



A perspective on Indian General Insurance Market

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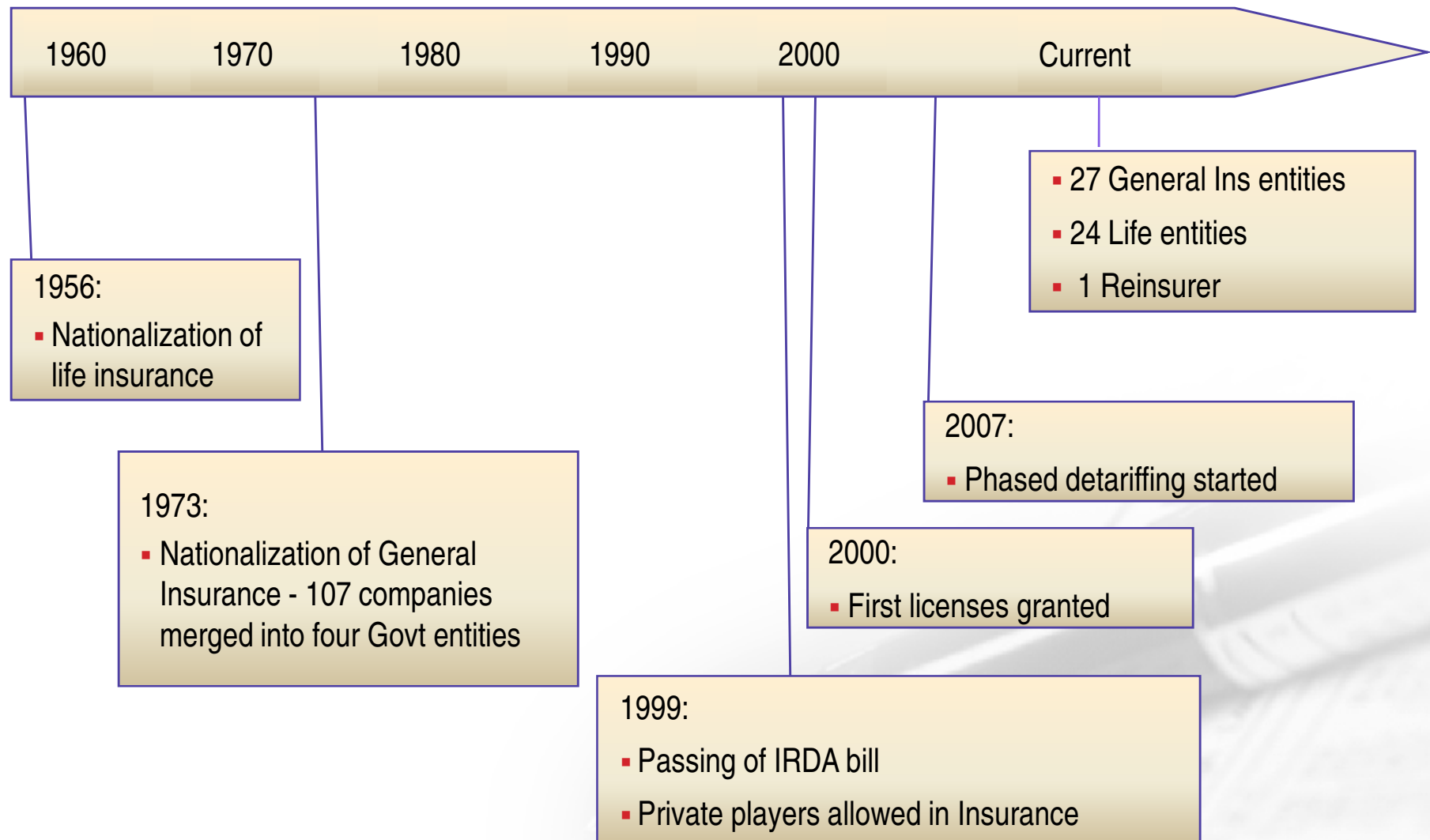
MD & CEO - HDFC ERGO General Insurance Co Ltd

