

Development in Life Insurance

iConnect

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Agenda

- ❑ India snap shot
- ❑ Life insurance ; growth story
- ❑ Pattern of savings in India
- ❑ Insurance Penetration
- ❑ Issues and Challenges in Life Insurance
- ❑ Opportunities for actuaries

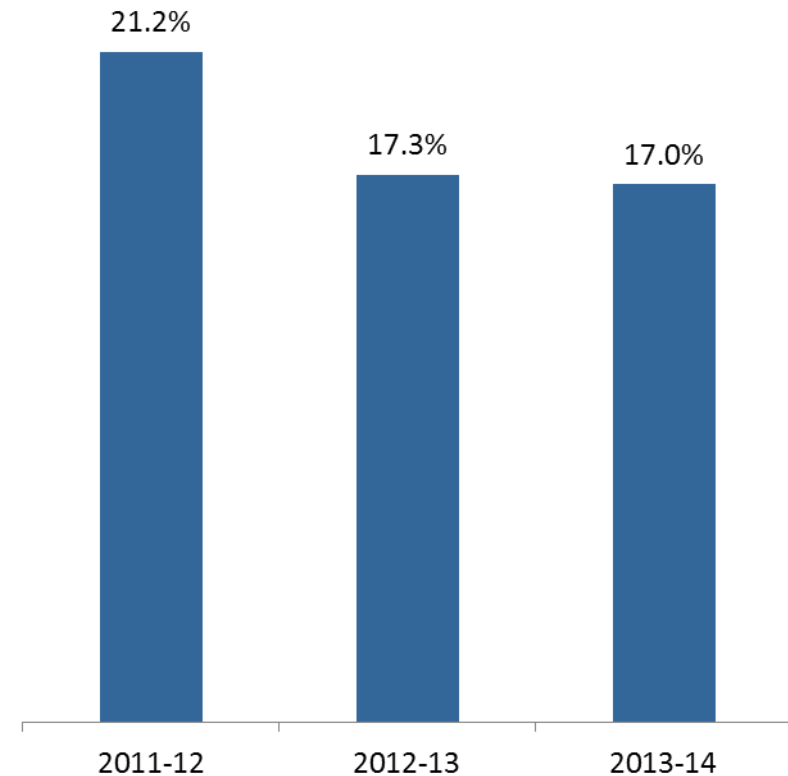
Environment

India's Demographics

- ❑ Population 128.28 crore.
- ❑ GDP is \$ 2.0 trillion (approx.Rs. 125 lakh crore)
- ❑ 72 % of the total population resides in semi -urban and rural areas.
- ❑ Economy expected to grow at 7.5% between 2015-16.
- ❑ Services industry contribute to 65% to GDP
- ❑ Insurance penetration 3.3%in FY14 (3.9% FY13) against world average of 6.2%.

Pattern of Savings in India

Type of Savings	FY 11-12	FY 12-13	FY 13-14
Bank and other deposits	59.1	56.6	58.8
Insurance	21.2	17.3	17.0
Provident and Pension fund	10.3	11.7	11.6
Shares and debentures	-0.3	4.1	2.9
Currency and others	9.7	10.3	9.7



