Insurance Sector & its Role in Financial Inclusion

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Outline

• Insurance Sector in General

• Contribution to Indian Economy

• Classes of Insurance Business

• Lines of Insurance Business

• Role and impact

• Need and Potential in Financial Inclusion
Insurance Sector - dimensions

- Size & Significance
- Measurement parameters – Penetration and Density
- Value Addition
- Employment potential – direct & indirect
- Risk Management
- Credit facilitation & Boost to Enterprise
Insurance in India

- Insurance act, 1938 and Rules 1939
- LIC Act 1956, GIB(Nationalisation) Act, 1972 and IRDA Act, 1999
- 54 Insurers – 24 Life and 30 Non Life
- About 25000 Insurance Offices
- 3.5 Lakh direct employment and 20 Lakh+ agents/intermediaries
Insurance in India - Contd

• 5.45 Lakh Crore Premium – 4.18 Lakh Crore : Life, 1.27 Lakh Crore Non Life

• Insurance Penetration at 4 %

• 40000 Crore Share Capital : ratio of 2:1 between Life & Non Life

• 1/3rd through FDI

• 30 lakh Crore of Assets – 95% in Life

• 10000 Crores of PAT
Investments of Insurance Sector

- Government Securities (~50%)
- Infrastructure (~12%)
- Housing (~5%)
- Equity Market (~16%)
- Bonds (~15%)
- Highly rated instruments – generally AAA and above
Life Insurance

- Term Insurance
- Endowment Policies
- Pensions & Annuity
- ULIPs
- Tenor & its significance
- Sum Assured as % of GDP
- Cost of Insurance
- Policies in force and Lives covered
Life Insurance in India

- 4.18 Lakh Crore Premium
- 28.5 Lakh Crore Assets
- ~ 35 Crore Policies
- LIC has about 70 % share
- Sum Assured - 50 % of GDP
- PMJJBY and its impact
- Quality of insurance and international Comparison
General Insurance

- Fire, Marine and Other
- Motor, Health, Aviation, Personal Accident, Agriculture(Crop) etc
- Motor – Own damage and Third Party
- Earthquake, Disaster management, Nuclear pool
- Total Sum Insured
- Cost of Insurance
- International Scenario
General Insurance in India

- 1.27 lakh Crore Premium
- 2.2 Lakh Crore Assets
- ~ 12 Crore Policies
- PSUs have 50 % share
- PMSBY and its impact
- PMFBY and its impact
- Potential & International Comparison
PPP in Insurance

- Public & Private Insurers
- Intermediaries and Agents
- General and Life Insurance Councils
- 49 % FDI
- Participation in Regulation
- Rural & Social Obligations
- Mandatory Provisions in Law
Financial inclusion through Insurance

Character
• Share in GDP and Share in Savings
• Level of Coverage
• Rural Urban Divide
• Inadequate coverage of Social issues

Issues
• Onboarding of insurance
• Cost of Insurance services
• Capital requirements
• Financial Literacy
• Regulatory interventions
Health Insurance

- Expenditure on Health
- Health Insurance – Rs 25000 Crores
- Institutional Coverage less than 30 %
- Insurance to fill most of the gap?
- Management of Health through Pvt interventions
- RSBY .....
Motor Insurance

- Compulsory to have Motor Third Party Insurance
- Only 45% of the vehicles insured
- Life tax and its impact
- Solatium vis a vis Regular Insurance payouts
- Need to bridge gap
- Good Samaritan interventions and safe driving practices
Agriculture & Crop Insurance

- Rs 5000 Crores Premium till last year
- Less than 10 % of produce insured
- Linkage of Insurance with Crop loans
- International Comparisons
- Self-Sustainability of Crop Insurance?
- Impact of PMFBY
- Payout Mechanism and improvements needed
Financial Inclusion – way forward

- Scale up existing initiatives
- Leverage existing infrastructure – meesevas (CSCs), PUCs, Hospitals & Health Centres
- Synergise activities
- Ensure Critical mass to enthuse service providers
- Infuse Technology for design and delivery
- Financial literacy – school & college curriculum
Questions ?
Thank you