

The Big Insurance Shake-Up: The Battle for Insurance Premium..!!

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Executive Summary: Indian Insurance Industry

The Indian insurance industry has undergone a profound evolution from ancient risk-pooling practices to a regulated financial powerhouse contributing approximately 7% to the nation's GDP. Its history reflects five pivotal phases: the early foundations rooted in scriptures, the colonial era marked by the establishment of modern insurance in 1818, the nationalization of life and non-life insurance forming LIC and GIC, the liberalization era post-2000 introducing private competition, and the recent growth phase driven by government initiatives for financial inclusion. The industry is bifurcated into Property & Casualty (P&C) insurance, which deals with short-term, volatile claims, and Life & Health (L&H) insurance, focused on long-term, predictable obligations. Key financial metrics such as combined ratio, ROA, and ROE are essential in assessing profitability, with P&C insurers prioritizing liquidity for unpredictable claims, whereas L&H insurers balance long-term liabilities with higher-yielding assets. Recent regulatory reforms and a target of "Insurance for All by 2047" underscore efforts to boost insurance penetration and financial security.

Key Points to Assess:

- Evolution through key historical phases influencing current market dynamics.
- Differences in liquidity and investment strategies between P&C and L&H insurers.
- Impact of regulatory reforms and government initiatives on insurance market penetration.

In the current landscape, the Indian insurance industry is witnessing substantial growth, with life insurance dominating at 74% of total premiums and a projected CAGR of 10% until 2028. Non-life insurance has seen rapid expansion, particularly in health insurance, motor insurance, and crop insurance under the PMFBY scheme. Digital transformation through RPA and AI has enhanced insurance operational efficiency and customer service. However, challenges persist with low market penetration, fraud risks, high operational costs, and market concentration dominated by LIC and major private players. Valuation metrics indicate that Indian insurance companies trade at premium P/B ratios compared to global peers, driven by growth potential. The Herfindahl-Hirschman Index (HHI) score of 2456.09 reflects moderate market concentration, with LIC holding a 44% market share.

Key Points to Assess:

- Growth drivers such as health insurance, digital transformation, and government schemes.
- Persistent challenges including low insurance market penetration and fraud management.
- Market concentration effects as indicated by HHI and valuation metrics.

The strategic future of the Indian insurance sector hinges on diversification, digital adoption, and capital efficiency. Diversifying insurance products and distribution channels mitigates cyclical risks, while digital platforms reduce costs and enhance market reach. Optimizing underwriting efficiency and capital allocation remains crucial for profitability amidst increasing competition and evolving regulatory landscapes. The insurance sector's long-term potential is robust, backed by economic growth, regulatory support, and technological advancements. Addressing insurance penetration gaps and enhancing financial literacy are key to sustaining growth and delivering value to stakeholders.

Key Points to Assess:

- Importance of insurance product and distribution diversification for risk mitigation.
- Role of digitalization in reducing insurance costs and expanding reach.
- Strategies for improving insurance underwriting efficiency and capital allocation.

Industry Overview

What is Insurance?

Insurance is a form of risk management which is used primarily to hedge against the risk of a contingent, uncertain loss. Insurance is defined as the equitable transfer of the risk of loss, from one entity to another, in exchange for payment. Insurance is essentially an arrangement where the losses experienced by a few are extended among many who are exposed to similar risks. It is a protection against financial loss that may occur due to an unexpected event.



How Insurance Industry operates and types of insurance

The insurance industry operates as a financial intermediary, pooling risks across a diversified policyholder base while generating *revenues primarily from two streams: underwriting income (premiums collected) and investment income (returns earned on float before claims are paid out)*. Insurance companies are broadly classified into *Property & Casualty (P&C) insurers and Life & Health (L&H) insurers*, each with distinct business dynamics, underwriting risks, and investment strategies. *P&C insurers operate in a shorter-duration, high-volatility environment*, where claims can be **lumpy and unpredictable**—arising from accidents, natural disasters, and legal liabilities. Since these insurers must price risk with imperfect foresight, prudent **loss reserve management** is critical; under-

reserving can lead to pricing inadequacies, eroding solvency, while over-reserving impacts capital efficiency. In contrast, *L&H insurers manage long-term obligations*, where mortality and morbidity risks are more **predictable and actuarially driven**. Consequently, their investment strategy aligns with **duration matching**, seeking fixed-income assets that balance long-term liabilities.

What is the Property & Casualty Insurance

Property insurance policies protect against loss or damage to property—buildings, automobiles, environmental damage, and other tangible objects of value. The events causing loss or damage vary and determine the kind of policy in force. Events may be

attributed to accidents, fire, theft, or catastrophe. Casualty insurance, sometimes called liability insurance, protects against a legal liability related to an insured event. Casualty insurance covers the liability to a third party, such as passengers, employees, or bystanders. A single insured event may contain both property and casualty losses: For instance, an automobile accident may result in both the loss of the automobile and injury to passengers. Such policies may be referred to as multiple peril policies. Property and casualty insurance may be considered as personal lines or commercial lines, depending on the customer; some products may be sold in both lines. Types of property and casualty insurance include automobile property and liability policies (an example of both personal and commercial lines selling the same product), homeowners' insurance, workers' compensation, marine insurance, and reinsurance.

Methods of Distributing Insurance

There are two methods of distributing insurance: direct writing and agency writing. Direct writers of insurance have their own sales and marketing staff. *Direct writers also may sell insurance policies via the internet; through direct response channels, such as mail; and through groups with a shared interest or bond, such as membership in a profession. Agency writers use independent agents, exclusive agents, and insurance brokers to sell policies. In the macro view, the property and casualty insurance business are cyclical.* It is a price-sensitive business, with many competitors unafraid to cut prices to obtain market share. In the micro view, there are operating cost considerations that affect insurer profitability apart from the “softness” or “hardness” of the insurance market, depending on the method of distribution. Direct writers have higher fixed costs because of the in-house nature of their distribution method: The sales and marketing staff are salaried employees. Agency writers do not have this fixed cost; instead, the commissions paid to agents and brokers are a variable cost.

The underwriting cycle is driven largely by the expenses of the participants. *When the industry's combined ratio—the total insurance expenses divided by the net premiums earned—is low, it indicates a hard insurance market, attracting new entrants who cut prices and push the cycle downward. The effect can be seen in the denominator of the combined ratio: The lower price for premiums decreases the total net premiums earned, and the combined ratio increases, indicating a soft market.* Competitors leave the market, either because they want to forgo unprofitable underwriting or because of their own failure. One critical expense for property and casualty insurers results from the management of their loss reserves. Proper estimation of liabilities is essential to the pricing of policies. Underestimation of loss reserves may lead to undercharging for risks assumed. Development of the loss

reserves is based on historical information, yet the process also incorporates estimates about future losses. It is a material account that is subject to management discretion, and its improper estimation can have consequences for the property and casualty insurer. If the loss reserves and the annual adjustments to them are too optimistic, the pricing of the insurance policies may be insufficient for the risk being borne by the insurer and insolvency may ensue. Another problematic attribute of the loss reserves is the fact that the longer the insurer's obligation runs, the more difficult it can be to estimate the loss reserve properly.

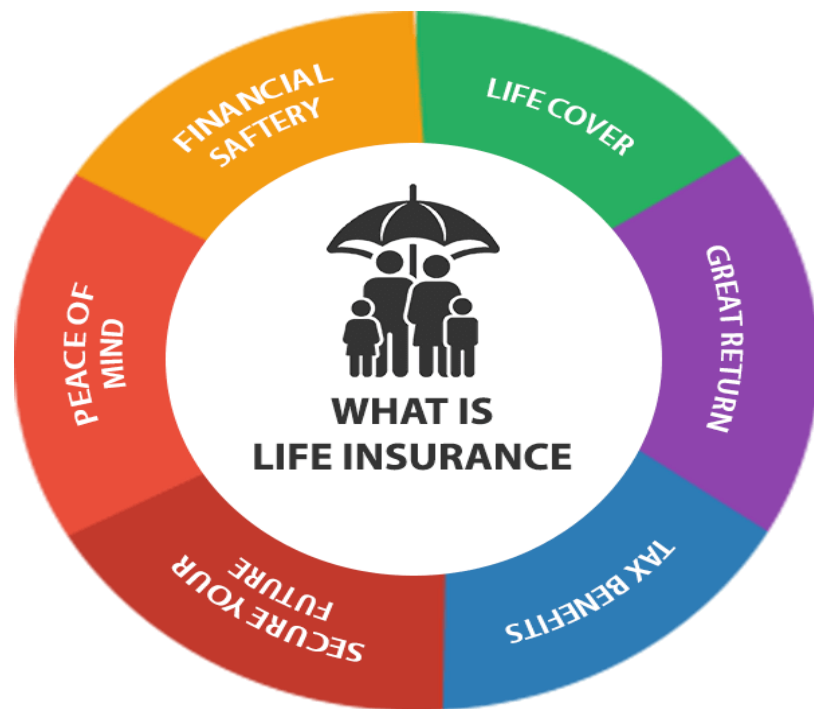
Useful ratios in analysing property and casualty insurance companies' profitability include the following:

- *Loss and loss adjustment expense ratio = (Loss expense + Loss adjustment expense)/Net premiums earned. This ratio indicates the degree of success an underwriter has achieved in estimating the risks insured. The lower the ratio, the greater the success.*
- *Underwriting expense ratio = Underwriting expense/Net premiums written. This ratio measures the efficiency of money spent in obtaining new premiums. A lower ratio indicates higher success.*
- *Combined ratio = Loss and loss adjustment expense ratio + Underwriting expense ratio. This ratio indicates the overall efficiency of an underwriting operation. A combined ratio of less than 100 is considered efficient.*
- *Dividends to policyholders (shareholders) ratio = Dividends to policyholders (shareholders)/Net premiums earned. This ratio is a measure of liquidity, in that it relates the cash outflow of dividends to the premiums earned in the same period.*
- *Combined ratio after dividends = Combined ratio + Dividends to policy holders (shareholders) ratio. This ratio is a stricter measure of efficiency than the ordinary combined ratio, in that it considers the cash satisfaction of policyholders or shareholders after consideration of the total underwriting efforts. Dividends are discretionary cash outlays and factoring them into the combined ratio presents a fuller description of total cash requirements.*

Investment Returns: Property and casualty insurance companies face much uncertainty in the risks they insure, and their business is enormously competitive when insurance pricing moves into its “hard” stage. To counteract the environment of uncertainty, property and casualty insurers conservatively invest the collected premiums. They typically Favor steady-return, low-risk assets, while shunning low-liquidity investments.

Liquidity: *The uncertainty of the payouts involved in the property and casualty business requires a high degree of liquidity so loss obligations can be met.* Because the investments are typically low-risk, steady-return types of financial instruments, their nature is typically liquid. An analysis of the portfolio investments should consider overall quality of the investments and the ease with which the investments can be converted into cash without affecting their value.

