

## Bank-led private insurers to gain more market share

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Strengthening bancassurance channel for private players and customer preference shift towards ULIPs have led to private players gaining 20% retail business market share from LIC over FY12-18. Those with strong bancassurance channel have benefited the most. We expect bank-led private insurers to continue to gain market share.

LIC's share in total APE (annualised premium equivalent) has come down to ~50% currently from >60% in FY12. Market share loss has been the most prevalent in retail/ individual business segment, where LIC's share has reduced to 44% in FY18 v/s 63% in FY12.

In group (B2B) business, LIC has consistently maintained 80% market share. Within the private players, biggest gainers of retail APE market share have been insurers with strong bank-led distribution. SBILIFE, IPRU and HDFCLIFE have gained 8%, 6% and 2% retail APE share respectively over FY12-18

Post 2010 regulations, ULIPs (with stringent cap on surrender charges) offer better value proposition. High penalty in non-linked savings implies capital loss to policyholders surrendering even at the end of 5th year v/s nil surrender charges on ULIP after five years. Better product structure along with supportive capital markets have led to policyholder preference shift towards linked business, which is primarily dominated by private players and LIC has negligible presence.

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More than 60% of LIC's new business premium comes from group business, primarily employer-employee fund management business. Even though ticket sizes are higher, this business runs on wafer-thin margin. Private players are also present in group savings, but they maintain caution in limiting its share in overall business since –

(a) LIC is the price maker in the industry with most other players being price takers

(b) Being non-participating, interest rate sensitivity is high.

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