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# INDIAN LIFE INSURANCE SECTOR

## Increase in sum assured, in bid to protect margins, drives up capital consumption

FEBRUARY 2025

# Highlights

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*High growth in sum assured in FY2024 and 9M FY2025 led by private insurers seeking to improve the VNB margins with higher attachments and riders.*

*Given the capital intensity of protection, incremental capital requirements to remain high to support growth.*

- While historically, the growth in life insurance premiums has been driven by investment considerations, the industry has seen an uptick in the coverage of mortality risks. Growth in sum assured in the retail segment has been higher than the growth in retail new business premium (NBP) in FY2024 and 9M FY2025.
- Private insurers have a market share of 62% in terms of retail NBP and 28% in terms of group premium in FY2024 (63% and 28%, respectively, in 9MFY2025). However, in terms of sum assured the market share is higher at 77% and 83%, respectively, for the retail and the group segment in FY2024 (84% and 80%, respectively, in 9M FY2025). Private insurers, thus, have a much better presence in sum assured.
- Top five private insurers accounted for 43% of the retail NBP while they accounted for 62% in terms of the sum assured written during FY2024 (45% and 65%, respectively, in 9MFY2025). Mortality protection requires substantial capital and risk mitigation, which constrains many insurers to operate in product segments with high mortality cover, thus creating a further concentrated market for sum assured.
- Given the high capital requirements, the share in sum assured is expected to remain skewed towards the insurers with a long operating history and good backbook surplus^. Further, with the associated mortality risks, appropriate pricing, risk mitigation and adequate reinsurance is imperative.
- Availability of capital is critical to support the growth in sum assured by the insurers. Higher Foreign Direct Investments (FDI) limits in the sector (proposed to be increased to 100% from 74%) could boost the capital inflow.
- While the initial capital requirements are high for mortality protection, the segment is profitable in the long run provided the mortality risk is appropriately factored in. Given the pressures on the value of new business (VNB) margins due to the impact of change in product mix from non-participating (non-par) to unit-linked investments plans (ULIP), private insurers have been increasing their attachments and riders driving the growth in mortality insurance.

*^Backbook surplus is the profit generated from existing policies*

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# Thank You!