Capitalization: Unlike the banking sector, where international risk-based capital standards have existed since 1988, as of mid-2016, no such global standard exists for the insurance sector (although the IAIS is in the process of developing a risk-based global insurance capital standard). The standard is expected to include a target minimum capital adequacy ratio. The ratio will be calculated as the amount of qualifying capital divided by the amount of risk-based capital required.



What is the Life and Health (L&H) insurance?

Life and Health (L&H) insurance companies operate with a fundamentally different risk profile and revenue model than their Property & Casualty (P&C) counterparts. These firms generate revenue primarily from underwriting income (premiums collected) and investment income (returns earned on reserves and policyholder funds). Unlike P&C insurers, which manage short-term, volatile risks, L&H insurers operate in a long-duration environment, with relatively predictable claim structures but significant exposure to interest rate risk, policyholder behaviour, and investment market fluctuations. *L&H insurers provide life insurance policies, annuities, and health-related products, offering both risk protection (e.g., term life policies) and investment-linked products (e.g., annuities, cash-value life insurance).*

How L&H makes money?

Life and Health (L&H) insurance companies make money in two primary ways: *collecting premiums from policyholders and earning investment income*. Premiums come from selling life and health insurance policies, while investment income is generated by strategically investing the funds collected from these premiums. Many L&H insurers also offer investment-linked products such as annuities, further diversifying their revenue streams. In Short, Revenue is derived from:

- **Premium collections** for life and health coverage
- **Investment income** on reserves and float (often in fixed-income securities)
- **Fee-based income** from asset management and investment products

Products and Distribution

Life insurance products vary in structure—some provide only a death benefit, while others combine insurance coverage with a savings component. Term life insurance, for example, covers the insured for a fixed period, paying out a benefit only if the insured passes away within that term. In contrast, permanent life insurance policies offer both a death benefit and a cash value component that accumulates over time. On the health insurance side, policies differ based on coverage, ranging from reimbursement for medical expenses to income replacement in case of illness or injury.

L&H insurers sell these products through multiple channels. Some distribute directly via digital platforms, while others rely on agents, who can be company employees, exclusive representatives, or independent brokers. Using independent agents often increases distribution costs but provides flexibility and lowers fixed expenses. A well-diversified distribution model helps insurers manage risks and expand market reach. Product diversification helps stabilize earnings, as mortality-driven life insurance claims are generally more predictable than P&C claims but may still be influenced by policy surrenders and longevity risks (e.g., annuity contracts).

In Short, Distribution strategies include:

1. **Direct-to-consumer (digital & direct sales)** – Lower cost but requires strong brand and marketing investment.

2. **Captive agents (exclusive to the insurer)** – Provides better control over sales but incurs higher fixed costs.

3. **Independent agents & brokers** – Higher acquisition costs but offers flexibility and reach into multiple markets.

Earnings and Financial Considerations

The biggest expense for an L&H insurer is paying out benefits under life insurance, annuities, and other policy contracts. Policies with a savings component allow policyholders to surrender contracts early, leading to additional expenses for the insurer. Because the industry operates on long-term financial commitments, accounting requires significant judgment, particularly in estimating future claims and benefit payments. Insurers rely on actuarial assumptions, such as life expectancy, to determine how much they need to reserve for future obligations. Additionally, costs associated with acquiring new customers are capitalized and amortized over time based on expected profitability.

Key profitability metrics include:

- **Return on Assets (ROA)** – Measures efficiency in generating profit from assets under management.
- **Return on Equity (ROE)** – Assesses profitability relative to shareholder capital.
- **Operating margins (pre-tax & post-tax)** – Indicates underwriting efficiency and investment income contribution.
- **Book value per share (BVPS) growth** – Reflects retained earnings and long-term value creation.

Actuarial risk and accounting judgments significantly impact earnings:

- **Policyholder reserves estimation** – Requires assumptions on mortality, morbidity, lapse rates, and future interest rates.
- **Deferred acquisition costs (DAC) amortization** – Expenses related to policy origination are capitalized and amortized based on expected profitability.
- **Fair value of investments** – Equity and alternative investments introduce valuation volatility.

Unlike Property & Casualty (P&C) insurers, which face unpredictable claims, L&H insurers have greater stability in claim payouts, allowing them to invest in higher-yielding assets such as equities and real estate. However, these investments come with

greater market risk and valuation fluctuations. A prolonged low-interest-rate environment has also made it challenging for insurers to generate strong risk-adjusted returns. Rating agencies closely monitor an insurer's asset mix, concentration risks, and exposure to low-credit-quality investments. **In Short, Investment considerations:**

- **Interest rate risk** – L&H insurers are highly exposed to declining rates, as lower yields on fixed-income assets pressure investment returns and profitability.
- **Credit risk** – Investment-grade bonds dominate portfolios, but exposure to lower-rated credits, structured products, or equities introduces volatility.
- **Liquidity risk** – While traditional life products are long-term in nature, **policy surrenders and annuity withdrawals** require liquid assets for payout obligations.

Liquidity Considerations

Traditionally, liquidity has been less of a concern for life insurers due to the long-term nature of their products. However, with the introduction of new, more flexible policies, liquidity management has become increasingly important. Insurers must ensure they have sufficient cash flow from operations and liquid investments to meet near-term obligations. Investments in non-investment-grade bonds and real estate tend to be less liquid, whereas cash and high-quality fixed-income securities provide better liquidity coverage.

Liquidity is assessed through:

- **Operating cash flow sufficiency** – Ability to meet obligations from premium inflows and investment income.
- **Investment asset liquidity** – Proportion of marketable securities vs. illiquid assets (e.g., private equity, real estate).
- **Policyholder behaviour assumptions** – Early contract surrenders can create unexpected liquidity pressures.

Capitalization and Regulatory Oversight

Unlike banks, L&H insurers are not governed by a global capital standard. However, regulators impose minimum capital requirements to ensure financial stability. If an insurer's capital falls below these thresholds, regulatory authorities may intervene.

L&H insurers generally need lower capital reserves than P&C insurers because their claims are more predictable. However, they face significant exposure to interest rate risk, which directly affects policy liabilities and investment returns.

These vary across jurisdictions but generally account for:

- **Underwriting risk** – Mortality, longevity, and health-related claim risks.
- **Investment risk** – Credit and interest rate exposures.
- **Market risk** – Asset-liability mismatch and policyholder behaviour risks.

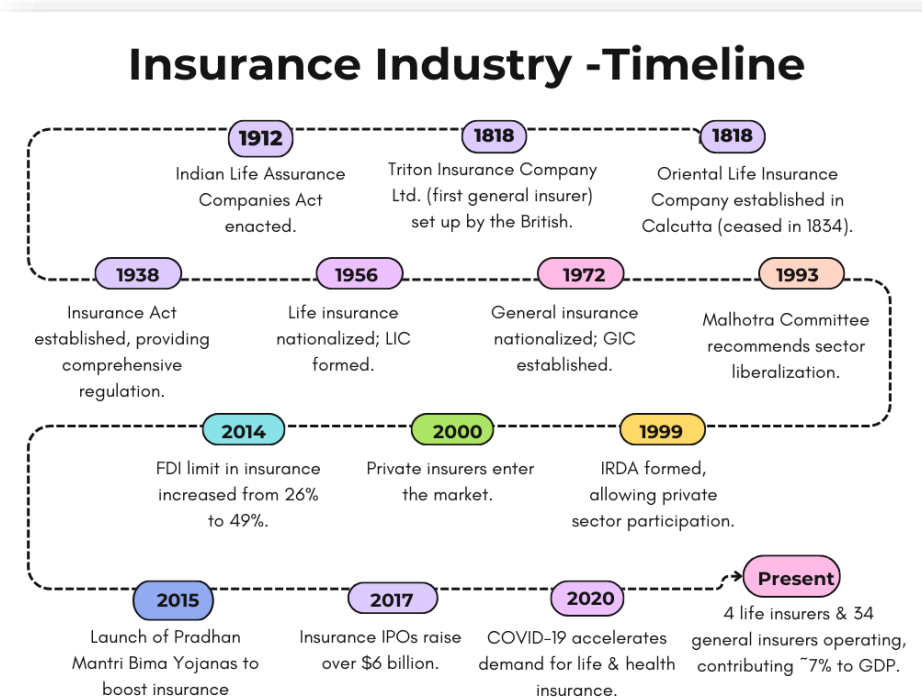
However, due to limited access to data our analysis will not cover whole things but yes you will get maximum understanding of insurance sector as a whole.

Category	Property & Casualty (P&C) Insurance	Life & Health (L&H) Insurance
Primary Purpose	Covers short-term risks related to property damage and legal liabilities.	Provides long-term financial protection for life, health, and annuity products.
Nature of Risk	High volatility with unpredictable, lumpy claims (e.g., accidents, natural disasters).	Long-duration, more predictable claims (mortality, morbidity, policy surrenders).
Duration of Obligations	Short-term liabilities.	Long-term liabilities.
Key Risks	Catastrophic events, under-reserving, and market cycles.	Interest rate risk, policyholder behaviour, longevity risk.
Revenue Sources	Underwriting income (premiums) and conservative investment income.	Premium collections, investment returns, and fee-based income from investment products.
Investment Strategy	Conservative; high liquidity and steady return (fixed-income assets).	Higher-yielding assets (equities, real estate) with duration matching for liabilities.
Liquidity Requirements	High liquidity needed due to unpredictable claims.	Lower liquidity needs; however, flexible policies increase liquidity risk.
Profitability Metrics	<ul style="list-style-type: none"> - Loss & loss adjustment expense ratio (Lower = Better) - Underwriting expense ratio (Lower = Better) - Combined ratio (<100% indicates profitability). 	<ul style="list-style-type: none"> - Return on Assets (ROA) - Return on Equity (ROE) - Operating margins - Book value per share (BVPS) growth.
Capital Adequacy	Higher capital reserves needed due to unpredictable claims.	Lower capital reserves needed; significant exposure to interest rate risks.
Distribution Channels	<ul style="list-style-type: none"> - Direct Writing (In-house team, fixed cost). - Agency Writing (Independent agents, variable cost). 	<ul style="list-style-type: none"> - Direct-to-consumer (Digital platforms). - Captive agents (Company employees). - Independent brokers (High flexibility).
Cyclical	Strongly cyclical due to competitive pricing and market cycles.	Less cyclical; influenced more by economic factors and interest rates.
Underwriting Cycle	<ul style="list-style-type: none"> - Hard market: Low combined ratio, attracts new entrants. - Soft market: High combined ratio, leads to market exits. 	No typical underwriting cycle: profitability varies with economic conditions and actuarial assumptions.
Loss Reserve Management	Critical due to high claim uncertainty; over/under-reserving impacts solvency.	Policyholder reserve estimation uses actuarial assumptions with greater predictability.
Accounting Considerations	Loss reserve adjustments are material and subjective.	Deferred acquisition costs (DAC) and fair value of investments are significant.
Common Products	<ul style="list-style-type: none"> - Property insurance (home, auto, marine) - Casualty insurance (liability) - Workers' compensation 	<ul style="list-style-type: none"> - Life insurance (term, whole life) - Health insurance - Annuities