Waves of Reforms...Oceans of Opportunities

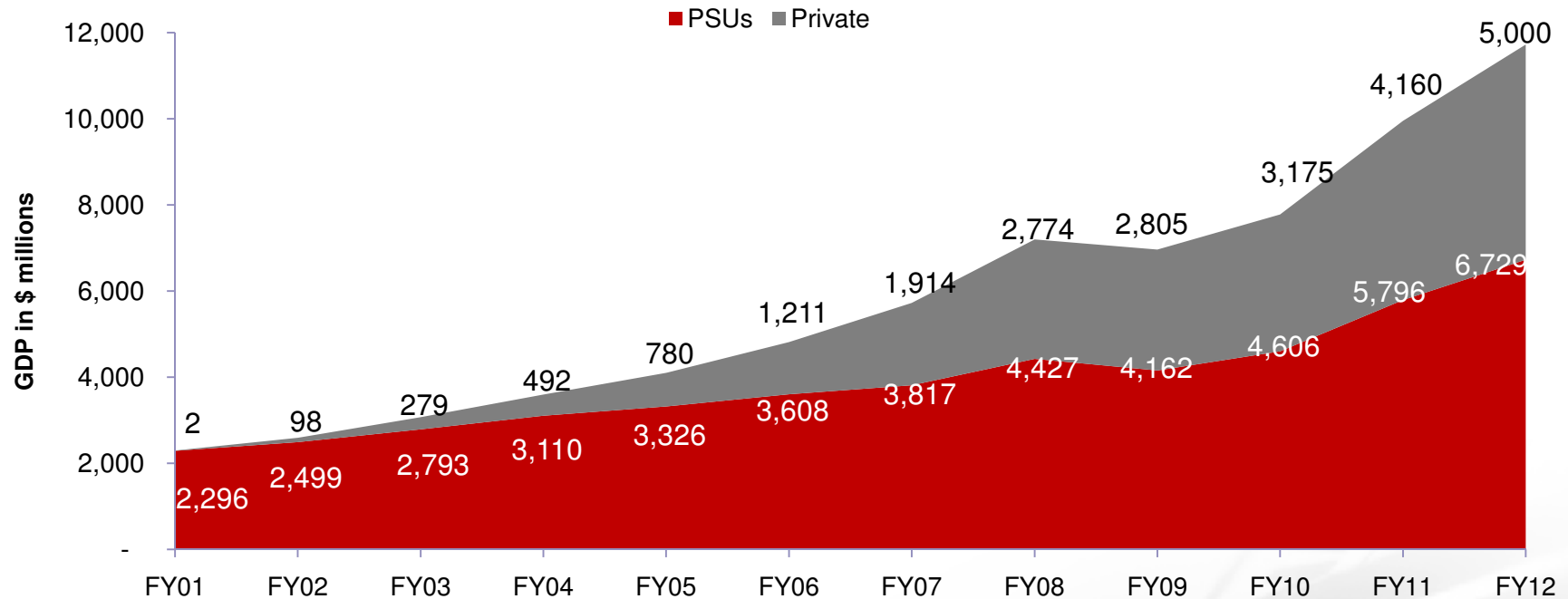
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General Insurance : Evolution



General Insurance : Market Size



Growth	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	YTD Dec FY13
Private			67%	55%	53%	61%	27%	12%	13%	25%	28%	22%
Public	14%	13%	6%	5%	7%	8%	3%	7%	14%	21%	22%	16%
Industry	18%	20%	11%	12%	16%	22%	12%	10%	15%	23%	24%	19%

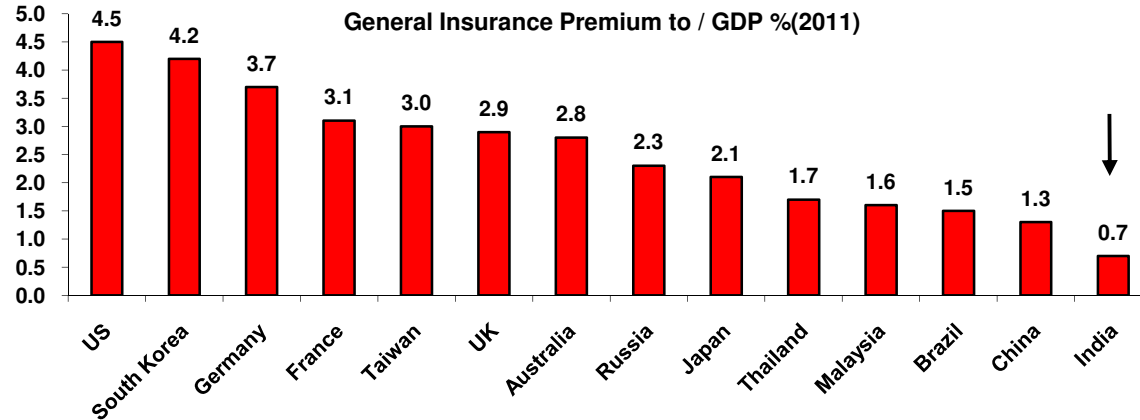
Source: IRDA Annual Report

Industry grew at CAGR of over 16% since sector was opened up

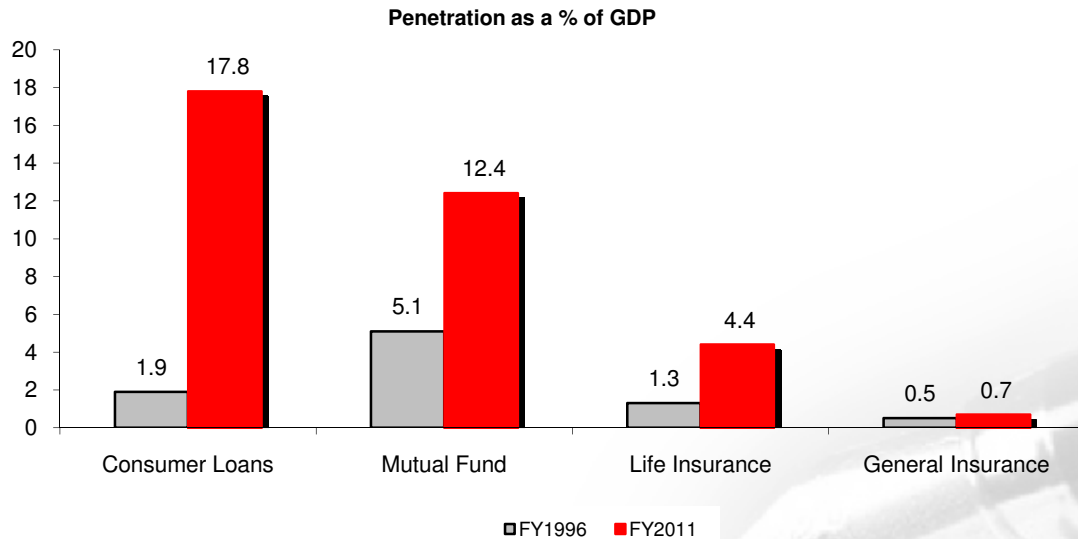
General Insurance : Snapshot

	2001	2012
No. of players	Gen insurance : PSUs-4, Pvt –Nil Specialized cos : 2 Reinsurer : 1 Brokers : Nil Agents : ~45,000	Gen insurance : PSUs-4, Pvt –17 Specialized cos : 2 Health Cos : 4 Reinsurer : 1 Brokers : 333 Agents : ~450,000
Market Size and Structure	Total Premium : \$ 2.3 billion Corp - Retail Mix : 60 : 40 Public-Private share : 100 : 0 No of policies : 37 million Ticket Size : \$62 No of Offices : 3,252 No of Employees : 80,900	Total Premium : \$ 11.7 Billion Corp - Retail Mix : 44 : 56 Public-Private share : 56: 44 No of Policies : 100 million Ticket Size : \$117 No of offices : 7,035 No of Employees : 95,726
Composition of portfolio	Motor 40% Fire/Engineering 26% Accident & Health 9% Marine/Aviation/Liabilities 10% Others 15%	Motor 41% Fire/Engineering 13% Accident & Health 25% Marine/Aviation/Liabilities 8% Others 12%
State of Tariff	Pricing and wording under tariff for Fire / Engg. /Motor	Free pricing except Motor third party liability Partial wording detariffed for Fire / Engg. / Motor

