



# IMPACT OF COVID-19 ON INSURANCE SECTOR: TRENDS IN DENSITY AND PENETRATION

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## ABSTRACT

The globally accepted indicators of measuring the growth of the life insurance sector are the life insurance penetration and density. Life insurance penetration is the ratio of gross premiums to the GDP. Another common measure of the development of the life insurance sector is the density of life insurance is the ratio of life insurance premium to the total population of the country. Low level of penetration and density of insurance in India clearly imply that a large section of the population is still uninsured.

## Introduction

In the Modern society Human life is full of risks and uncertainties. So, in order to getting secure life everyone should be insured. Hence, the Life Insurance Industry in India is one of the major contributions to the service sector. It plays a pivotal role in the economic development of our nation. It not only safety against life risk for individuals but also acts as savings, financial intermediary, and promoter of investment activities and stabilizer of financial markets. The subject matter of insurance is the life span of human being “Life Insurance commands the greatest popularity and importance in the Insurance world because life is the most important property of society or an individual.

## WORLD INSURANCE SCENARIO

**2018-19:** According to the ‘World Insurance in 2018’ report published by reinsurance major, Swiss Re, global economic growth supported the insurance sector in 2018, with real gross domestic product (GDP) up 3.2%. Global direct premiums surpassed the USD 5 trillion mark for the first time ever in 2018, reaching USD 5193 billion (6.1% of global GDP).

Global life insurance premiums increased only marginally by 0.2% to USD 2820 billion in 2018. Life premiums in emerging markets fell by 2.0% in 2018 after increasing by 13% in 2017.

Elsewhere in emerging Asia, life premiums increased by 7.0% with robust growth in key markets. Global non-life premiums increased by 3% to USD 2373 billion in 2018 up from 2.8% in 2017.

Premiums in the emerging economies grew by 7.1% in 2018, an improvement over the previous year. Emerging Asia continued to expand rapidly, with premiums up more than 11%, and by 12% in China.

TOTAL REAL PREMIUM GROWTH RATE 2018 (In percent)			
Life Regions/Countries	Life	Non-Life	Total
Advanced markets	0.8	1.9	1.3
Emerging markets	-2.0	7.1	2.1
Asia-Pacific	-0.1	6.4	2.1
India	7.7	14.0	9.3
<b>World</b>	<b>0.2</b>	<b>3.0</b>	<b>1.5</b>

Source: Swiss Re, Sigma No. 3/2019.

REGION-WISE LIFE AND NON-LIFE INSURANCE PREMIUM 2018 (Premium in USD Billions)			
Region/Country	Life	Non-Life	Total
Advanced markets	2231.35 (54.61)	1854.79 (45.39)	4086.14 (100.00)
Emerging markets	588.82 (53.19)	518.27 (46.81)	1107.09 (100.00)
Asia-Pacific	1092.85 (64.95)	589.66 (35.05)	1682.51 (100.00)
India	73.74 (73.86)	26.10 (26.14)	99.84 (100.00)
<b>World</b>	<b>2820.18 (54.30)</b>	<b>2373.05 (45.70)</b>	<b>5193.23 (100.00)</b>

Source: Swiss Re, Sigma 3/2019  
Note: Figures in brackets indicate share of the segment in percent.

**2019-20:** Total insurance premium underwritten in 2019 reached USD 6.3 trillion or 7.2 per cent of global GDP, up from the pre-revision total of USD 5.4 trillion. Global life insurance market grew by 2.2 per cent in real terms in 2019, with premium of USD 2916 billion which was a slight deceleration from 2.6 per cent growth recorded in 2018. In 2019, global life premiums growth slowed to 2.2 per cent, however stronger than the 1.5 per cent average of the previous 10 years. Global non-life insurance market may witness slow growth in 2020 due to COVID19 induced recession after a 3.5 per cent increase in premium to USD 3376 billion in 2019 slightly above the 10-year average of 3.2 per cent.

