.1	12,211.8	9.1%	11.8%	11.2%	31.2%	7.6%
Personal Accident	2,518.3	2,328.0	3,490.1	2.6%	2.4%	3.2%	-7.6%	49.9%
Marine	1,873.0	1,611.0	2,077.3	2.0%	1.7%	1.9%	-14.0%	28.9%
Liability	1,531.0	1,681.7	2,032.2	1.6%	1.7%	1.9%	9.8%	20.8%
Engineering	1,320.7	1,396.7	1,774.2	1.4%	1.4%	1.6%	5.7%	27.0%
Credit Insurance	680.0	608.4	639.5	0.7%	0.6%	0.6%	-10.5%	5.1%
Aviation	278.7	314.1	397.0	0.3%	0.3%	0.4%	12.7%	26.4%
All Other Miscellaneous	2,205.0	2,075.0	2,180.2	2.3%	2.2%	2.0%	-5.9%	5.1%
Grand Total	95,528.4	96,391.1	1,08,705.3	100.0%	100.0%	100.0%	0.9%	12.8%

Source: IRDAI

In H1FY22, all segments barring the crop insurance segment, 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 29.2% in H1FY22 which is significantly higher than the growth of 15.5% witnessed in H1FY21, given that the early part of FY21 was spent under a nationwide lockdown. This has resulted in health segment increasing its market share from 26% in H1FY20 to 34.1% in H1FY22.
- YTD premium growth of standalone health insurers continues to be higher than industry average in H1FY22, 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 settled approximately 6.2 lakh Covid health claims in Q2FY22 compared to 7.8 lakh in Q1FY22. However, H1FY22 claims have been significantly higher than similar claims in H1FY21.
- The Motor insurance segment has continued its growth momentum; however, the growth has reduced to 4.9% for H1FY22 from the growth of 5.9% in YTD Aug FY22, compared to a 13.7% drop in H1FY21. However, despite this modest rise, the segment has seen its market share fall from 33.9% in H1FY20 to 27% in H1FY22, declining by 9.4% over the two years in absolute terms.
- According to FADA, passenger vehicle (PV) registration witnessed a y-o-y growth of 16.2% to 2,33,308 units in September 2021. However, the total sales across categories decreased by 5.27% to 12,96,257 units in September as against 13,68,307 units in the same month last year. However, the short-term auto outlook is hampered by the chip shortage.
- Crop insurance has decreased by 4.9% in H1FY22 to Rs. 17,455 crores from Rs 18,351 crore in H1 FY21, which itself had reduced from Rs 19,217 crores in H1FY20. This decline comes after a significant jump increase in August 2021 monthly numbers. Issues such as delay in claims settlement, delay in the release of subsidy, and voluntary nature of the scheme have hampered the scheme. Pradhan Mantri Fasal Bima Yojana (PMFBY), which has also been hampered by some states opting out of the scheme.
- The H1FY22 Fire segment grew by 7.6% higher than the last month's growth rate of 6.8% but significantly lower than 31.2% growth witnessed in H1FY21. Further the market share too has eroded by 50 bps in H1FY22 after jumping by 270 bps in H1FY21. The growth rate has returned to a steady level this year after an increase in reinsurance rates by GIC Re last year.

As mentioned in our earlier updates, Q1FY22 was 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.

The non-life industry has continued its FY22 journey on a positive note. H1FY22 growth has continued to be driven by the private sector which grew at a significantly faster pace (growth of 16.4% in H1 FY22) compared to the public sector (growth of 8.4% in H1FY22). 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 (claims are going in at increasing level compared to the covid levels due to delayed reporting), (2) motor insurance segment reporting a growth in premiums, albeit on a lower base, (3) rising travel could also lead to a boost in PA/ travel insurance, and (4) enhanced digital solutions complemented by the offline offerings.

Contact:

Sanjay Agarwal	Senior Director	sanjay.agarwal@careratings.com	+91-22-6754 3582/+91-810-800-7676
Saurabh Bhalerao	Associate Director – BFSI Research (Media Contact)	saurabh.bhalerao@careratings.com	+91-22-6754 3519/+91-900-495-2514
Mradul Mishra		mradul.mishra@careratings.com	+91-22--6837 4424

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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:

