

Press Release  
June 08, 2021

## General Insurance industry likely to grow cautiously in FY2022; underwriting losses set to rise: ICRA

- » *Business growth resumes in H2FY2021. Total GDPI grows 4% (Y-o-Y) in FY2021 to Rs. 1.85 trillion.*
- » *Health and Fire segments show a resilient growth. In FY2021, the health & PA (Personal accident) business saw a growth of 12%, (12% in FY2020).*
- » *Moderate growth expectations for FY2022. ICRA expects a 7%-9% growth in GDPI in FY2022, supported by growth in health segment and uptick in motor segment.*

The General Insurance (GI) industry had seen a slowdown in the growth of 14% in FY2019 after two year of steady growth, in FY2017 and FY2018. In CY2020, India had witnessed the onset of a Covid-19 pandemic, which resulted in a nationwide lockdown for 2 months, and additional local lockdowns thereafter. This has led to a slowdown in the growth to 4%, at Rs. 1.85 trillion in FY2021. While PSU entities were slower to adjust to an online mode of growth, the reliance on physical meetings were higher which resulted in a 2% Y-o-Y decline in business (Rs. 718 billion in FY2021), the private sector reported 8% Y-o-Y increase in gross direct premium income (GDPI) to Rs. 1.13 trillion in the same period.

In FY2021, the health & PA (Personal accident) business saw a growth of 12%, (12% in FY2020). PSU entities had a muted growth in FY2020 (-2%), but saw a pick-up in growth in FY2021 (+2%). Private sector entities saw a growth of 16% in FY2021, and 19% in FY2020. The motor insurance segment has traditionally been the biggest segment for the GI industry, but its share has gradually declined from 46% in FY2016, to 37% in FY2021. For FY2021, the total motor business had a growth of 2% to Rs. 678 billion, due to the lockdowns in CY2020, and lower new vehicle sales. The fire insurance products accounted for 11% of the overall GDPI during FY2021 (8.9% in FY2020). The total premium had grown 27% (in FY2021 compared to a growth of 35% in FY2020). The growth in FY2020 was strong for both PSU and Private sector players, but private sector players increased market share in FY2021.

**Says Mr. Sahil Udani, Assistant Vice President & Sector head – Financial Sector Ratings, ICRA,** “We expect a 7%-9% growth in GDPI in FY2022, supported by growth in health segment and uptick in motor segment. Despite underwriting losses, the sector is expected to report marginal return on equity (3%-4.5%) largely supported by investment income which is highly regulated by the IRDAI. PSU insurers are expected to report marginal GDPI growth of 4-5% in FY2022 as most of the public insurers remains stretched on their solvency profile given reported losses. PSU insurers are expected to report high underwriting losses of Rs. 124 billion to Rs. 135 billion because of likely high combined ratio of 121% - 123% in FY2022 driven by the likely high claims ratio (on health and motor portfolio) on uncertainty related to second wave of pandemic and motor TP tail risk.”

ICRA's paper, on the general insurance sector in India, analyses the performance of 17 general insurance companies collectively representing 90% of the industry-wide gross direct premium written (GDPI) during 9M FY2021. Of these companies analyzed, four are from the public sector and 13 from the private sector.

The PSU entities had high underwriting losses in FY2019, and FY2020, which resulted in a constrained business growth subsequently. In CY2020 under the pandemic-induced lockdown, the PSU entities were slower to adjust to an online mode of growth, the reliance on physical meetings were higher which resulted in a much sharper decline in business (-2% Y-o-Y to Rs. 718 billion in FY2021). For the FY2021, the PSU players had a

moderate growth in the health segment, and fire segments, however, the Motor segment witnessed a decline in business.

The private sector players had a higher growth trajectory in FY2019 and FY2020; and have gained market share from the PSU players. The private sector reported a 8% Y-o-Y increase in GDPI at Rs. 1.1 trillion in FY2021. Private sector players were able to adapt to the changing business dynamics in CY2020 at a faster pace compared to the PSU players. Private sector with a relative better risk framework was able to increase the market share in fire segment, and health segment. In addition, the private sector also has a higher share in crop insurance underwritten in FY2021.

Adds Mr. **Udani**, “The General Insurance (GI) industry saw a bounce back in business growth in H2FY2021, after a sharp decline in H1 due to the pandemic induced lockdowns. New vehicle sales, and medical insurance were the key products to pick up in H2FY2021 aiding the growth. The select private insurers <sup>1</sup>are expected to witness high single digit business growth in FY2022 supported by high under penetration across segments in the general insurance industry and particularly likely demand for health segment post pandemic. ICRA expects consolidation amongst the smaller players in the industry, and the regulatory approval for foreign JV partner (to increase stake till 74%) is expected to provide capital and operational control amongst the smaller entities with a foreign JV.”

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<sup>1</sup> The 13 entities which were analyzed as part of the research paper.

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