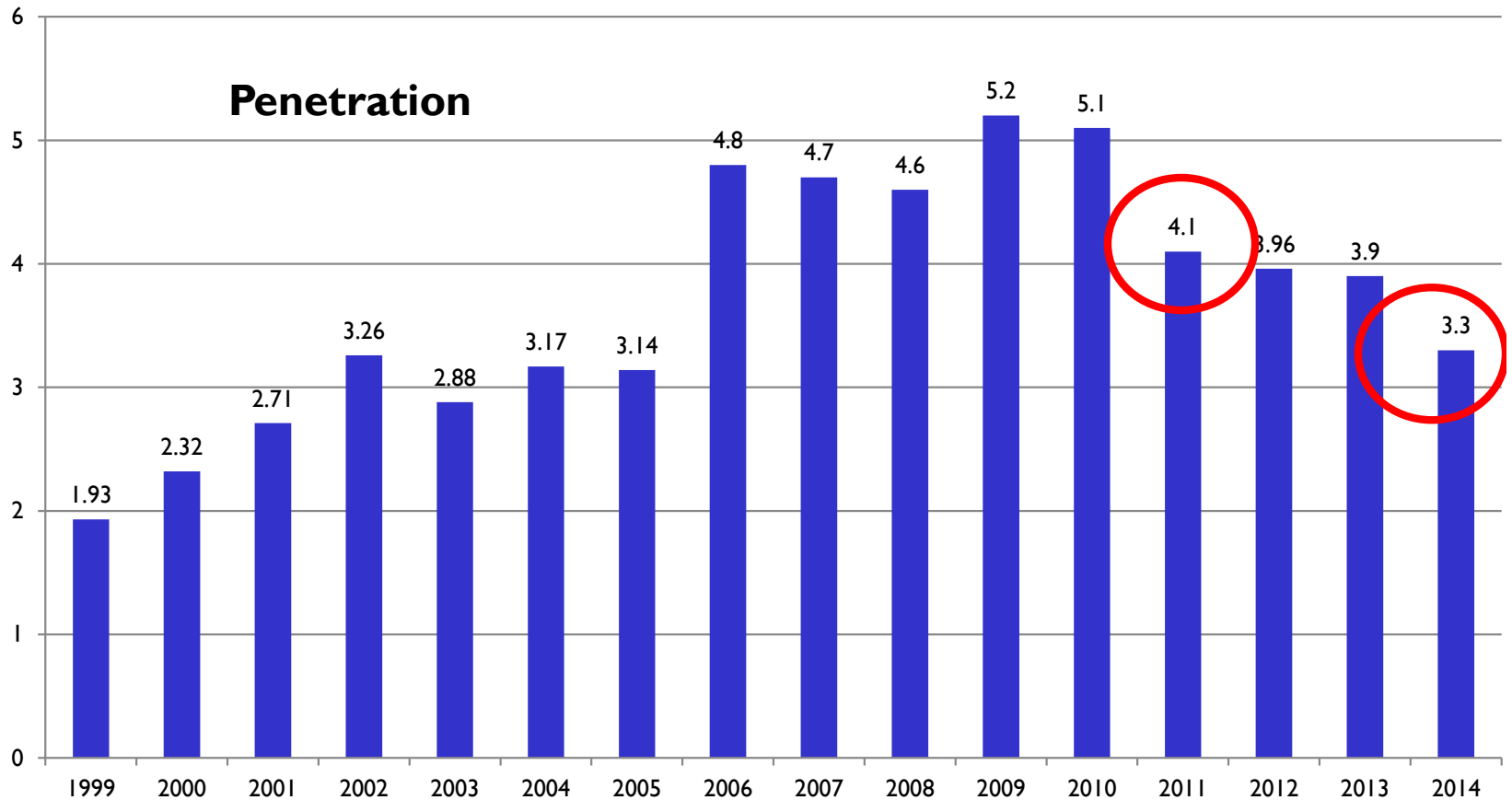
Source: IRDA, Public disclosures, Life insurance council, Company estimates

