

IMIA
NATIONAL REPORT 2016-17
INDIA

A. Premium Development

The Indian Engineering Insurance Industry, in Financial Year 2016-17 booked a total premium of INR 22,861 min, which showed de-growth of 3.56% as compared to previous Financial Year.

Table.1. Premium production in INR (Min.) 2014– 2016

	2014	2015	2016
Engineering Premium	23,363	23,726	22,861

The Public Sector continues to dominate Engineering Insurance market by producing 64% of the total engineering premium amount; while Private Sector produces 36%

The Major portion of Premium in Engineering Line of Business comes from Project Insurance (EAR and CAR). The percentage of EAR Composition varies from 50% to 56% year to year.

B. Claim Development

The loss ratio for the total Engineering line is 50.25% which was 30.48% in the previous year.

38% of claims were experienced in MB / BR + LoP, 31% in EAR +ALoP, 28% in EEI and 8 % in CAR + ALoP.

C. Underwriting Profitability

There is an increasing trend observed. Although the major portion of claims are seen in the Machinery Breakdown policies, increased NatCat events and competitive pricing has also affected loss ratios adversely.

Loss Ratios for past 3 years for engineering business :

FY 2013-14 : 31.28%
FY 2014-15 : 24.10%
FY 2015-16 : 30.48%
FY 2016-17 : 50.25%

D. Business Outlook

India continues to be one of the fastest growing economy with a projected growth of 7.5% for the current financial year.

Whereas other emerging economies have been impacted adversely by factors such as the slowdown in China's economy, falling commodity prices and the unexpected Brexit vote, India has remained relatively unaffected. India's growth also has been assisted in good measure by better-than-normal monsoons, which has reduced the economic stress in the agricultural sector.

The Organization for Economic Cooperation and Development (OECD), expects the private investment in India to revive, as excess capacity in some sectors diminishes, infrastructure projects mature, corporate deleverage and banks clean up their loan portfolios. Structural reforms initiated by the government, such as enactment of Goods and Services Tax (GST) and reduction in subsidies, are also likely to spur infrastructure growth.

More reforms, such as enactment of a bankruptcy code and reduction of tax rates, for both personal and corporate income, are soon expected. These will also help inflow of capital into infrastructure development sector.

Indian government has also been trying to give a boost to retail, manufacturing and infrastructure sectors, with various special initiatives, which can have positive impact on growth of engineering insurance market.

Gist of some of the initiatives is as follows:

- i. The government has made an allocation of Rs. 221,246 Crs (US\$ 33.07 billion) for several infrastructure projects in Union Budget 2016-17, which is expected to provide significant boost to Indian infrastructure sector. The projects consist of coastal roads, trans-harbor links, metro rail, airport, roads and smart cities.
- ii. With the help of 'Make in India' drive, the country is aspiring to become a hub for hi-tech manufacturing. Global giants such as GE, Siemens, HTC, Toshiba, and Boeing have either set up manufacturing plants in India or are in process of doing so. The government has an ambitious plan to locally manufacture as many as 181 products under this initiative. This move could particularly help infrastructure sectors such as power, oil and gas, besides automobile manufacturing.

Due to the impact of demonetization exercise carried out by which 85% of the currency notes were pulled out of circulation, the economic growth has shown some signs of slowing down. However, it is expected that any negative impact of this event is likely to be short term and that the economy would emerge stronger once the monetary situation normalizes.