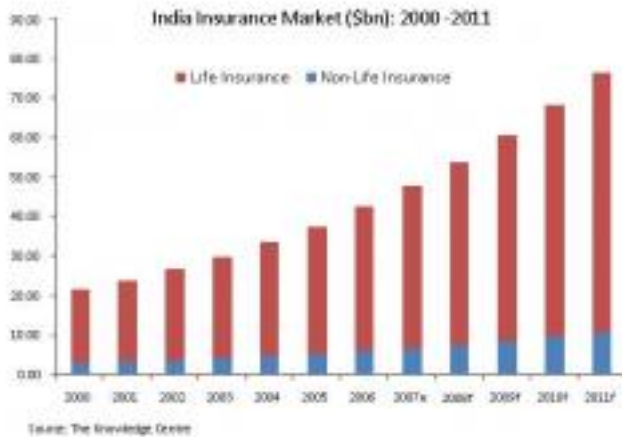


India: The Next Insurance Giant

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New Delhi, May 6th 2008: Indian economy is the 12th largest in the world, with a GDP of \$1.25 trillion and 3rd largest in terms of purchasing power parity. With factors like a stable 8-9 per cent annual growth, rising foreign exchange reserves, a booming capital market and a rapidly expanding FDI inflows, it is on the fulcrum of an ever increasing growth curve.

Insurance is one major sector which has been on a continuous growth curve since the revival of Indian economy. Taking into account the huge population and growing per capita income besides several other driving factors, a huge opportunity is in store for the insurance companies in India. According to the latest research findings, nearly 80% of Indian population is without life insurance cover while health insurance and non-life insurance continues to be below international standards. And this part of the population is also subjected to weak social security and pension systems with hardly any old age income security. As per our findings, insurance in India is primarily used as a means to improve personal finances and for income tax planning; Indians have a tendency to invest in properties and gold followed by bank deposits. They selectively invest in shares also but the percentage is very small--4-5%. This in itself is an indicator that growth potential for the insurance sector is immense. It's a business growing at the rate of 15-20% per annum and presently is of the order of \$47.9 billion.

India is a vast market for life insurance that is directly proportional to the growth in premiums and an increase in life density. With the entry of private sector players backed by foreign expertise, Indian insurance market has become more vibrant. Competition in this market is increasing with company's continuous effort to lure the customers with new product offerings. However, the market share of private insurance companies remains very low -- in the 10-15% range. Even to this day, Life Insurance Corporation (LIC) of India dominates Indian insurance sector. The heavy hand of government still dominates the market, with price controls, limits on ownership, and other restraints.

Market Performance & Forecast

In 2000, Indian insurance market size was \$21.71 billion. Between 2000 and 2007, it had an increase of 120% and reached \$47.89 billion. Between 2000 and 2007, total premiums maintained an average growth rate of 11.96% and the CAGR growth during this time frame has been 11.96%. It was one of the most consistent growth patterns we have noticed in any other emerging economies in Asian as well as Global markets.

Major Driving Factors

- => Growing demand from semi-urban population
- => Entry of private players following the deregulation

- => Rising demand for retirement provision in the ageing population
- => The opening of the pension sector and the establishment of the new pension regulator
- => Rising per capita incomes among the strong middle class, and spreading affluence
- => Growing consumer class and increase in spending & saving capacity
- => Public private partnerships infrastructure development
- => Dearth of innovative & buyer-friendly insurance products
- => Success of Auto insurance sector

Emerging Areas

- => Healthcare Insurance & Pension Plans
- => Mutual fund linked insurance products
- => Multiple Distribution Networks .i.e. Banc assurance

The upward growth trend started from 2000 was mainly due to economic policies adopted by the then Indian government. This year saw initiation of an era of economic liberalization and globalization in the Indian economy followed by several reforms and long-term policies that created a perfect roadmap for the success of Indian financial markets. On the basis of several macroeconomic factors like increase in literacy rate & per capita income, decrease in death rate and unemployment, better tax rebates, growing GDP etc., we estimate that the Indian insurance sector will grow by \$28.65 billion and reach \$76.54 billion by 2011 with a CAGR of 12.44% and a growth of 59.82%.