Indian Insurance Sector

The Indian insurance sector has experienced remarkable growth over the past decade, positioning itself as a pivotal player in the global market. Projections indicate that India is set to be the fastest-growing insurance market among G20 nations in the coming years, driven by robust economic expansion, digital advancements, and a supportive regulatory framework. Life insurance remains the cornerstone of India's insurance industry, contributing significantly to total premium volumes. *In 2024, life insurance accounted for 74% of the combined life and non-life premiums. Globally, India's share in the life insurance market stood at 2.73% in 2019, ranking it tenth worldwide. Notably, the life insurance premium in India surged by 9.63% in 2019, outpacing the global growth rate of 1.18%.*

Timeline of Insurance Industry from 1818 to Present



The history of insurance in India is a tale of evolution, adaptation, and transformation. From its roots in ancient Indian scriptures to becoming a thriving, regulated industry, insurance has played a crucial role in India's economic development. This journey can be divided into five key phases. **Ancient Foundations and Early Practices (Before 1818)** Long before the formalization of the insurance industry, the concept of risk pooling and financial protection was deeply ingrained in Indian society. Ancient texts such as the *Manusmriti*, *Arthashastra*, and *Dharmashastra* mention practices resembling modern-day insurance. These writings describe the pooling of resources by communities to provide financial support in times of calamities like floods, famines, and epidemics. This rudimentary form of social insurance laid the groundwork for more structured financial protection mechanisms in later centuries.

2. Colonial Era and the Emergence of Modern Insurance (1818–1950)

The introduction of modern insurance in India can be traced back to the early 19th century, during British colonial rule. The first life insurance company, Oriental Life Insurance Company, was established in Calcutta in 1818. However, it ceased operations in 1834. The following decades saw the emergence of companies like Madras Equitable (1829), Bombay Mutual (1871), and Oriental Insurance (1874), which sought to provide financial security to Indian citizens. These Indian-owned companies faced strong competition from established foreign insurance offices such as Albert Life Assurance, Royal Insurance, and Liverpool and London Globe Insurance.

On the general insurance front, the Triton Insurance Company Ltd., established in 1850 by the British in Calcutta, marked the industry's beginning. Indian participation in the sector gained traction with the establishment of Indian Mercantile Insurance Ltd. in 1907, which became the first company to transact all classes of general insurance.

The formal regulation of the insurance sector began in 1914 when the Government of India started publishing returns of insurance companies. The first statutory measure was the Indian Life Assurance Companies Act, 1912, followed by the Indian Insurance Companies Act in 1928, which aimed to collect statistical information on both life and non-life businesses. To better protect the interests of the insuring public, these legislations were consolidated and amended by the Insurance Act, 1938, which provided comprehensive control over insurers' activities.

3. Nationalization and Regulatory Framework (1956–1999)

The post-independence era marked a paradigm shift in India's insurance sector. Concerns over unfair trade practices and instability prompted the Indian government to intervene. In 1956, all life insurance companies were nationalized to form the Life Insurance Corporation of India (LIC). This move aimed to increase penetration and protect policyholders from mismanagement. Similarly, in 1972, the non-life insurance business was nationalized, leading to the formation of the General Insurance Corporation of India (GIC) and the consolidation of 107 insurers into four state-owned entities.

In the 1990s, the government initiated economic reforms, leading to a push for liberalization. The Malhotra Committee, established in 1993, recommended opening the insurance sector to private players to foster competition and improve efficiency. Based on these recommendations, the Insurance Regulatory and Development Authority (IRDA) was established as an

autonomous body in 1999. The IRDA Act, along with the amendment of the LIC and GIC Acts, ended the monopolies of these institutions, introducing a new era of private sector participation.

4. Liberalization and Market Expansion (2000–2014)

With the liberalization of the insurance sector, private companies entered the market, leading to significant growth. The number of private insurers increased steadily, reaching 46 players by 2017. *Recognizing the potential for foreign investment, the government approved an ordinance in December 2014 to increase the FDI limit in the insurance sector from 26% to 49%.* This move was expected to attract investments of around US\$ 7-8 billion, strengthening capital reserves and fostering innovation.

5. Government Initiatives and Sector Growth (2015–Present)

The government further strengthened the insurance sector with key initiatives in 2015. It introduced social security schemes such as the Pradhan Mantri Suraksha Bima Yojana and the Pradhan Mantri Jeevan Jyoti Bima Yojana to increase insurance penetration among lower-income groups. Additionally, the Atal Pension Yojana and new health insurance programs were launched to provide financial security to a larger population. By 2017, insurance companies had raised over US\$ 6 billion from public issues, highlighting growing investor confidence in the sector. The COVID-19 pandemic further underscored the importance of financial protection, driving increased demand for life and health insurance products. As a result, consumers have become more proactive in securing their financial future through insurance.



Today, India's insurance industry is a vital pillar of its financial sector. The country boasts 24 life insurance companies and 34 general insurance providers, including specialized institutions like the Export Credit Guarantee Corporation of India and the Agriculture Insurance Corporation of India.

*Together with banking, the insurance sector contributes approximately 7% to India's GDP, showcasing its economic significance. **With digital transformation,***

increasing insurance penetration, and regulatory advancements, the industry is poised for further growth. The rise of Insurtech companies, the push for financial inclusion, and government-backed insurance schemes continue to shape the landscape, making insurance more accessible and customer-centric. Current regulatory efforts focus on modernizing regulations, enhancing consumer protection, increasing insurance penetration, and attracting further investment to ensure sustainable growth.



Over the past two decades, the Indian insurance market has expanded at a Compound Annual Growth Rate (CAGR) of 17%, with projections estimating it will reach ₹19,30,290 crore (US\$ 222 billion) by 2026. Total life insurance premiums surpassed ₹5 lakh crore in FY19, growing at a CAGR of over 10% from approximately ₹1.5 lakh crore in FY17. Global Data forecasts the Indian life insurance industry to grow at a CAGR of 10%, from US\$ 151.7 billion in 2024 to US\$ 216.1 billion by 2028 in terms of gross written premiums (GWP). Currently, life insurance assets under management are around ₹39 lakh crore

(over US\$ 500 billion). The sector has undergone significant transformation since its liberalization in 2000, marked by the entry and growing prominence of private companies. As of June 2024, private insurers held 35.98% of the first-year premium share in life insurance, while the Life Insurance Corporation of India (LIC) maintained a dominant 64.02% share. In the non-life segment, up to September 2023, private sector entities accounted for 53.6% of the market, compared to the public sector's 32.0%.

The Insurance Regulatory and Development Authority of India (IRDAI), established in 1999, plays a crucial role in regulating and promoting orderly growth within the industry. Recent regulatory reforms by IRDAI aim to enhance consumer protection, foster transparency, and facilitate ease of doing business, thereby creating a more efficient and consumer-centric market. The IRDAI has also set an ambitious goal of achieving *"Insurance for All by 2047,"* driving initiatives to increase insurance penetration and density across the country.

1. Increasing Investments

- ▶ Over the past nine years, the insurance sector has attracted significant foreign direct investment (FDI) amounting to nearly Rs. 54,000 crore (US\$ 6.5 billion), driven by the government's progressive relaxation overseas capital flow regulations.
- ▶ In April 2024, CCI has approved Axis Bank Limited's subscription to 14,25,79,161 equity shares of Max Life Insurance Company Limited.
- ▶ The IPO of LIC of India was the largest IPO ever in India and the sixth biggest IPO globally 2022. As of November 2022, the listing of LIC accounted for more than a third of the resources mobilised in the primary equity market.'

2. Robust Demand

- ▶ As per the Insurance Regulatory and Development Authority of India (IRDAI), India will be the sixth-largest insurance market within a decade, leapfrogging Germany, Canada, Italy and South Korea.
- ▶ Mr. Debashish Panda, Chairman, IRDAI informed that the insurance industry of India became a Rs. 59 crore (US\$ 7.1 million) Industry as of February 2023
- ▶ India's life insurance sector showed strong growth in the first quarter of FY25, with first-year premiums surging by 22.91% YoY to Rs. 89,726.7 crore (US\$ 10.75 billion), up from Rs. 73,004.87 crore (US\$ 8.75 billion) in the first quarter of FY24.

Source: News Articles, Invest India & IBEF Report



4. Policy support

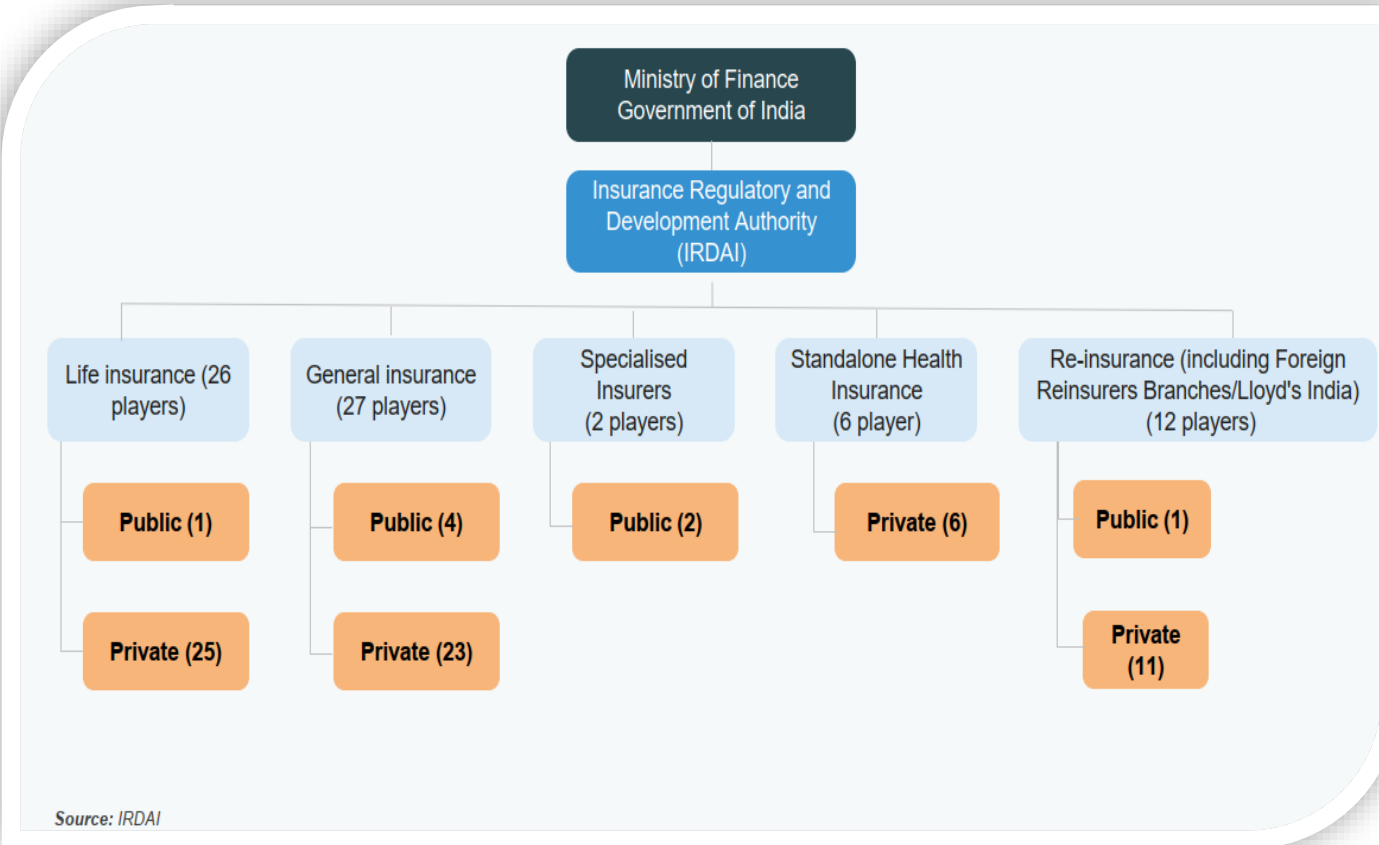
- ▶ The Indian government is gearing up to introduce 100% FDI in Insurance from the current ceiling of 74%, the sector currently includes 24 life insurance providers, 26 general insurers, six standalone health insurers, and one reinsurer.
- ▶ Ayushman Bharat (Pradhan Mantri Jan Arogya Yojana) (AB PMJAY) aims at providing a health cover of Rs. 5 lakh (US\$ 6,075) per family per year for secondary and tertiary care hospitalization.
- ▶ Insurance cover for 44.6 crore persons under PM Suraksha Bima and PM Jeevan Jyoti Yojana was provided during FY23.