General Insurance : Underpenetration



Source: Swiss Re



Source: IRDA, RBI, AMFI

Insurance Density

(US\$ premium per capita)

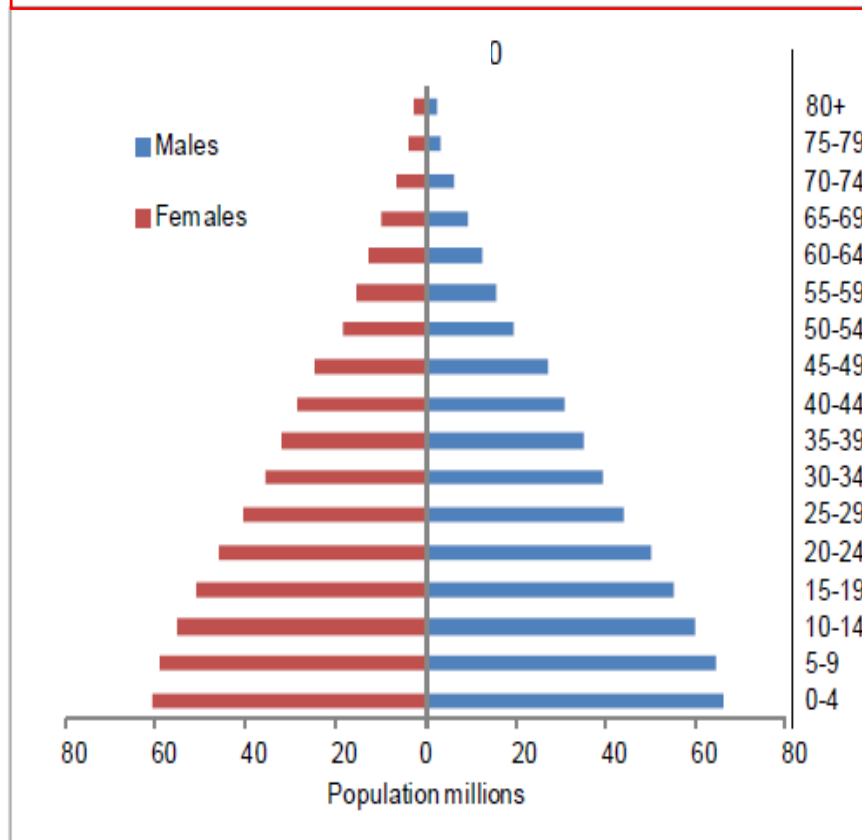
Country	General insurance
US	2,127
Germany	1,502
Australia	1,603
France	1,249
UK	1,060
Japan	917
South Korea	885
Taiwan	539
Russia	290
Brazil	158
Malaysia	138
Thailand	78
China	53
India	9

Source: Swiss Re, 2011

According to Lloyd's Global Underinsurance Report (Oct 12), the level of underinsurance was over \$ 19.7 bn

Growth drivers : Favourable demographics

30% of India's population is under below 15 years and another 30% is between 15 and 30 years