## INSURANCE AND THE COVID-19 CHALLENGE

It was assumed that the COVID-19 crisis will hit the insurance industry with sigma forecasting of a near three per cent point slowdown in annual average global premium growth in 2020 and 2021 from the precrisis growth trajectory. The life sector will be more affected than the non-life.

There is a possibility of contraction in premium levels in 2020, followed by bounce-back. Swiss Re expects total global direct premiums written will reach pre-crisis levels in 2021, a strong outcome, considering that recession in 2020 will be the deepest since the 1930s.

Swiss Re estimated that the COVID-19 crisis will slow life premium growth by 4.5 percentage point (ppt) in 2020 and 2021, leading to 1.5 per cent aggregate market contraction. In non-life, premium growth of 3.5 per cent in 2019 was slightly above the 10-year average. Swiss Re estimated that a 1.1 ppt pullback in premium growth, making for aggregate sector expansion of 1.6 per cent over 2020-21.

(In per cent)			
Region	Life	Non-Life	Total
Advanced markets	1.3	2.7	2.1
Emerging markets	5.6	7.7	6.6
Asia-Pacific	2.6	7.6	4.4
India	7.3	5.7	6.9
<b>World</b>	<b>2.2</b>	<b>3.5</b>	<b>2.9</b>

Source: Swiss Re, Sigma No. 4/2020

(Premium in USD Billions)			
Region	Life	Non-Life	Total
Advanced markets	2,298.70 (44.80)	2,832.22 (55.20)	5,130.92 (100)
Emerging markets	617.57 (53.16)	544.11 (46.84)	1,161.68 (100)
Asia-Pacific	1,114.19 (63.84)	631.22 (36.16)	1,745.40 (100)
India	79.67 (74.94)	26.64 (25.06)	106.31 (100)
<b>World</b>	<b>2,916.27 (46.34)</b>	<b>3,376.33 (53.66)</b>	<b>6,292.60 (100)</b>

Source: Swiss Re, Sigma 4/2020

Note: Figures in bracket indicate share of the segment in per cent.

**Total premium growth by region in the world 2019**

**Premium volume by region in the**

**2020-21:** In 2020, global real premiums fell 1.3 per cent, about a third of the drop in GDP. The life sector was heavily affected in 2020 while the non-life sector posted uninterrupted growth in premium. The life insurance market contracted 4.4 per cent in real terms in 2020 due to weakness in life savings business, which represents 81 per cent of the global life portfolio.

Life premiums in emerging markets grew by 0.3 per cent in 2020 despite an overall GDP contraction of 2.3 per cent. In 2020, while global GDP declined by 3.7 per cent, non-life insurance continued to expand with premiums up by 1.5 per cent to USD 3490 billion. The pandemic has cemented positive paradigm shifts for insurance.

Higher risk awareness and acceleration in digitization are positive structural trends for insurance. Global health and protection-type insurance premiums grew by 1.9 per cent and 1.7 per cent, respectively in 2020 despite social distancing affecting distribution.

It was expected that there will be a strong recovery in global life insurance premiums to above-trend growth of 3.8 per cent in 2021 and 4.0 per cent in 2022, benefiting from the COVID-19 effect on consumer risk awareness. Total global life premiums are expected to exceed USD 3 trillion this year, primarily written in advanced markets given their larger global share.

Global non-life premium volume is expected to grow at 2.8 per cent in 2021 and 3.7 per cent in 2022. Inflation is a key medium-term risk in non-life insurance. India's share in global insurance market was 1.92 percent during 2018. However, during 2018, the total insurance premium in India increased by 9.3 percent (inflation adjusted) whereas global total insurance premium increased by 1.5 percent.

In life insurance business, India is ranked 10 among the 88 countries, for which data is published by Swiss Re. India's share in global life insurance market was 2.61 percent during 2018. The share of life insurance business for India was very high at 73.85 percent. The share of life insurance business in total premium was 54.30 percent.