3. Attractive Opportunities

- ▶ Insurance market in India is expected to reach US\$ 222 billion by 2026.
- ▶ Robotic Process Automation (RPA) and AI will occupy centre stage in insurance, driven by newer data channels, better data processing capabilities and advancements in AI algorithms.
- ▶ Bots will become mainstream in both the front and back-office to automate policy servicing and claims management for faster and more personalized customer service

Industry Structure

Several factors are propelling the growth of the Indian insurance sector, including a vibrant economy, rising household savings and income levels, increased awareness of insurance needs, product innovations, and the development of robust distribution channels such as bancassurance and digital platforms.



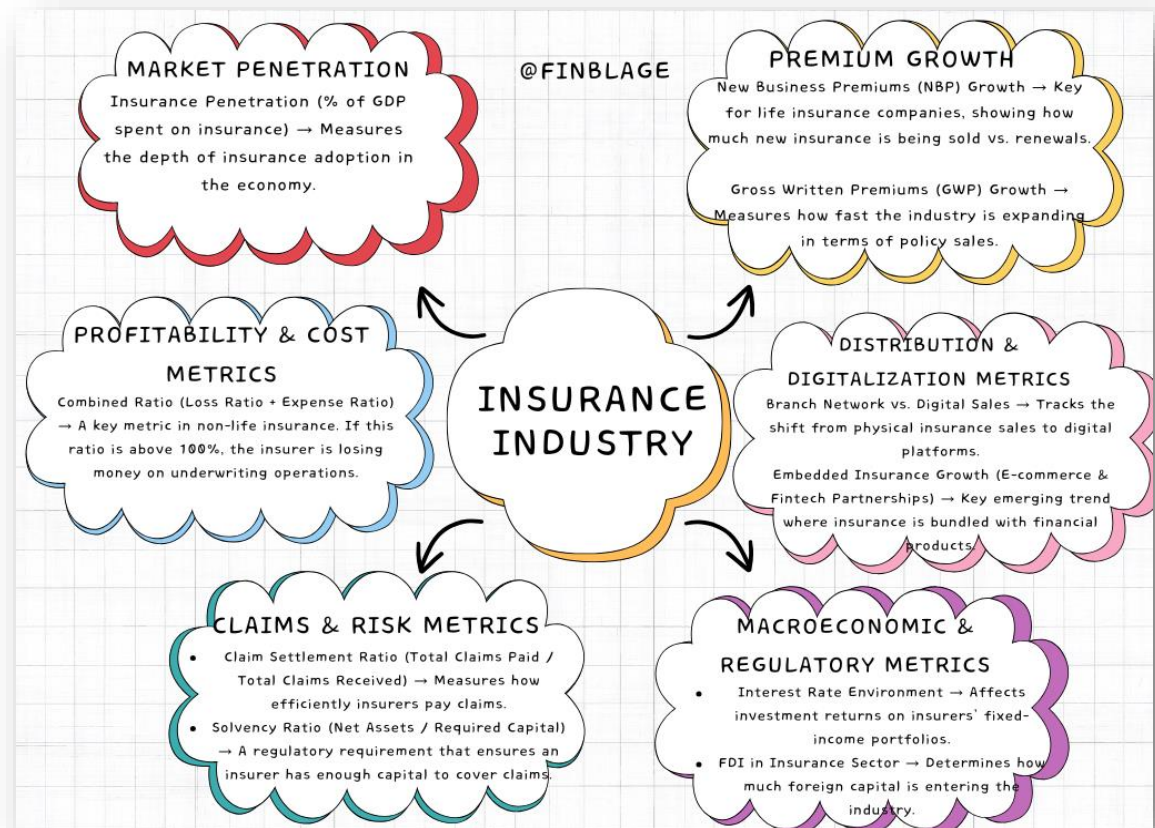
The Indian insurance industry is regulated by the Insurance Regulatory and Development Authority of India (IRDAI) under the Ministry of Finance. It comprises multiple segments, including life insurance (26 players), general insurance (27 players), specialized insurers (2 players), standalone health insurance (6 players), and reinsurance (12 players). The sector exhibits a significant private sector presence, with only a few public sector entities—one in life insurance (LIC), four in general insurance, two specialized insurers, one in standalone health insurance, and one in reinsurance. The industry is characterized by strong competition,

regulatory oversight, and a growing role for private players in both direct insurance and reinsurance markets.

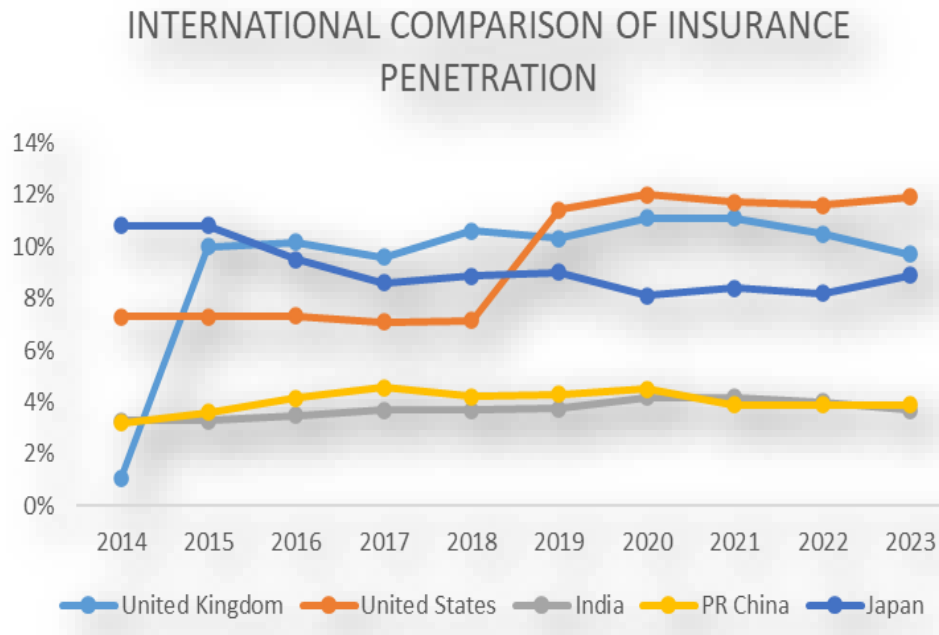
Methods Use for Analysing of Indian Insurance Sector

Before we jump into Insurance as a whole, we should know basic terms and industry specific analysis –

- **Market Penetration** evaluates the depth of insurance adoption by measuring insurance premiums as a percentage of GDP. Higher penetration indicates greater awareness and trust in insurance products.
- **Premium Growth** assesses industry expansion through New Business Premium (NBP) Growth (tracking new vs. renewed policies) and Gross Written Premium (GWP) Growth, reflecting overall market momentum.
- **Combined Ratios** (Loss + Expense Ratio) to gauge underwriting efficiency. If this ratio exceeds 100%, the insurer is incurring underwriting losses.
- **Claims & Risk Metrics** are crucial for financial stability, with **Claim Settlement Ratios** indicating how efficiently claims are paid and **Solvency Ratios** ensuring the insurer has adequate capital to meet obligations.
- **Distribution & Digitalization Metrics** track shifts from physical sales to digital platforms and embedded insurance (bundling insurance with fintech and e-commerce products), reflecting changing consumer behaviour.
- **Macroeconomic & Regulatory Metrics** include the interest rate environment, affecting insurers fixed-income investments, and FDI in Insurance, indicating foreign capital inflows into the industry. *However, due to limited access to data our analysis will not cover whole things but yes you will get maximum understanding of insurance sector as a whole*



The international comparison of insurance penetration from 2014-15 to 2023-24 highlights significant variations in insurance adoption across key global markets. China exhibits the most substantial growth, rising sharply from around 6% in 2019-20 to over 12% in 2020-21, maintaining a leadership position. This suggests aggressive policy measures, expanding middle-class affordability, and digital insurance penetration.



- The United States maintains stable penetration in the range of 9%–10%, reflecting a mature insurance market with consistent demand. However, a decline in 2023-24 indicates possible macroeconomic pressures or regulatory shifts affecting growth. The United Kingdom follows a relatively stable trajectory at around 4%–5%, suggesting a saturated market with slow growth potential.
- *India shows gradual growth, increasing from around 2% in 2014-15 to nearly 4% in 2019-20, but remains one of the lowest penetrated markets.* This signals significant untapped potential, requiring regulatory push, financial awareness, and improved distribution models. Japan exhibits stagnation around 4%, reflecting an aging population and lower demand for new policies.

