

Insurance Sector & its Role in Financial Inclusion

5-7-2017 at APHRD (through Skype)

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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