Snapshot of Life Insurance Industry

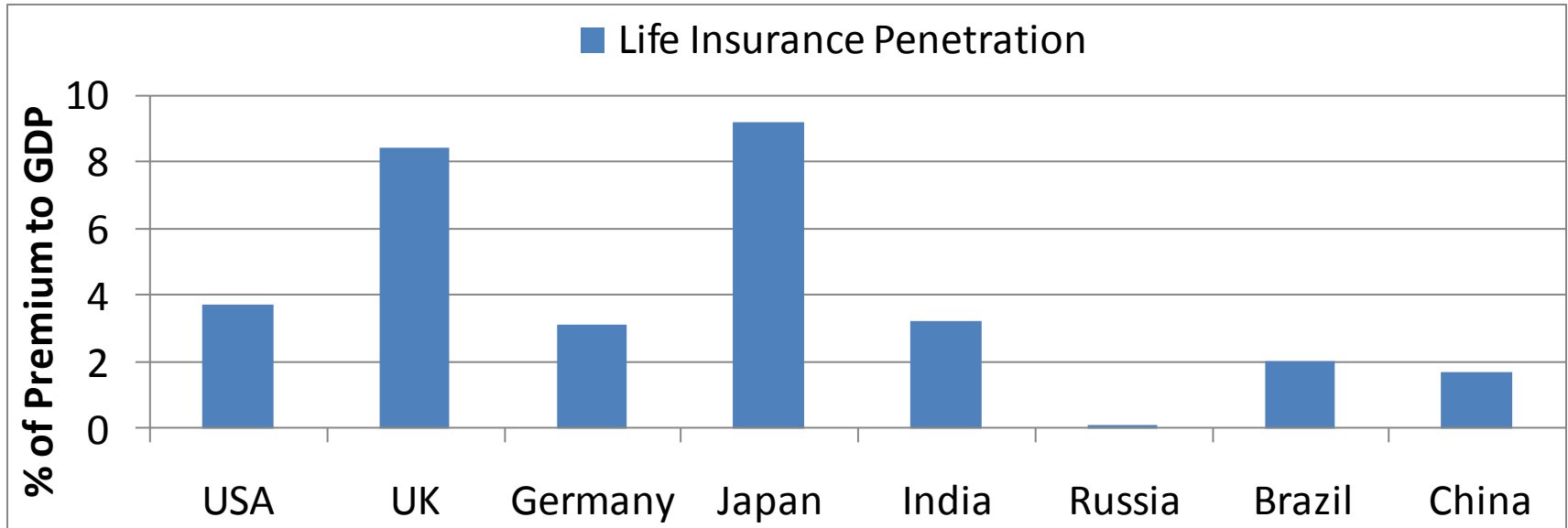
Parameter	FY 99-00	FY 11-12	FY 12-13	FY 13-14	FY 14-15 (provisional)
India's share of world premium (Life)	0.50%	2.30 %	2.03%	2.20 %	2.1 %
New Business Policies Individual (In Cr)	1.69	4.41	4.41	4.08	2.59
In force Policies (In Cr)	10.14	33.52	33.61	33.54	32.75

- The industry services largest number of life insurance policies in the world
- ~ 200 countries in the world have population below nos of policies in India

Insurance Penetration Trend



Penetration of Life Insurance



Source: Life insurance council

India life insurance growth story

	FY2002		FY2008		FY2014
Number of players	12		18		24
New business premium ¹ (INR Bn)	116	→ 28.7%	527	→ -2.4%	454
Total premium (INR Bn)	501	→ 26.1%	2,014	→ 7.7%	3,141
Penetration (as a % to GDP)	2.1%		4.0%		2.8%
Assets under management (INR Bn)	2,304	→ 24.3%	8,477	→ 15.4%	20,069

1. Retail weighted premium

Source: IRDA, Public disclosures, Life insurance council,

Future is bright

Projection of Life insurance Premium considering GDP growth rate of 6 %

Parameters	Actual as of	Projection			
	2015	2015-16	2020-21	2023-24	2024-25
GDP (Trillion USD)	2.0	2.10	2.81	2.65	3.55
Premium (Billion USD)	57 (3.27 lakh crore)	---	---	---	---
Gross Premium underwritten as % of GDP(Penetration) (Billion USD) :-					
(a) 3%	---	63	85	101	107
(b) 4%	---	84	113	134	142
(c) 5.5%	---	126	169	202	214

➤ 1USD = INR 58

Source: Life insurance council, Company estimates

Issues and Challenges in Life Insurance

- ❑ Productivity of distribution Channels
 - ❑ Tied Agents
 - ❑ Brokers
 - ❑ Banks
 - ❑ Others
 - ❑ Direct
- ❑ Expense Management
 - ❑ Acquisition Expenses; expense overrun
 - ❑ Maintenance Expenses
- ❑ Regulations
- ❑ Solvency
- ❑ Taxation



Issues and Challenges in Life Insurance

- ❑ Misselling
 - ❑ Low persistency
 - ❑ Surrenders
- ❑ Asset Liability Management
 - ❑ Availability of Assets
 - ❑ Difficulty in matching the cash flows
- ❑ Guaranteed non-par Products