Data Source – Insurance Publication of Handbook 2023-24

Distribution of Households by Main Occupation and Level of Education

Occupation	Insured Households			Uninsured Households		
	Rural	Urban	Total	Rural	Urban	Total
Self-employed in agriculture	36.28	2.38	19.67	34.98	3.46	16.20
Agricultural labour	3.56	0.52	2.07	11.09	1.17	5.18
Casual labour	9.52	13.69	11.56	28.34	36.21	33.03
Self-employed in non-agriculture	24.64	40.23	32.28	13.13	32.73	24.81
Regular wages and salaried	25.63	42.60	33.94	11.59	25.69	19.99
Others	0.36	0.60	0.48	0.87	0.73	0.79
Highest level of education						
Illiterate	1.41	0.47	0.95	4.20	2.07	2.93
Up to primary school	7.87	4.58	6.26	16.10	11.75	13.51
Up to secondary school	33.66	25.62	29.72	41.21	37.63	39.08
Higher secondary school and above	57.06	69.33	63.07	38.49	48.54	44.48
Total Number of Households	11301	10866	22167	3237	4774	8011

Insurance penetration across rural and urban households, segmented by occupation and education. Households engaged in non-agricultural self-employment and salaried jobs exhibit higher insurance coverage, notably in urban areas, where 42.6% of salaried households are insured compared to 25.63% in rural regions. Casual labourers and agricultural labourers show significantly lower insurance participation, underscoring vulnerability. Education appears to be a critical determinant; higher secondary and above education levels correlate with 63.07% insurance coverage, indicating that financial literacy and income stability may drive insurance adoption. Conversely, the uninsured segment is concentrated among less educated and informally employed households, highlighting a potential target demographic for inclusive financial policies.

Image Source Report of Insurance Campaign Survey

**Distribution of Household Members with Insurance by Annual Per Capita Household Income Categories (Rural +Urban))
(Percentage)**

Household Income Class (average annual per capita income)	Life Insurance Government	Life Insurance Private	General Insurance Government	General Insurance Private	Health Insurance Government	Health Insurance Private
Less than Rs.10,000	14.63	17.15	18.75	16.33	3.03	12.90
Rs 10,000 to Rs 16,000	25.13	24.92	25.00	18.37	37.88	25.81
Rs 16,001 to Rs 27,000	25.64	23.89	20.00	28.57	18.18	25.81
Above Rs 27 000	34.60	34.04	36.25	36.73	40.91	35.48
Number of Household members insured	26'541	1'930	80	49	66	31

Insurance coverage increases as household income goes up in India. In life insurance, government schemes cover 34.6% of high-income households (above ₹27,000 per year), compared to just 14.63% in low-income groups. Private life insurance follows a similar trend, with higher coverage (34.04%) among wealthier households, showing that people with more income are more likely to buy insurance.

For general insurance, government schemes cover 36.25% of high-income households, while private insurance is close at 36.73%. In lower-income groups, government insurance has more coverage (18.75%), likely because it is more affordable. Health insurance shows a big jump in government coverage from just 3.03% in the lowest income group to 40.91% in the highest. Private health insurance is lower (35.48%) but improves with higher income. Overall, as people earn more, they tend to get more insurance. Government schemes help lower-income families, but as incomes rise, private insurance companies have a chance to grow by offering better services and customized plans.

Image Source Report of Insurance Campaign Survey

Proportion of Policy Holders by Gender

Category of insurance	Rural		Urban		Rural + Urban	
	Male	Female	Male	Female	Male	Female
Life insurance–government	82.37	17.63	77.33	22.67	79.80	20.20
Life insurance–private	81.07	18.93	76.56	23.44	78.91	21.09
General insurance–government	87.88	12.12	81.63	18.37	85.22	14.78
General insurance–private	86.67	13.33	72.00	28.00	81.43	18.57
Health insurance–government	76.09	23.91	64.44	35.56	70.33	29.67
Health insurance–private	70.59	29.41	65.52	34.48	67.39	32.61

There is a clear story of imbalance when it comes to gender. Men dominate the scene, particularly in life and general insurance. In government life insurance schemes, 79.8% of the policyholders are men, leaving only 20.2% for women. Private life insurance is similar, with men holding 78.91% of the policies. The gap is even more noticeable in rural areas, where 82.37% of government life insurance policies belong to men, while

women hold just 17.63%. Urban areas show a slight improvement, but the divide remains — 77.33% for men and 22.67% for women. A similar pattern is visible in general insurance, where rural men account for 87.88% of government coverage and 86.67% of private coverage, far outnumbering women.

Health insurance, however, tells a slightly different tale. While men still hold the majority, the gap is narrower. In government health insurance, the overall male-to-female ratio is 70:30, and in private health insurance, it stands at 67:33. This shows that health insurance is somewhat more inclusive for women compared to life and general insurance. The rural-urban divide is also evident here. Urban women hold 35.56% of government health insurance policies, which is higher than the 23.91% for rural women. Similarly, in private health insurance, urban women account for 34.48%, while rural women hold 29.41%.

This indicates that women in urban areas are more likely to be insured than their rural counterparts, regardless of the insurance type. These numbers tell a compelling story one of progress, but also persistent inequality. While health insurance shows promise with a relatively smaller gender gap, life and general insurance still reflect deep-rooted disparities. The consistent trend of higher insurance coverage among urban women compared to rural women suggests better awareness and access in cities. To create a more balanced and inclusive insurance landscape, efforts must focus on empowering rural women and ensuring they have equal opportunities to secure financial protection.

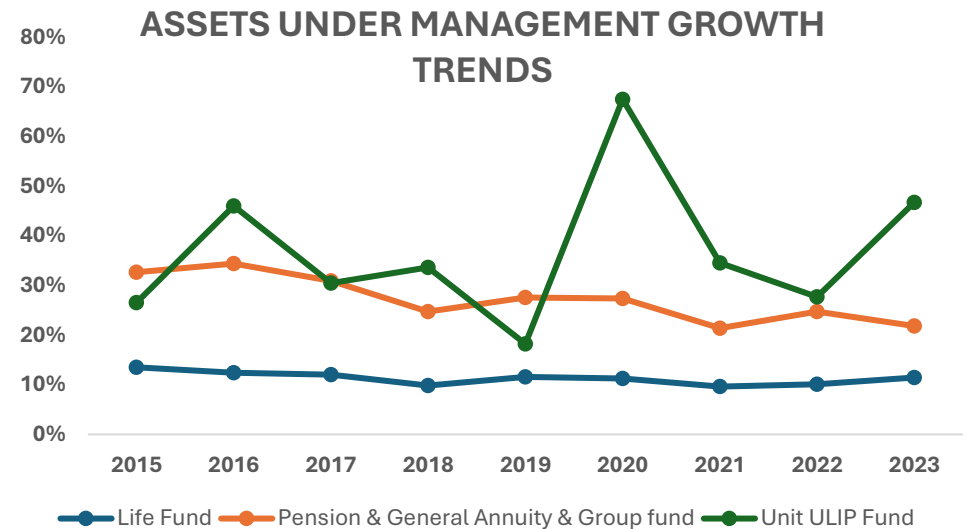
Image Source Report of Insurance Campaign Survey

The Assets Under Management (AUM) growth trends from 2015 to 2023 highlight distinct patterns across Life Fund, Pension & General Annuity & Group Fund, and Unit ULIP Fund. Life Fund maintained a steady but low growth of around 10-12% annually, reflecting its stability as a core insurance product. The Pension & General Annuity & Group Fund showed moderate fluctuations, averaging 20-30% growth, influenced by corporate group insurance demand and retirement planning trends.

The Unit ULIP Fund, however, exhibited high volatility, with growth spikes exceeding 40-70% in 2016, 2020, and 2023, driven by bullish market phases. Notably, 2020 saw the highest surge (70%), likely due to market optimism post-COVID recovery, followed by a decline in 2021 and resurgence in 2023 (50%), signalling renewed investor confidence in equity-linked products.

These trends indicate that Life and Pension Funds provide stability, while ULIPs are more market-sensitive, responding to economic cycles and investor sentiment. Analysts should correlate ULIP growth with equity market trends, Pension Fund performance with employment and economic policies, and Life Fund growth with demographic and regulatory changes for a comprehensive industry analysis.

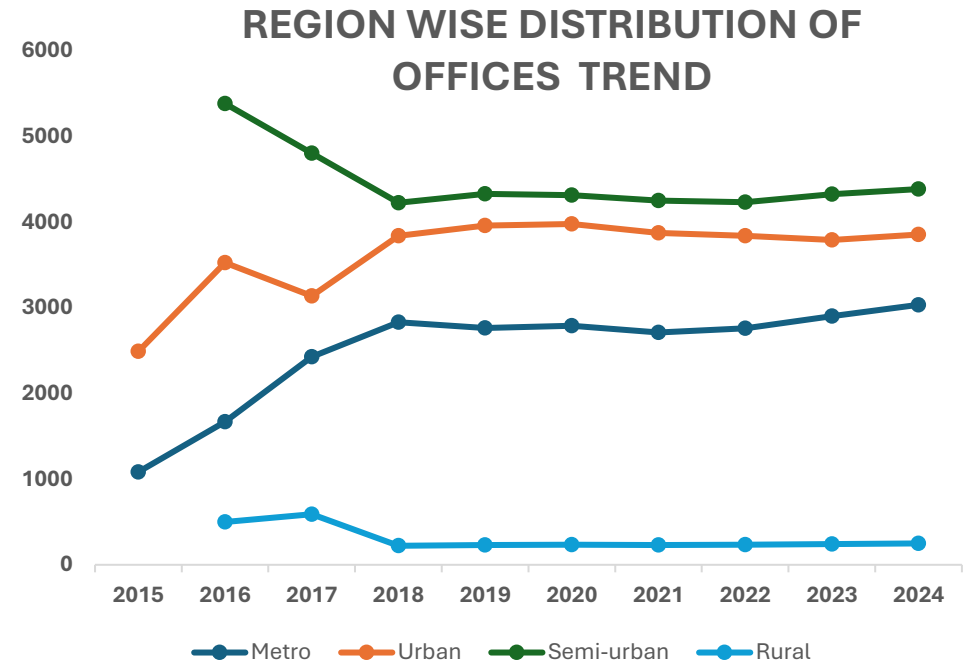
Data Source – Insurance Publication of Handbook 2023-24



The region-wide distribution of offices from 2015 to 2024 highlights a strategic shift in the insurance sector’s physical presence across different regions. *Metro offices have shown consistent growth, increasing from around 1,000 in 2015 to nearly 3,000 by 2024, reflecting urbanization and higher insurance penetration in financially developed areas. Urban office distribution peaked in 2017 at approximately 3,800, aligning with economic expansion and increasing demand in Tier 1 and 2 cities, before stabilizing around 4,000 offices post-2019.*

A notable decline is observed in semi-urban offices, dropping from 5,500 in 2015 to around 4,000 by 2019, after which it stabilizes. This suggests either digital adoption replacing physical branches or a shift in business focus toward urban and metro markets. Rural offices saw initial growth until 2017 but declined sharply after, indicating limited expansion potential or cost inefficiencies in maintaining physical branches.