The Indian life insurance market generated total revenues of \$41.36 billion in 2007, thus representing a compound annual growth rate (CAGR) of 11.84% for the period spanning 2000-2007. Life insurance market had a growth of \$22.46 billion within a period of 7 years with a growth rate of 118.24%. Estimated life premiums rose from INR1,470,800 million (\$36.77 billion) in 2006 to INR1,301,540 million (\$32.54billion) in 2005. We envisage that life premiums in 2011 will be \$65.96 billion, a growth larger than they were in 2007. The performance of the market is forecast to accelerate, with an anticipated CAGR of 9.78% for the four-year period 2007-2011 expected to drive the market to a value of \$65.96 billion by the end of 2011. There would be a growth of \$24.6 billion i.e. 59.48% in the next 4 years.

Non-life premiums in India were \$6.53 billion in 2007. Gross written premium (GWP) in the Indian non-life insurance market reached a value of \$5.75 billion in 2006, this representing an annual growth of 13.55% for the period spanning 2006-2007. Estimated non-life premiums rose from INR230 billion (\$5.75 billion) in 2006 to INR261 billion (\$6.53 billion) in 2007. We anticipate that non-life premiums will grow by a CAGR of 9.40% between 2007-2011. We are looking for non-life premiums to rise by \$405 million over the five years to the end of 2011 with a growth rate of 62.02%.

Topics covered in the report

- => Trend analysis of Indian economy and growing macroeconomic factors and
- => India's position in the context of emerging countries
- => Historical growth trends & growth drivers of Insurance & its sub-sectors in India and outlook till 2011.
- => Market size of insurance sector (total, life & non-life) since 2000 till 2007
- => Market forecast of insurance sector (total, life & non-life) between 2007 and 2011
- => Key issues & challenges, major trends & opportunities
- => Government's initiatives to promote & regulate the insurance market
- => Competitive landscape and market share of top players
- => And many more...

Table of Contents

METHODOLOGY & RESEARCH APPROACH

EXECUTIVE SUMMARY

1. INDIA

1.1. ECONOMY

1.1.1. Performance in FY2007

1.1.2. Growing Per Capita Income

- 1.1.3. Macroeconomic trends
- 1.1.4. Future predictions
- 1.2. GOVERNMENT POLICIES

- 2. INDIAN INSURANCE SECTOR
- 2.1. MARKET OVERVIEW
- 2.1.1. Insurance Sector vs. Macro-economic factors
- 2.2. MARKET PERFORMANCE & FORECAST (2000-2011)
- 2.2.1. Indian Insurance Market
- 2.2.1.1. Indian Life Insurance Market
- 2.2.1.2. Indian Non-Life Insurance Market
- 2.3. DRIVING FACTORS
- 2.3.1. Opening of Pension sector
- 2.3.2. Growing Per Capita Income & Changing Demographics
- 2.3.3. Macro-Economic and Demographic Growth Drivers
- 2.3.4. Other Major Drivers
- 2.4. TRENDS, ISSUES AND OPPORTUNITIES – AN ANALYSIS
- 2.4.1. Major Issues
- 2.4.2. Emerging sectors for Insurance
- 2.4.3. Emergence of Multiple Distribution Networks
- 2.4.4. Consolidation of Distribution Strategy
- 2.4.5. Targeting niche customer base with customized products
- 2.4.6. Stagnating premium growth and underlying opportunity
- 2.4.7. The Deregulation of the Insurance Market in India (w.e.f. January 1, 2007)
- 2.4.8. Proposed stages of removal of the tariffs
- 2.4.9. Insurance sector driving Indian CRM market
- 2.4.10. Product Preferences among Consumers
- 2.4.11. Success of Auto Insurance Sector
- 2.4.12. Other major hurdles
- 2.5. GOVERNMENT REGULATIONS
- 2.5.1. Insurance Acts
- 2.5.2. Government backed insurance schemes
- 2.5.3. Reforms in Insurance Sector
- 2.6. COMPETITIVE LANDSCAPE
- 2.6.1. Competition in Life Insurance Sector
- 2.6.1.1. Market Share & Segmentation
- 2.6.1.2. Life Insurance - Five Forces Analysis
- 2.6.2. Competition in Non-Life Insurance Sector
- 2.6.2.1. Market Share & Segmentation
- 2.6.2.2. Non-Life Insurance - Five Forces Analysis
- 2.7. COMPANY PROFILES – TOP PLAYERS
- 2.7.1. Bajaj Allianz General Insurance Co. Ltd
- 2.7.2. ICICI Lombard General Insurance Company
- 2.7.3. IFFCO-TOKIO General Insurance (ITGI)
- 2.7.4. National Insurance Company Limited
- 2.7.5. The New India Assurance Co. Ltd.
- 2.7.6. The Oriental Insurance Company Limited
- 2.7.7. Reliance General Insurance
- 2.7.8. Royal Sundaram Alliance Insurance Co. Ltd
- 2.7.9. Tata AIG General
- 2.7.10. United India Insurance Company Limited
- 2.7.11. Bajaj Allianz Life Insurance Company Limited
- 2.7.12. ICICI Prudential Life Insurance Company