Source: UN, NCAER

Increasing urbanisation & literacy levels

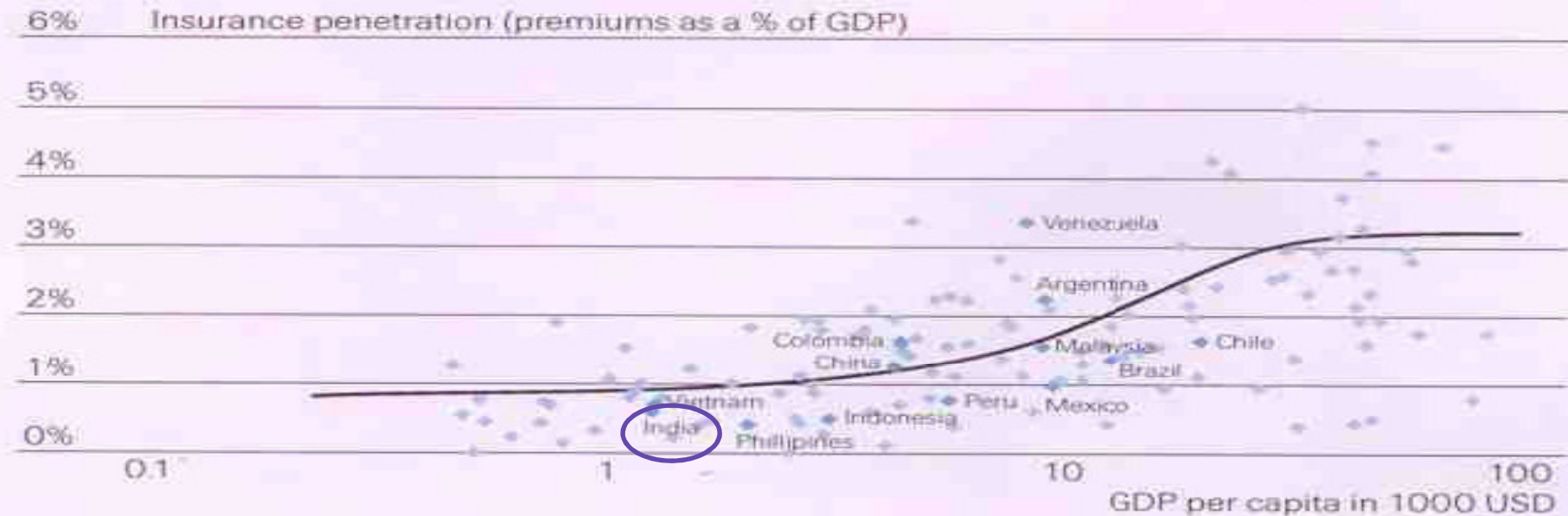
Population (in mn)	2001	%	2011	%
India	1,029	100%	1,210	100%
Rural	743	72%	833	69%
Urban	286	28%	377	31%

Literacy	2001	2011
India	64.8	74.0
Rural	58.7	68.9
Urban	79.9	85.0

Number	2001	2011
Rural Units	638,588	640,867
Urban Units	5,161	7,935

Source: Census 2011

Growth drivers : Increasing Per Capita Income



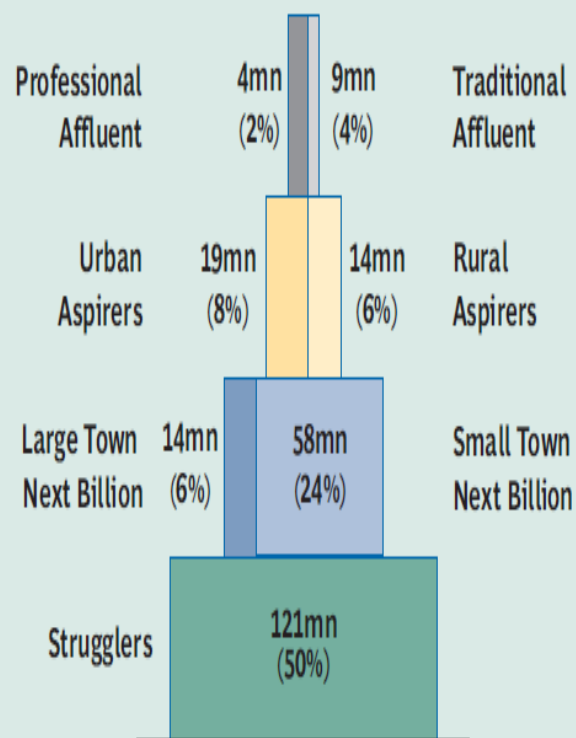
Source: Swiss Re Economic Research & Consulting