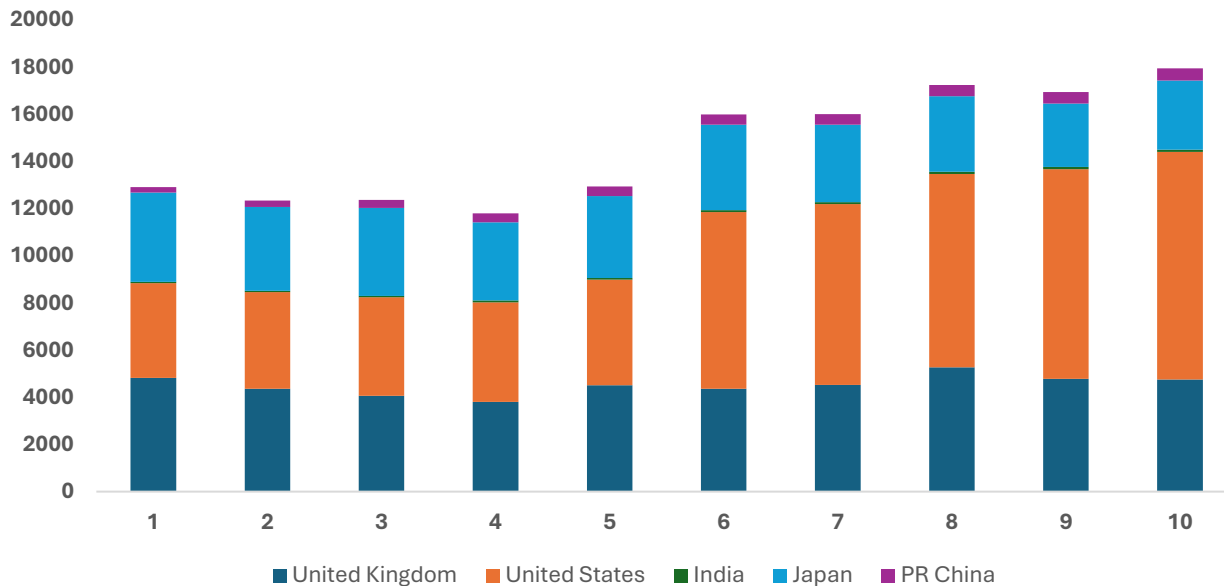
This trend suggests a clear prioritization of urban and metro areas, likely due to higher policy demand, better infrastructure, and a more digitally aware customer base. Analysts should correlate this with digital insurance adoption rates, regulatory incentives for rural penetration, and cost-benefit analysis of maintaining physical offices across regions.



Data Source – Insurance Publication of Handbook 2023-24

The **international comparison of insurance density** (measured as premium per capita) reveals significant disparities across economies, reflecting their respective insurance market maturity, economic development, and penetration levels. From the bar chart, it is evident that the United States and the United Kingdom maintain the highest insurance density, with combined values exceeding \$15,000 per capita in later periods, driven by well-established insurance sectors, high per capita income, and regulatory frameworks promoting extensive coverage.

INTERNATIONAL COMPARISON OF INSURANCE DENSITY



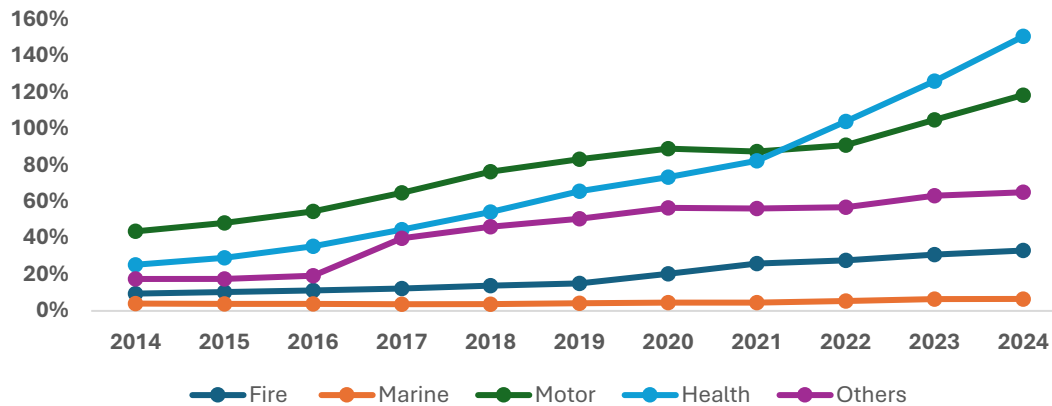
In contrast, India's insurance density remains significantly lower, contributing a marginal portion to total density. Historically, *India has struggled with low penetration, standing at \$91 in 2022, far below global averages. However, the market is expanding, supported by 10% CAGR growth in life insurance gross written premiums (GWP), digital transformation, and increasing financial literacy. China and Japan exhibit steady growth, reflecting rising insurance adoption in emerging markets. China's insurance density crossed \$500 in 2023, with a strong life and health segment driving growth.*

From an investment and policy standpoint, the divergence in insurance density indicates market potential in developing economies, particularly India, where regulatory efforts like FDI liberalization, Insurtech adoption, and new product innovations are key drivers. Insurers expanding into these regions must consider structural challenges such as low affordability and awareness. However, the sector remains poised for long-term growth, especially given India's projected insurance market value of ₹19.3 trillion (\$222 billion) by 2026.

Data Source – Insurance Publication of Handbook 2023-24

The **Indian non-life insurance sector** has witnessed significant growth, with varying trends across different segments. Health insurance has emerged as the fastest-growing category, surpassing 100% growth since 2014, *driven by rising healthcare costs, increased awareness, and government-backed schemes like Ayushman Bharat.* The motor insurance segment has also demonstrated consistent growth, supported by regulatory mandates on vehicle insurance and rising automobile sales.

SEGMENT WISE GROSS DIRECT PREMIUM



Meanwhile, fire and marine insurance segments have shown relatively moderate growth, indicating their stable yet slow expansion. *Fire insurance is largely influenced by infrastructure growth and industrial expansion,* while marine insurance remains dependent on trade volumes and logistics sector performance. The ‘Others’ category has shown steady growth, reflecting increasing diversification in India’s non-life insurance portfolio.

The health insurance sector presents the most compelling investment opportunity, given its strong demand fundamentals, while motor insurance remains a steady

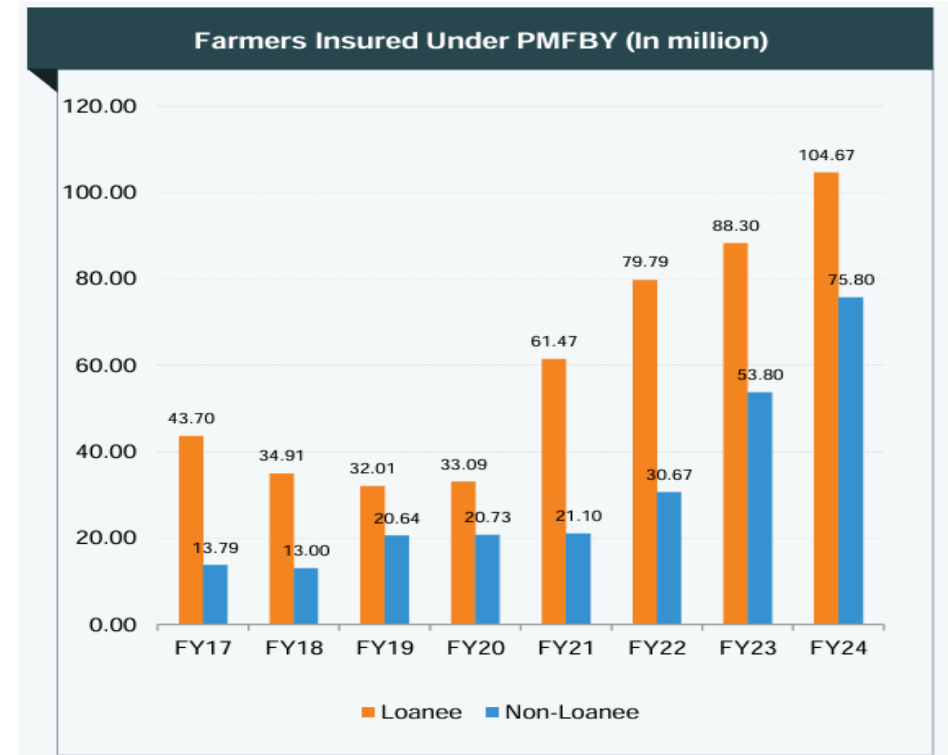
performer due to regulatory requirements. Fire and marine segments may need policy-driven incentives to accelerate growth. Going forward, digital adoption, customized product offerings, and government policy interventions will be critical in shaping the trajectory of the Indian insurance market.

Data Source – Insurance Publication of Handbook 2023-24

Strong potential in crop Insurance

The Pradhan Mantri Fasal Bima Yojana (PMFBY) has witnessed significant growth in farmer participation, *with insured farmers increasing from 57.49 million in FY17 to 180.47 million in FY24*. A notable shift is observed in the *increasing share of non-loanee farmers, rising from 13.79 million in FY17 to 75.80 million in FY24*, indicating a higher voluntary adoption of crop insurance beyond mandated coverage for loan recipients. The compound annual growth rate (CAGR) of non-loanee participation surpasses loanees, reflecting greater awareness, accessibility, and confidence in the scheme. This trend underscores a broadening risk coverage base and a positive structural shift in India's agricultural insurance landscape.

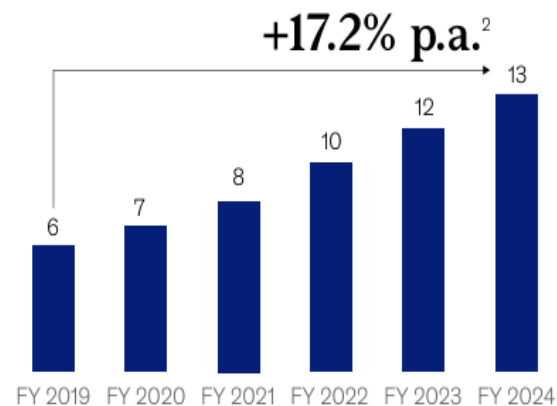
Data Source – IBEF Report



Capital infusion driving Growth and Efficiency

Top 5 private life players¹

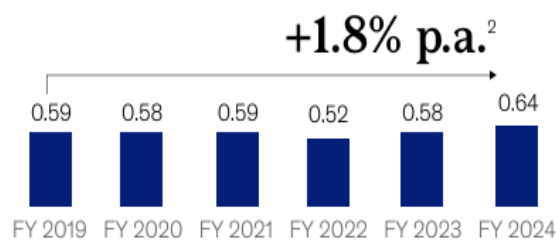
New business premium, \$ billion



¹Top 5 based on new business premiums in FY 2023.
²Per annum.