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Lists of Charts

- Chart 1: GDP growth, per capita income and size of country by GDP in 2014f
- Chart 2: Macroeconomic Data & Factors
- Chart 3: Government Debt- India (% of GDP)
- Chart 4: Annual Inflation Rate (CPI) - India %
- Chart 5: Total Premium Growth vs. GDP Growth (%) – 2000-2007e
- Chart 6: Life Insurance vs. Non-Life Insurance vs. Total Premium vs. GDP (%) – 2000-2008f
- Chart 7: India Insurance Market Value (\$ billion): 2000-2007e
- Chart 8: India Insurance Market Value Forecast (\$ billion): 2008-2011f
- Chart 9: India Insurance Market: Segment Share (2007e)
- Chart 10: India Life Insurance Market Value (\$billion): 2000-2007e
- Chart 11: Asia-Pacific Life Insurance Market Segmentation: % share in 2006e
- Chart 12: India Life Insurance Market Share: % Share, by Value, 2006-2007e
- Chart 13: India Life Insurance Market Value Forecast (\$billion): 2008-2011f
- Chart 14: India Non-Life Insurance Market Value (\$billion): 2000-2007e
- Chart 15: India Non-Life Insurance Market Value Forecast (\$billion): 2007-2011f
- Chart 16: Sub-sector share of Non-life Insurance Market in India (2007e)
- Chart 17: India Non-life Insurance Market Share: % Share, by Value, 2006-2007e
- Chart 18: Market Share of leading life insurance companies in India (% share) – 2007e
- Chart 19: India Life Insurance Market Segmentation (%share & \$billion value): 2010-2011f
- Chart 20: India Non-Life Insurance Market Segmentation (%share & \$billion value): 2006-2007e
- Chart 21: India Non-Life Insurance Market Segmentation (%share & \$billion value): 2010-2011f

List of Charts

- Table 1: GDP Growth (2002-07)
- Table 2: Total Premium Growth & GDP Growth (%) – 2000-2007
- Table 3: Growth (%): Life Insurance vs. Non-Life Insurance vs. Total Premium vs. GDP (%) – 2000-2008f
- Table 4: India Insurance Market Value (\$billion): 2000-2007e
- Table 5: India Insurance Market Value Forecast (\$ billion): 2008-2011f
- Table 6: India Life Insurance Market Value (\$billion): 2000-2007e
- Table 7: Asia-Pacific Life Insurance Market Segmentation: % share in 2006
- Table 8: India Life Insurance Market Share: % Share, by Value, 2006-2007e
- Table 9: India Life Insurance Market Value Forecast (\$billion): 2008-2011f
- Table 10: India Non-Life Insurance Market Value (\$billion): 2000-2007e
- Table 11: India Non-Life Insurance Market Value Forecast (\$billion): 2007-2011f
- Table 12: India Non- Life Insurance Market Share: % Share, by Value, 2006-2007e
- Table 13: India Insurance Market Segmentation (%share & \$billion values): 2006-2007e
- Table 14: India Insurance Market Segmentation (%share & \$billion value): 2010-2011f
- Table 15: Market Share of leading life insurance companies in India – 2007e
- Table 16: India Life Insurance Market Segmentation (%share & \$billion value): 2010-2011f
- Table 17: India Non-Life Insurance Market Segmentation (%share & \$billion value): 2006-2007e
- Table 18: India Non-Life Insurance Market Segmentation (%share & \$billion value): 2010-2011f

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