	GDP Contribution	Labour Force
Agriculture	17%	52%
Industry	26%	14%
Services	57%	34%
Size	\$1.95 trillion	~500 million
Per Capita at ~ \$1,500		

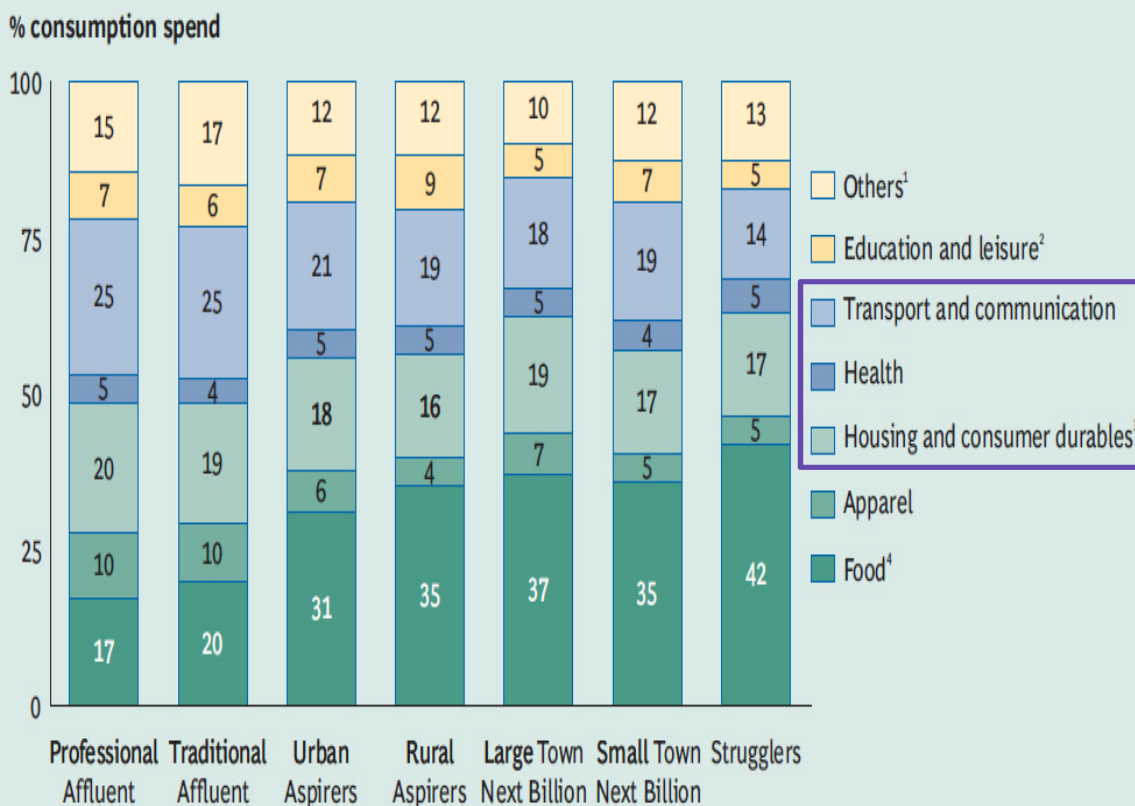
Growth drivers : Increasing spending class