The Indian non-life insurance sector witnessed a growth of 14 percent (inflation adjusted) during 2018. During the same period, the growth in global non-life premium was 3 percent (inflation adjusted). However, the share of Indian non-life insurance premium in global non-life insurance premium was at 1.1 percent and India ranked 15 in global non-life insurance markets. The share of non-life insurance premium was 45.70 percent during 2018. while the share of non-life insurance business was at 26.15 percent.

Regions	Life	Non-Life	Total
Advanced markets	-5.7	1.5	-1.8
Emerging markets	0.3	1.3	0.8
Asia-Pacific	-2.1	3.0	-0.3
India	-1.2	-3.1	-1.7
<b>World</b>	<b>-4.4</b>	<b>1.5</b>	<b>-1.3</b>

Source: Swiss Re, Sigma 3/2021

Regions	Life	Non-Life	Total
Advanced markets	2,179.26 (42.58)	2,938.86 (57.42)	5,118.12 (100.00)
Emerging markets	618.18 (52.88)	550.75 (47.12)	1,168.93 (100.00)
Asia-Pacific	1090.77 (62.17)	663.75 (37.83)	1,754.52 (100.00)
India	81.25 (75.24)	26.74 (24.76)	107.99 (100.00)
<b>World</b>	<b>2,797.44 (44.50)</b>	<b>3489.61 (55.50)</b>	<b>6,287.04 (100.00)</b>

Note: Figures in bracket indicate share of the segment in per cent.  
Source: Swiss Re, Sigma 3/2021

**2019-20:** India's share in global insurance market was 1.69 per cent during 2019. However, during 2019, the total insurance premium (Life and Non-Life) in India increased by 9.21 per cent (6.9 per cent inflation adjusted real growth) whereas global total insurance premium increased by 2.34 per cent (2.9 per cent inflation adjusted real growth, the share of life insurance business in total premium was 46.34 per cent and the share of life insurance business for India was high at 74.94 per cent.

In life insurance business, India is ranked 10 among the 88 countries, for which data is published by Swiss Re. India's share in global life insurance market was 2.73 per cent during 2019.

However, during 2019, the life insurance premium in India increased by 9.63 per cent (7.30 per cent inflation adjusted real growth) when global life insurance premium increased by 1.18 per cent (2.20 per cent inflation adjusted real growth). the share of non-life insurance premium was 53.66 per cent during 2019. The share of non-life insurance business was at 25.06 per cent.

The Indian non-life insurance sector witnessed a growth of 7.98 per cent (5.70 per cent inflation adjusted real growth) during 2019. During the same period, the growth in global non-life premium was 3.35 per cent (3.50 per cent inflation adjusted real growth).

However, the share of Indian non-life insurance premium in global non-life insurance premium was at 0.79 per cent and India ranked 15 in global non-life insurance markets.

**2020-21:** India is ranked eleventh in global insurance business. India's share in global insurance market was 1.72 per cent during 2020 (1.69 per cent in 2019). Total insurance premium volume in India increased by 0.1 per cent in 2020 whereas global total insurance premium increased by a margin of 0.04 per cent (-1.3 per cent inflation adjusted real growth) during the year.

In life insurance business, India has maintained its tenth rank in the world like previous year. India's share in global life insurance market was 2.90 per cent during 2020. Life insurance premium in India increased marginally by 0.6 per cent (-1.2 per cent inflation adjusted real growth) in 2020 whereas global life insurance premium reduced by 3.1 per cent (-4.4 per cent inflation adjusted real growth).

Globally, the share of life insurance business in total premium was 44.50 per cent. However, the share of life insurance business for India was high at 75.24 per cent while the share of non-life insurance business was at 24.76 per cent. In non-life insurance business, India is ranked fourteenth in the world improved by one rank from last year.

India's share in global non-life insurance market was 0.77 per cent during 2020. The Indian non-life insurance sector witnessed growth of -1.3 per cent (-3.1 per cent inflation adjusted real growth) during 2020 whereas the global non-life insurance premium increased by 2.8 per cent (1.5 per cent inflation adjusted real growth). the share of non-life insurance premium was 55.50 per cent during 2020. The share of non-life insurance business was at 24.76 per cent.