McKinsey & Company

Profit after tax, \$ billion



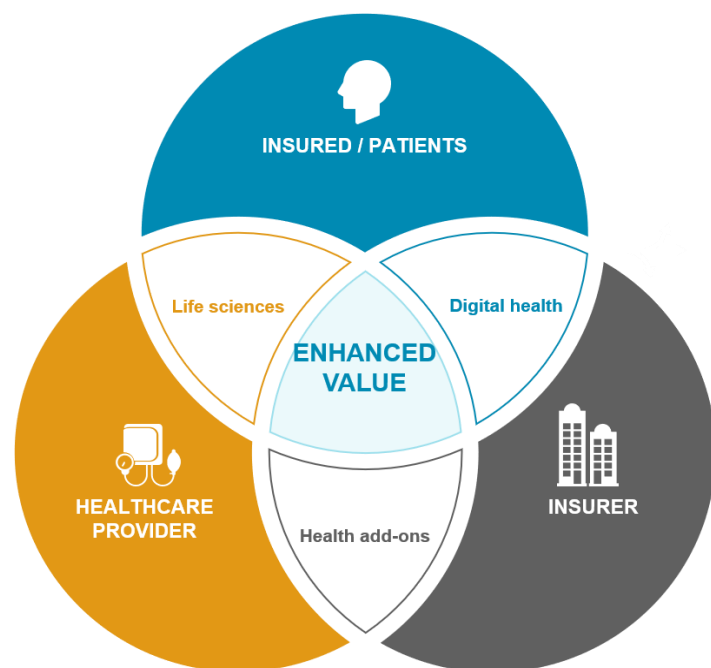
Substantial investments in innovation and growth have transformed the insurance industry. Fueled by domestic and foreign private capital, insurers have prioritized enhancing customer experiences through digital channels, optimizing sales strategies, and improving business performance metrics such as policy persistence. Recent regulations, including an increase in the allowable share of foreign direct investment (FDI) to 100 percent in 2025 and the green light for private equity firms to invest in insurers directly, have spurred a trend of rising foreign and private investment in the sector. The growth trajectory of the top five private life insurance players, emphasizing new business premiums and profit after tax.

Over the period from FY 2019 to FY 2024, new business premiums have demonstrated a robust compound annual growth rate (CAGR) of 17.2%, rising from \$6 billion in FY 2019 to \$13 billion in FY 2024. This reflects strong market expansion, increased penetration, and higher policy sales, likely driven by rising consumer demand and strategic distribution enhancements. However, profit after tax has grown at a significantly slower pace, registering a CAGR of just 1.8%, moving marginally from \$0.59 billion in FY 2019 to \$0.64 billion in FY 2024. The subdued profit growth, despite strong premium inflows, suggests increasing cost pressures, possible changes in product mix, or evolving regulatory and investment challenges. This divergence between top-line growth and bottom-line expansion underscores the need for insurers to enhance underwriting efficiency, optimize capital allocation, and manage expenses effectively to sustain long-term profitability.

Source - McKinsey & Company

Nationwide trends benefiting the Insurance Industry

Beyond internal industry tailwinds, several emerging realities in India also hold out a promise of growth for the insurance industry. Standardization of healthcare costs. Standardizing healthcare costs across the public and private sectors can help insurers predict and manage expenses, eliminate cost discrepancies, and potentially reduce the claims ratio. Digitization of healthcare. *The National Health Authority of India is digitizing health records through ABHA (Ayushman Bharat Health Account) IDs and expanding remote services such as e-consultations and e-pharmacies.* Access to digital medical histories could help insurers cut down on preliminary tests, in-person visits, improve underwriting accuracy, and prevent fraudulent claims. The digitization of health records reduces administrative overhead and cuts claims processing times. A pilot program by the National Health Authority found that digitized claims, when paired with ABHA, were processed 30% faster compared with traditional, paper-based claims.



For insurance companies, this means quicker settlements, reduced overhead, and an enhanced policyholder experience. Emergence of new industries that require specialized insurance products. *New industries such as semiconductor chips and biotechnology present substantial opportunities for the insurance sector in India.* These capital-intensive industries, with their high-value assets, will require specialized insurance products to cover risks related to manufacturing, supply chain disruptions, and intellectual property. *Growth of MSMEs. India is home to about 60 million MSMEs, which collectively employ 110 million people and contribute to 30 percent of GDP and 50 percent of exports.* As the segment continues to grow, insurers can focus on developing expertise to assess the unique risks associated with MSMEs and tailor specialized products for this segment. The glass-half-full outlook for India's insurance industry rests on its growth in recent years and the expectation of greater growth ahead. This perspective would not be complete without a glance at the challenges impeding the sector as well. *Source - McKinsey & Company*

Image Source – Celent Research

Competitive positioning

Porters Five Factor Analysis

1. Competitive Rivalry – High

The Indian insurance market is highly competitive, with 24 life insurers, 34 non-life insurers, and several standalone health insurers.

LIC dominates the life insurance segment (64.02% first-year premium share in June 2024), but private players like HDFC Life, ICICI Prudential, and SBI Life are gaining ground.

Price-based competition is increasing, particularly in motor, health, and term insurance segments.

Digital transformation and InsurTech startups are intensifying competition with technology-driven products and superior customer experiences.

Customer loyalty is low, as insurance buyers frequently switch providers based on price and service quality.

Overall: High competition due to numerous players, digital disruption, and aggressive pricing.

Overall: High competition due to numerous players, digital

providers based on price and service quality.

Customer loyalty is low, as insurance buyers frequently switch

2. Threat of New Entrants – Moderate

The FDI limit was increased to 74%, attracting global insurers and InsurTech firms.

Regulatory compliance (IRDAI norms, capital requirements, solvency margins) acts as a barrier for new entrants.

Brand recognition and trust take years to establish, favoring existing players like LIC and large private insurers.

Technology and digital platforms are lowering entry barriers for InsurTech startups, allowing them to target niche markets like microinsurance and digital-only policies.

Overall: Moderate threat, as new entrants face regulatory and capital barriers, but digital innovation lowers traditional barriers.

Overall:

capital barriers, but digital innovation lowers traditional

Overall: Moderate threat, as new entrants face regulatory and niche microinsurance and digital-only policies.

3. Bargaining Power of Buyers – High

Consumers now have greater access to online policy comparisons, increasing transparency in pricing and benefits.

Switching costs are low, especially in non-life insurance, allowing customers to easily shift to cheaper or better-value policies.

The rise of bancassurance and online aggregators (PolicyBazaar, Coverfox) empowers customers with choice and pricing insights.

Customer expectations are evolving, demanding faster claim settlements, digital policy servicing, and personalized insurance plans.

4. Bargaining Power of Suppliers – Low to Moderate

Reinsurers (Swiss Re, Munich Re, GIC Re) are critical suppliers for insurers, but their pricing and coverage terms can impact insurance firms' profitability.

Distribution channels (agents, brokers, bancassurance partners) hold some power, but the shift towards direct digital sales is reducing dependency on intermediaries.

Technology providers (AI-based underwriting firms, claims processing companies) are becoming essential partners, but insurers can switch between multiple tech providers.

5. Threat of Substitutes – Low to Moderate

Government social security schemes (PMJJBY, PMSBY, Ayushman Bharat) provide low-cost insurance options, potentially substituting private insurance for low-income groups. Mutual funds, fixed deposits, and other financial products can compete with insurance products as investment options.

Employer-provided insurance in urban areas reduces the need for individuals to purchase personal health or life insurance policies. However, rising financial awareness and digital accessibility are reducing dependence on substitutes, ensuring continued demand for insurance.

SWOT Analysis of Insurance Industry

Strengths

Fastest-growing market in G20: India is projected to be the fastest-growing insurance market among G20 nations over the next five years.
Strong life insurance dominance: Life insurance accounts for 74% of total premiums in India.

High growth in life insurance premiums: The life insurance premium grew by 9.63% in 2019, far exceeding the global average of 1.18%.

Significant market expansion: The Indian insurance sector has maintained a CAGR of 17% over the past two decades, with the market projected to reach Rs 19,30,290 crore by 2026.

Regulatory support: The Insurance Regulatory and Development Authority of India (IRDAI) has introduced reforms to improve insurance penetration and ease of doing business.

Weaknesses

Low penetration levels: Despite growth, India's insurance penetration remains low compared to global averages.

Heavy reliance on LIC: LIC continues to dominate the life insurance segment (holding 64.02% of first-year premium share), limiting competition.

Weak distribution network: While digital adoption is growing, physical distribution remains inefficient in many areas, affecting new policy sales.

High fraud incidence: The Indian insurance sector lost Rs 30,401 crore (8.5% of revenues) due to fraud, impacting profitability.

Opportunities

Expanding market size: India's insurance sector is expected to quadruple in size over the next decade.

Young and insurable population: A large, young, and growing middle-class population is driving demand for insurance products.

Rise of digital distribution & Insurtech: Increasing internet penetration (430 million+ internet users) supports online policy sales, Insurtech, and AI-driven insurance solutions.

Increasing insurance awareness: Growing financial literacy and initiatives such as "Insurance for All by 2047" aim to expand coverage.

Higher healthcare spending: *The average expenditure per hospitalization increased by 176%, driving demand for health and life insurance policies.*

Threats

Rising customer expectations: Customers now demand personalized, digital-first experiences, like other industries like banking and fintech.

Pricing and competition pressures: Increased price transparency and competitive offerings from new entrants could lead to lower margins.

Growing competition from global players: Foreign insurers and Insurtech startups are entering the Indian market with innovative products, intensifying competition.

Economic slowdowns & inflation: Macroeconomic conditions, including inflation and interest rate fluctuations, could impact consumer spending on insurance.