Significant increase in spending power will improve insurance penetration

Segmentation by income, geography, education, occupation

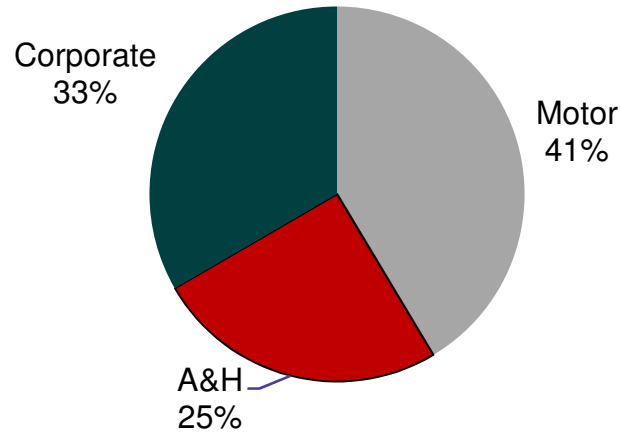


Composition of consumption expenditure across segments

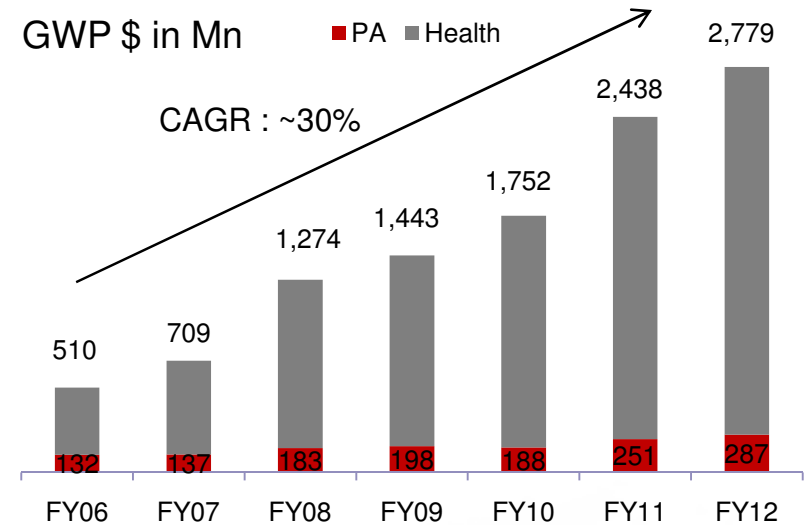


Source: BCG analysis

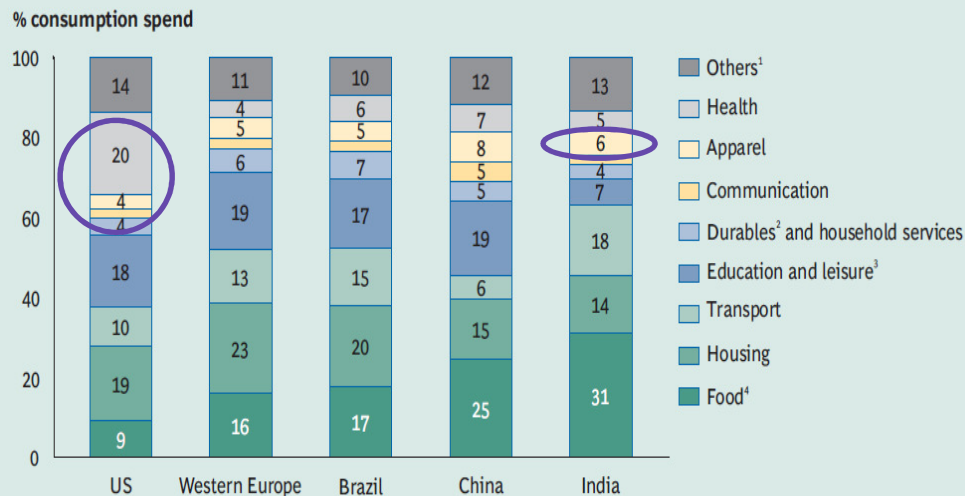
Significant growth expected in Health



Source: IRDA, GI Council



Composition of consumption expenditure in different markets



Source: Euromonitor, BCG Analysis

- Health spends at ~2.5% of GDP (~\$45bn)
- Insurance penetration at ~6-7% of health spends
- ~80% of population not covered by any form health insurance or social security scheme
- In the absence of social security, health insurance will play an increasing pivotal role

Automobile Domestic Sales Trends (In million)