## INSURANCE PENETRATION AND DENSITY

The measure of insurance penetration and density reflects the level of development of insurance sector in a country. While insurance penetration is measured as the percentage of insurance premium to GDP, insurance density is calculated as the ratio of premium to population. Low levels of penetration and density of insurance in India clearly imply that a large section of the population is still uninsured.

**2018-19:** Since the liberalisation of the Insurance sector in India, the sector has reported consistent increase in insurance penetration from 2.71 percent in 2001 to 5.20 percent in 2009. Since then the level of penetration was declining. However, there was a slight increase in the years 2015 (3.44 percent), in 2016 (3.49 percent), in 2017 (3.69) and in 2018 (3.70).

**The level of insurance density** reached upto USD 64.4 in the year 2010 from the level of USD 11.5 in 2001. However, there was a slight decline further, but regained its position gradually and has become USD 74 in the year 2018, (USD 73 in 2017).

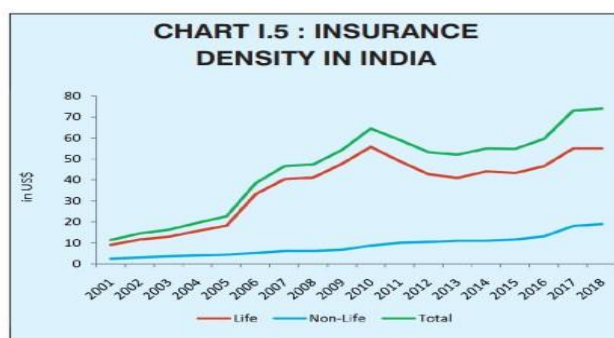
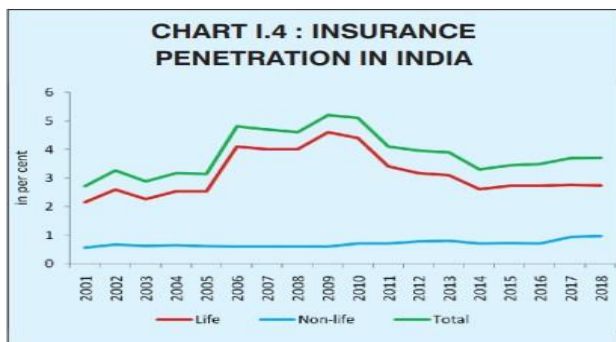
**The insurance density of life insurance** sector had gone up from USD 9.1 in 2001 to reach the peak at USD 55.7 in 2010. Since then it has exhibited a declining trend up to the year 2013. During the year 2018, the level of life insurance density was USD 55 (USD 55 in 2017).

**The life insurance penetration** had gone up from 2.15 percent in 2001 to 4.60 percent in 2009. Since then, it has exhibited a declining trend up to the year 2014. There was a slight increase in 2015 reaching 2.72 percent, remained same in 2016, increased to 2.76 in the year 2017 and decreased to 2.74 in the year 2018.

**The penetration of non-life insurance** sector in the country has gone up from 0.56 in 2001 to 0.97 in 2018 (0.93 in 2017). Its density has gone up from USD 2.4 in 2001 to USD 19 in 2018.

