Brief Proceedings
for Special Interactive Session on 'Way Forward for Insurance Industry in India' with Smt. Tajinder Mukherjee, Chairman-cum-Managing Director, National Insurance Co. Ltd. on 29 January 2019 at Chamber

Shri Vishal Jhajharia, President, MCCI in his welcome address said that the Indian insurance industry is expected to grow to USD 280 billion by 2019-20, aided by the Centre's 'Ayushman Bharat' health insurance scheme, and other growth drivers like rising disposable incomes, presence of global players and easing of the regulatory regime. Overall insurance penetration in India reached 3.69 per cent in 2017 from 2.71 per cent in 2001. Going forward, technology will play a key role in shaping the future of the Insurance Industry.

Enrollment under the Pradhan Mantri Suraksha Bima Yojana (PMSBY) reached 130.41 million in 2017-18. National Health Protection Scheme was announced under Budget 2018-19 as a part of 'Ayushman Bharat'. The scheme will provide insurance cover of up to Rs. 500,000 to more than 100 million vulnerable families in India.

Non-life insurance sector will have a major role to play in the possible future growth of the Insurance Industry in the country. Strong growth in the automobile industry over the next decade would be a key driver for the motor insurance market. Only 18 per cent of people in urban areas and 14.1 per cent in rural areas are covered under any kind of health insurance scheme. This speaks volumes about the opportunities in the health insurance sector, which the 'Ayushman Bharat' scheme is trying to capture. Crop insurance is another area which can take the industry forward.

Smt. Tajinder Mukherjee, CMD, National Insurance Co. said that insurance does not get as much attention as banking and so such Interactive Sessions are welcome.

The insurance sector reduces the amount of capital needed with its risk pooling mechanism. Non life insurance is a silent crusader encouraging private sector investment.

Despite the huge growth of the Indian insurance industry, which is expected to reach Rs. 1,80,000 crores by the end of this financial year, the insurance sector in India is still at only 2 p.c. of the world figure. This has to be seen in the context that India has 17 p.c. of the world population. So, insurance has huge potential in India.

In India, life insurance accounts for 75 p.c. of total insurance and non-life for the rest. The worldwide figure for life : non-life is 55 : 45.

Insurance penetration is the percent of premium in a year to GDP. The overall penetration is 3.69 p.c. in India comprising of 2.76 p.c. for life and 0.93 p.c. for non life insurance. Overall, penetration is 4.04 p.c. in Brazil while it is 7.31 p.c. in USA. Penetration stands at 6.28 p.c. on a worldwide basis.

Insurance density is the amount of premium in relation to the population. India has insurance density of USD 80 for non life while the same is USD 150 for Brazil. Insurance density is USD 285 on a worldwide basis.

Real growth of premium on a worldwide basis was 1.5 p.c. in 2017 while it grew by as much as 10.1 p.c. in India. Insurance is a growing sector in India. On the other hand, insurance industry is saturated in the developed countries.

Insurance penetration is affected by growth of GDP and purchasing power of people. The projected growth rate for India's GDP is healthy for the current financial year. With regard to purchasing power, half the Indian population may be classified as middle class, having a disposable income of USD 2 to USD 10 per capita per day, which shows that there are huge untapped resources that are being ploughed into insurance products. The insurance industry in India is witnessing cross utilisation of channels such as its utilisation of the network of branches of banks.

There exists great scope for increasing **health insurance**. The GoI spends 1.4 p.c. of GDP on healthcare and there are reports that the Government may raise this to as much as 2.5 p.c. of GDP in the short term and 5 p.c. in the long term.

Health insurance sector is like a 'chicken & egg story', in which health insurance and quality healthcare treatment & other facilities are inter-linked. Health insurance started in India in about 1987. After that, corporate hospitals started coming up. In other words, the moment health insurance became available, investments in healthcare picked up. Currently, mid-income hospitals are coming up in the districts as the rural population is buying health insurance.

National Insurance is considering wellness products. Affordability is a concern as it comes only with higher volumes. National Insurance is offering wellness products to corporate clients who can pay more but not to retail customers. As life expectancy is increasing, there is a need for long term healthcare.

Health is a key growth driver. National Insurance is increasing its number of products. It is coming up with two new health products: Critical Illness Cover and Top-up Cover (on your base policy). The super Top-up will be cumulative.

Automobile insurance is the bread and butter of insurance companies. Globally, there are doubts about owning motor vehicles due to the advent of aggregators. India is optimistic about the growth of its auto industry.

Amendments to Motor Vehicle Act will change third party coverage. If the amendments are passed there will be high minimum liability for injury and death. Consequently, premiums will increase. The Third Party loss ratio of National Insurance is 100 p.c.

The engineering industry provides for room for growth of general insurance as does the aviation industry. India is the fastest growth market for e-commerce. Another growth area is cyber insurance where there is concern about leakage of confidential data. The POS model will help to increase penetration especially in remote areas for small ticket size items.

In the past 3 years or 4 years, there has been a trend of more and more people being covered by **basic insurance**. The process was enabled by the Pradhan Mantri Jan Dhan Yojana. The GoI has launched several flagship schemes, such as Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Fasal Bima Yojana (PMFBY) to ensure greater penetration. 33 crore people are covered by Suraksha Bima Yojana (accident). About 25 p.c. of crop area is covered by Fasal Bima Yojana and the Government would like to increase this to 50 p.c. Ayushman Bharat will provide for health coverage up to Rs. 5 lacs to eligible families. The key issue is that people who need insurance coverage are getting it.

Catastrophic coverage is an area of concern. Insurance is a pooling mechanism which uses past data for modelling. **Climate Change** provides the biggest challenge for the insurance & reinsurance market. Climate change defies what has happened before, so insurance companies are unable to price their product. As the floods in Kerala and fires in California show, climate change can affect everyone. When a catastrophe happens, assets are vulnerable for rich / poor alike.

RERA introduced liability for builders and they are responsible for defects in the title deed. The new requirements of the Act forced insurers to come up with new products for builders. However, there are no buyers for RERA related insurance products as yet.

The **merger** of National Insurance Co., United India Insurance Co. and Oriental Insurance Co. should be completed by the end of next fiscal year. The merger will create a large entity with greater capacity to take on risk.

Big Data will lead to more sophisticated business models. By harvesting Big Data with help from third parties, insurance companies can streamline their operations while reducing their cost.

Rajiv Mukerji
(Deputy Secretary)