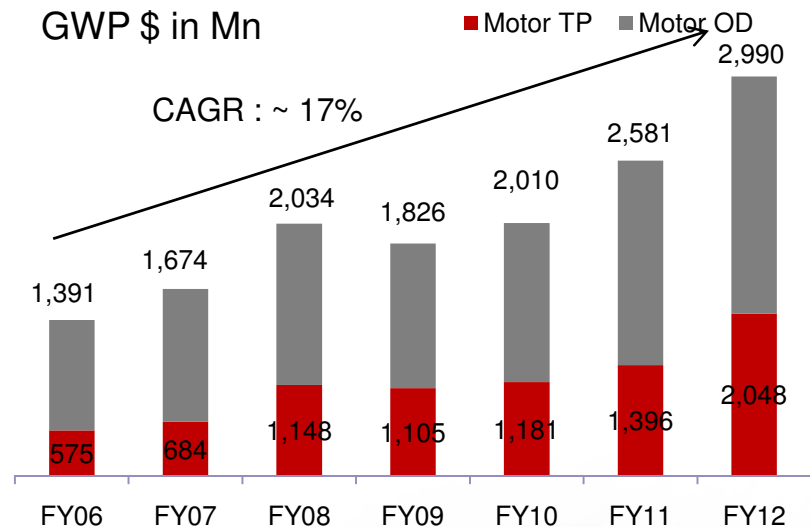
Category	FY09	FY10	FY11	FY12	FY13(E)
Passenger Vehicles	1.6	2.0	2.5	2.6	2.7
Commercial Vehicles	0.4	0.5	0.7	0.8	0.8
Three Wheelers	0.3	0.4	0.5	0.5	0.5
Two Wheelers	7.4	9.4	11.8	13.4	14.5
Grand Total	9.7	12.3	15.5	17.4	18.6

Source: SIAM

Motor Types	No of Policies issued (in mn)	Penetration Level	Ticket Size (in \$)
Private Cars	13	~60-65%	150
Two Wheelers	32	~30-35%	20
CV & Others	11	~80-90%	150
Total	56	~50%	75

Source: IIB

GWP \$ in Mn



Source: IRDA, GI Council

- India is 6th largest car market in world
- More than 110 million vehicles on road
- Significant number of uninsured vehicles on road (2W, tractors & cars)
 - To be addressed through multi year policies and better enforcement

Changing landscape

Area	Current Scenario	Evolving Scenario
Product Development	<ul style="list-style-type: none"> With policy wording still under tariff for most products, not much activity in product development area Largely continue to sell the standard products with very low deductibles 	<ul style="list-style-type: none"> Envisage larger actuarial role in product development Potential for major product development initiative at par with evolved markets. <ul style="list-style-type: none"> Simple, standard products to meet mass market needs and differentiated products for rising affluent classes
Pricing	<ul style="list-style-type: none"> Pricing of most products still benchmarked against the tariff Market level data gradually becoming available Motor : Pricing based on vehicle & geography only (very little value assigned to customer's profile) Health: Primarily based on age 	<ul style="list-style-type: none"> With development of IT and availability of data and sophisticated pricing tools, more operating parameters can be used to arrive at Risk rate Reserving to be managed on a more granular in a dynamic and automated mode
Risk Based Capital	<ul style="list-style-type: none"> Presently under Solvency I regime 	<ul style="list-style-type: none"> Move to Solvency II will bring in better risk management practices in underwriting, investment and operational management



Evolving actuarial role

- Traditionally, role of Actuaries was largely limited to Life business in India till 2000
- With non-life market driven by standard products and tariffs, there was little room for actuarial practices and therefore evinced limited interest of Actuaries
- With advent of pricing freedom and product complexities, role of actuaries is now increasing
- The complexity and wide gamut of products and pricing makes the actuarial practice very challenging and hence exciting in the non-life space

**HDFC
ERGO**

GENERAL INSURANCE

THANK YOU



AM Best study: Failed companies in US

Primary Causes	No of Companies	% of total
Insufficient Reserves	145	34%
Rapid Growth (under pricing)	86	20%
Alleged Fraud	44	10%
Overstated Assets	39	9%
Catastrophe Losses	36	8%
Significant Change in Business	28	7%
Impaired Affiliate	26	6%
Reinsurance Failure	22	5%
Total	426	100%