Year	Life		Non Life		Industry	
	Density (USD)	Penetration (percentage)	Density (USD)	Penetration (percentage)	Density (USD)	Penetration (percentage)
2001	9.10	2.15	2.40	0.56	11.50	2.71
2002	11.70	2.59	3.00	0.67	14.70	3.26
2003	12.90	2.26	3.50	0.62	16.40	2.88
2004	15.70	2.53	4.00	0.64	19.70	3.17
2005	18.30	2.53	4.40	0.61	22.70	3.14
2006	33.20	4.10	5.20	0.60	38.40	4.80
2007	40.40	4.00	6.20	0.60	46.60	4.70
2008	41.20	4.00	6.20	0.60	47.40	4.60
2009	47.70	4.60	6.70	0.60	54.30	5.20
2010	55.70	4.40	8.70	0.71	64.40	5.10
2011	49.00	3.40	10.00	0.70	59.00	4.10
2012	42.70	3.17	10.50	0.78	53.20	3.96
2013	41.00	3.10	11.00	0.80	52.00	3.90
2014	44.00	2.60	11.00	0.70	55.00	3.30
2015	43.20	2.72	11.50	0.72	54.70	3.44
2016	46.50	2.72	13.20	0.77	59.70	3.49
2017	55.00	2.76	18.00	0.93	73.00	3.69
2018	55.00	2.74	19.00	0.97	74.00	3.70

**Note:** 1. Insurance density is measured as ratio of premium (in USD) to total population.  
2. Insurance penetration is measured as ratio of premium (in USD) to GDP (in USD).  
**Source:** Swiss Re, Sigma, Various Issues.



**2019-20:**

In 2019, penetration was 3.76 per cent. in the year 2019, the insurance density was USD 78. The insurance **density of life insurance** sector had gone up from USD 9.1 in 2001 to reach the peak at USD 55.7 in 2010. Since then it has exhibited a declining trend up to the year 2013 and it started increasing continuously from 2016. During the year 2019, the level of life insurance density was USD 58. The **life insurance penetration** had gone up from 2.15 per cent in 2001 to 4.60 per cent in 2009. Since then, it has exhibited a declining trend up to the year 2014. Then from 2015 to 2017, it was increasing. After a small decline in 2018 to 2.74, it increased to 2.82 per cent in 2019.

The **penetration of non-life insurance** sector in the country has gone up from 0.56 per cent in 2001 to 0.94 per cent in 2019. **Non-life insurance density** has gone up from USD 2.4 in 2001 to USD 19 in 2019.

**Insurance penetration and density in India:**

Year	Life		Non-Life		Industry	
	Density (USD)	Penetration (%)	Density (USD)	Penetration (%)	Density (USD)	Penetration (%)
2001	9.10	2.15	2.40	0.56	11.50	2.71
2002	11.70	2.59	3.00	0.67	14.70	3.26
2003	12.90	2.26	3.50	0.62	16.40	2.88
2004	15.70	2.53	4.00	0.64	19.70	3.17
2005	18.30	2.53	4.40	0.61	22.70	3.14
2006	33.20	4.10	5.20	0.60	38.40	4.80
2007	40.40	4.00	6.20	0.60	46.60	4.70
2008	41.20	4.00	6.20	0.60	47.40	4.60
2009	47.70	4.60	6.70	0.60	54.30	5.20
2010	55.70	4.40	8.70	0.71	64.40	5.10
2011	49.00	3.40	10.00	0.70	59.00	4.10
2012	42.70	3.17	10.50	0.78	53.20	3.96
2013	41.00	3.10	11.00	0.80	52.00	3.90
2014	44.00	2.60	11.00	0.70	55.00	3.30
2015	43.20	2.72	11.50	0.72	54.70	3.44
2016	46.50	2.72	13.20	0.77	59.70	3.49
2017	55.00	2.76	18.00	0.93	73.00	3.69
2018	55.00	2.74	19.00	0.97	74.00	3.70
2019	58.00	2.82	19.00	0.94	78.00*	3.76

Source: Swiss Re, Sigma, Various Issues.

Note: 1. Insurance density is measured as ratio of premium to total population.

2. Insurance penetration is measured as ratio of premium to GDP.

3. \*Rounding off difference.

**Reference**

1. IRDA Annual Report 2016-17
2. IRDA Annual Report 2017-18
3. IRDA Annual Report 2018-19
4. IRDA Annual Report 2019-20
5. IRDA Annual Report 2020-21

**WEBSITES REFFERED:**

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IRDA (Insurance Regulatory and Development Authority):

<https://www.irdai.gov.in/>