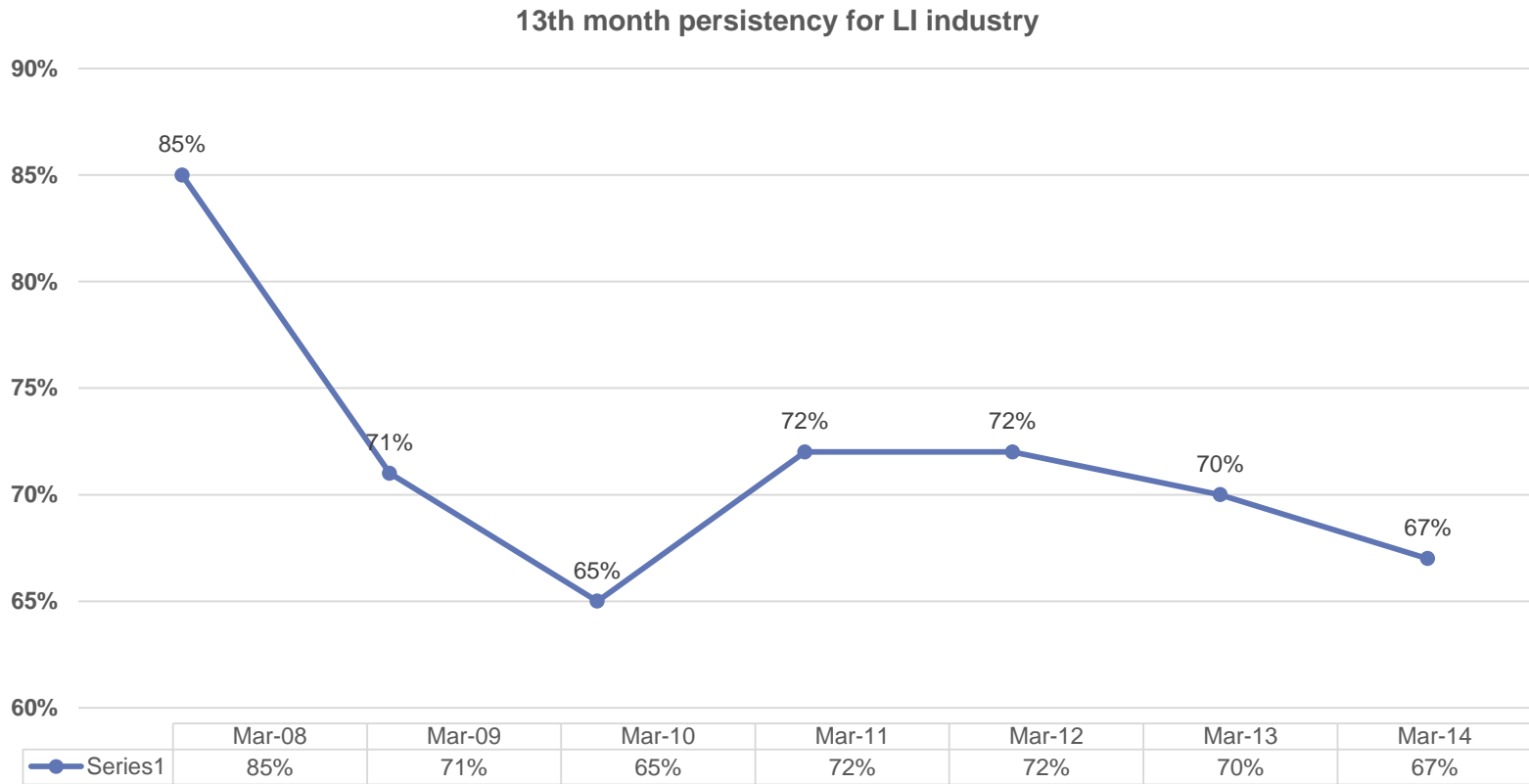
Comparison with UK and US Profession

Institute	Incorp.	Nos of Fellows	Nos of Associates	Date of report
IAI	Sept 1944	278	151	31.03.14
SOA	1949	15,729	9,849	31.12.14
IFA	July 1948	11,340	418	31.12.13

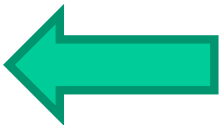
Where actuaries are employed in UK

- ❑ Life Insurance (insurance and reinsurance cos.)
- ❑ Pensions and Employee benefits (trusts, consulting companies)
- ❑ General Insurance (insurers and reinsurers)
- ❑ Investment Management (commercial Banks)
- ❑ Health and care insurance or advice (insurer, reinsurers and consulting Firms)
- ❑ Investment Banking (advisory and Finance)
- ❑ Enterprise Risk Management (insurers, regulators, consultants, Banks and non-Ins companies)
- ❑ Education (Universities and colleges)
- ❑ And Information technology