Comparable Analysis

As of 20, March 2025

S. No.	Name	CMP Rs.	Mar Cap Rs.Cr.	OPM %	Quick Ratio	EV / EBITDA	CMP / Sales	CMP / FCF	P/E	Asset Turnover	CMP / BV	ROE %
1	Life Insurance	779.5	492843.23	3.16	3.4	10.33	0.56	19.59	11.45	0.17	5.05	63.45
2	SBI Life Insurance	1498.35	150051.15	0.77	1.4	55.2	1.15	5.68	62.25	0.37	9.05	11.96
3	HDFC Life Insurance	674.35	145191.28	0.72	0.9	118.25	1.44	18.72	83.1	0.37	9.18	11.38
4	ICICI Lombard	1724.75	85337.4	14.43	0.28	25.38	3.66	50.04	33.89	0.35	6.13	16.96
5	ICICI Pru Life	578.2	83603.46	0.41	0.95	68.66	1.08	-42.36	85.84	0.33	7.18	8.07
6	General Insurance	409.5	71877.04	18.74	0.48	5.15	1.54	6.79	9.57	0.26	1.21	13.31
7	Go Digit General	299.7	27692.19	-1.18	0.13	77.07	3.07	13.04	76.5	0.48	5.95	7.08
8	New India Assurance	153.38	25272.07	2.16	0.37	12.75	0.58	-5.12	25.57	0.42	0.83	1.19
9	Star Health Insurance	358.9	21097.1	6.64	0.15	20.23	1.34	26.26	26.78	0.85	3.01	14.29
10	Niva Bupa Health	74.96	13684.03	-5.18	0.23	124.24	3.26	25	167.18	0.83	6.64	5.69
11	Medi Assist Ser.	446.45	3140.07	21.44	1.34	17.29	4.48	57.69	33.15	0.82	6.45	18.87
	Median			2.16	0.48	25.38	1.44	18.72	33.89	0.37	6.13	11.96

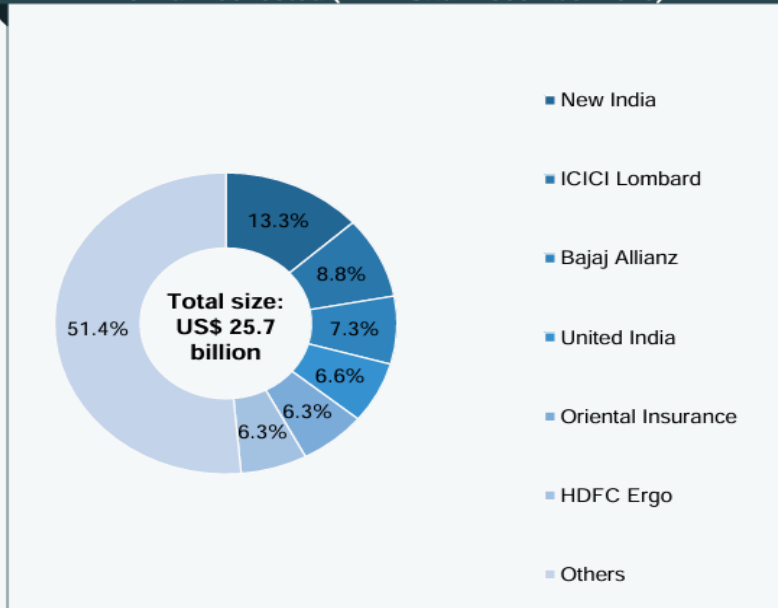
Source – Screener

Performance Metrics Analysis

Life Insurance Corporation (LIC), the largest player with a market cap of ₹4.92 lakh crore, reflects a traditional business model with an OPM of 3.16%, relatively high quick ratio of 3.4, and a P/B of 5.05x, suggesting strong embedded value. LIC's CMP/FCF of 19.59x and P/E of 11.45x highlight its consistent cash flow generation, though its asset turnover of 0.17x indicates lower operational efficiency.

SBI Life Insurance follows with a market cap of ₹1.5 lakh crore, showcasing better capital efficiency with an ROE of 11.96% and a relatively balanced P/B of 9.05x. However, a low OPM of 0.77% and CMP/FCF of 5.68x suggest that operating profitability remains subdued despite strong revenue growth. HDFC Life, with a similar profile, trades at P/B of 9.18x and EV/EBITDA of 118.25x, significantly higher than peers, implying premium valuation expectations, but a low ROE of 11.38% questions its ability to generate superior shareholder returns.

Market Share of Major Companies in Terms of Gross Direct Premium collected (FY24 Until December 2023)

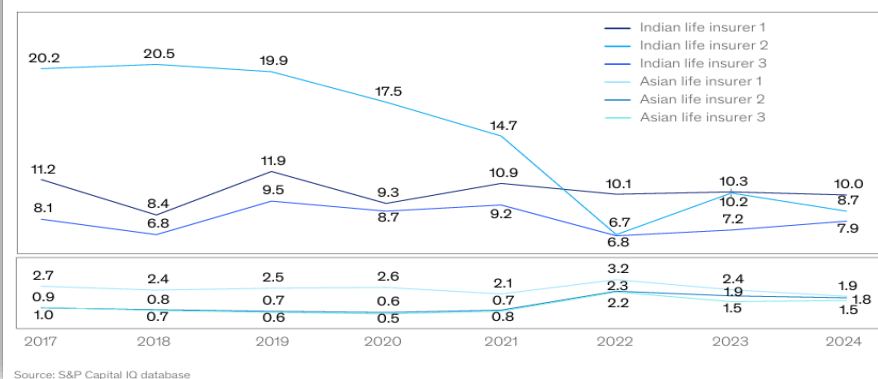


ICICI Lombard, a major general insurer, outperforms in profitability with a strong OPM of 14.43%, a reasonable P/B of 6.13x, and a CMP/FCF of 50.04x, indicating higher free cash flow efficiency than most life insurers. However, its EV/EBITDA of 25.38x suggests a valuation premium due to its underwriting discipline. ICICI Prudential Life, on the other hand, struggles with an OPM of just 0.41%, CMP/FCF of -42.36x, and a high P/E of 85.84x, reflecting weak cash flows and high valuation risks.

Among general insurers, General Insurance Corporation (GIC Re) leads with an OPM of 18.74%, a low P/B of 1.21x, and a P/E of 9.57x, indicating a strong underwriting model and cost efficiency. New India Assurance, however, shows weaker fundamentals with a low ROE of 1.19%, P/B of 0.83x, and EV/EBITDA of 12.75x, reflecting concerns over underwriting profitability and capital deployment.

The health insurance segment remains highly volatile, with Star Health maintaining an ROE of 14.29%, an EV/EBITDA of 20.23x, and a CMP/FCF of 26.26x, making it relatively well-positioned for growth. However, Niva Bupa Health and Go Digit General show negative operating margins (-5.18% and -1.18%, respectively), weak liquidity (quick ratios of 0.23 and 0.13), and excessive valuations (EV/EBITDA of 124.24x and 77.07x), reflecting their aggressive growth phase with limited profitability. Medi Assist, a niche health insurer, leads in efficiency with OPM of 21.44%, ROE of 18.87%, and P/E of 33.15x, suggesting strong operational execution.

Price-to-book ratio comparison between global players shows that Indian life insurers are consistently valued higher.



The Price-to-book (P/B) ratio comparison between Indian and Asian life insurers from 2017 to 2024. Indian life insurers have consistently commanded higher valuations than their Asian counterparts, reflecting stronger market confidence and growth potential. While P/B ratios for Indian insurers have declined since 2017, they remain significantly above global peers. Asian life insurers exhibit relatively stable and lower P/B ratios, indicating subdued investor sentiment. The divergence suggests differences in market dynamics, profitability, and investor perception of growth prospects.

Image Source - McKinsey & Company

The Herfindahl-Hirschman Index (HHI) is calculated by squaring each firm's market share and adding the results together. The scale represents 0-1500 Low Concentration, 1500-2500 Moderate Concentration & 2500-10,000 High Concentration

HHI Analysis				
S.No.	Name	Mar Cap Rs.Cr.	% of Share	Squared
1	Life Insurance	492843.2	44.0%	1937.069401
2	SBI Life Insurance	150051.2	13.4%	179.558615
3	HDFC Life Insurance	145191.3	13.0%	168.1158491
4	ICICI Lombard	85337.4	7.6%	58.07729819
5	ICICI Pru Life	83603.46	7.5%	55.74117169
6	General Insurance	71877.04	6.4%	41.2010191
7	Go Digit General	27692.19	2.5%	6.115643991
8	New India Assurance	25272.07	2.3%	5.093416867
9	Star Health Insurance	21097.1	1.9%	3.54954849
10	Niva Bupa Health	13684.03	1.2%	1.493329436
11	Medi Assist Ser.	3140.07	0.3%	0.078633254
Total		1119789		2456.093927

The Herfindahl-Hirschman Index (HHI) analysis of the Indian insurance sector indicates a moderately concentrated market with an HHI score of 2456.09. The sector is dominated by Life Insurance Corporation (LIC) with a 44% market share, followed by SBI Life (13.4%) and HDFC Life (13%). The top three players collectively control over 70% of the market, suggesting limited competition. General insurance companies and smaller players have fragmented market shares, with no significant competitive threat to the top incumbents. This concentration level may raise regulatory concerns on market dominance while also reflecting industry stability.

Key Risk

I Concentration risk:

When an insurer is heavily dependent on one reinsurance partner, a concentration risk arises wherein if the reinsurer business is adversely affected, it might influence the whole insurance portfolio negatively.

IV Complexity in settling claims:

Reinsurance firms have several tiers of claims settlement processes which are not always streamlined and often complex. This can cause significant delays or conflicts during reinsurance settlements and may affect the liquidity and capacity of an insurer to fulfil policyholder obligations.

VII Data accuracy and quality:

Inaccurate or erroneous data can lead to miscalculated risk evaluations, triggering heavy-set financial losses. Reinsurance companies must maintain a certain standard for data quality to ensure the accuracy of their decision-making risk assessments.

II Counterparty risk:

It is important for reinsurance partners to protect and maintain their financial stability. Filing for bankruptcy or insolvency of a reinsurer may acutely disrupt an insurer's capacity to adequately cover claims.

V Third-party risks:

Reinsurance firms are exposed to third-party risks by collaborating with numerous brokers, insurers and other third parties. Insufficiencies in due diligence and ineffective monitoring or supervision might lead to potential data breaches, contractual breaches and illegal data usage.

VIII Algorithmic and model risks:

Several reinsurance firms heavily rely on algorithms and models for generating their risk assessments and pricing strategies. These models must produce sophisticated and up-to-date data valuations to manage forecasted risks. However, most reinsurers do not adopt advanced models and the resulting algorithms become prone to historical data biases and errors, leading to incorrect underwriting decisions, which could cause substantial financial losses to reinsurers and insurers.

III Data privacy and compliance:

InsurTechs collect, store and utilise customer data through various distribution channels such as insurance houses, third-parties, independent brokers and reinsurers. This raises concerns surrounding data privacy and compliance with the evolving data protection regulations. Misuse of customer data without consent can easily occur to drive insurTech business objectives, leading to mis-selling and loss of sensitive customer data.

VI Algorithmic bias and fairness:

InsurTechs heavily depend on utilising algorithms for risk assessment and pricing, which may unintentionally generate biases, influencing incorrect policy recommendations that are unfair or discriminating. InsurTechs heavily depend on utilising algorithms for risk assessment and pricing, which may unintentionally generate biases, influencing incorrect policy recommendations that are unfair or discriminating.

IX Underwriting inaccuracy & Operational disruptions:

Using AI/ML and analytics in underwriting introduces the possibility of erroneous and biased risk assessment or pricing, therefore exposing financial losses for consumers as well as insurers. Data-related issues stemming from operating system failures and/or data breaches can cause detrimental operational interruptions for reinsurers, resulting in financial losses and reputational harm.

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