13th Month persistency of Industry

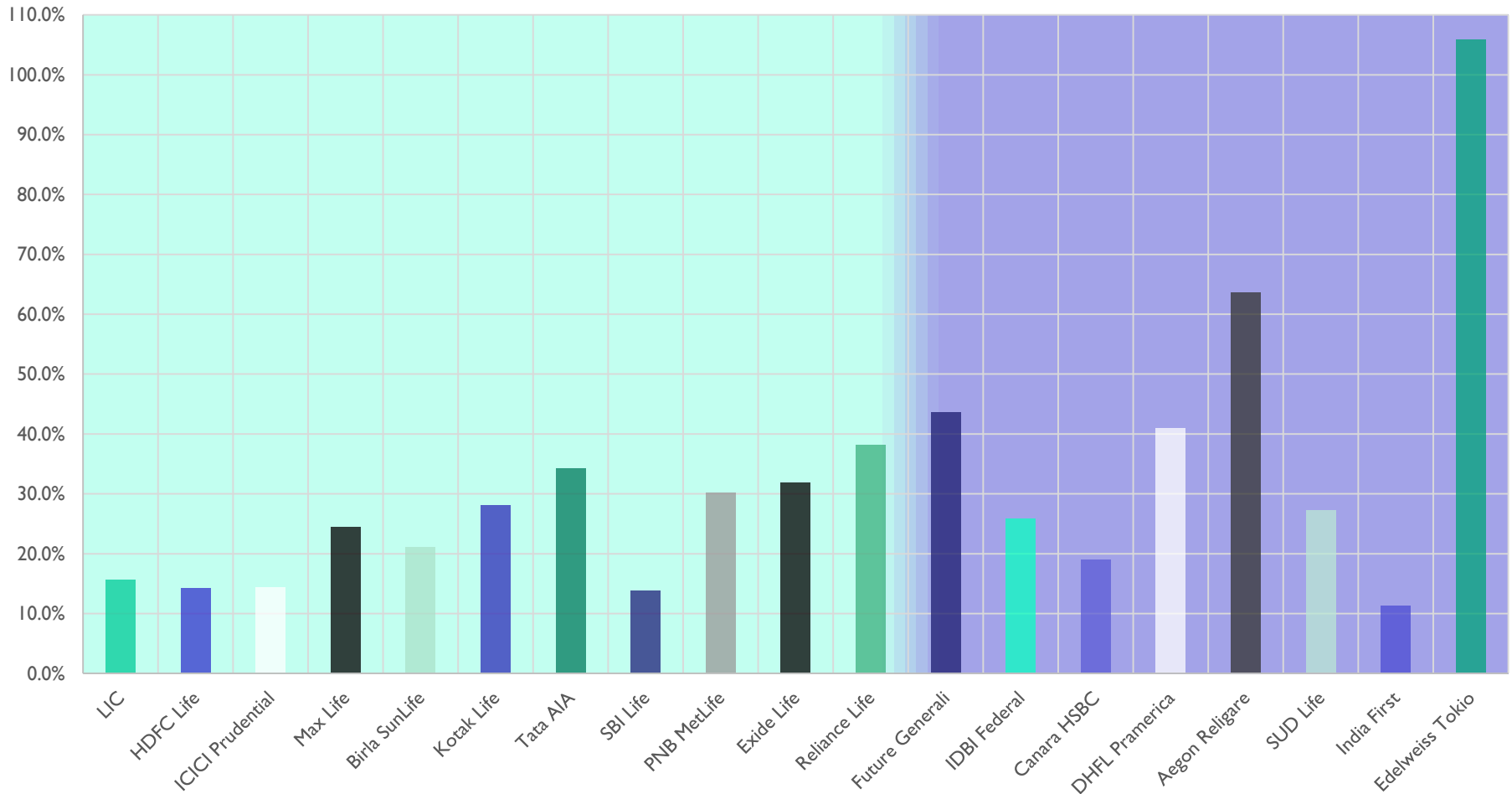


Source: IRDA data on industry 13th month persistency



Expense of management

Expense of Management to Gross Direct Premium Ratio



Source: IRDA data public disclosures; IFS Seminar

Thank You