ECONOMIC ENVIROMENT

World GDP growth is estimated to have risen to 3.8% in 2017 with a notable rebound in global trade and is expected to further strengthen to 3.9% in 2018 with higher growth expected across emerging markets and developing economies and pick-up in growth across advanced economies such as the United States, France, and Japan. Favourable market sentiment, increasing global trade, improving business and consumer confidence along with expansionary fiscal policy in the United States are expected to bolster global growth. Key downside risks include pick up in headline and core inflation due to increasing fuel prices, sharp tightening of financial conditions, increasing trade protectionism and geopolitical strains.

Indian economy growth slowed down to 6.7% in 2017-18. The steep decline in economic growth was caused by disruption in economic activity led by demonetisation and implementation related issues of Goods and Services Tax (GST). However, backed by government spending and investment, the economy grew at a seven-quarter high of 7.7% in the last quarter of 2017-18 retaining the world's fastest growing economy tag. Pickup in consumption demand and increase in manufacturing activity suggests that the economy is showing signs of revival. Structural policy fixes such as introduction of bankruptcy code to deal with bad debt problem, revival in rural demand, increased infrastructure spending and surge in private consumption, investment and exports is likely to drive India's growth to 7.4% in 2018-19. However, higher finance cost, rising oil prices, protectionist trade policies and slowdown in global growth are key downside risks.

Demonetisation of high-value currencies, together with the roll-out of the GST, has widened the tax base and is helping the country in moving towards the formalisation of the economy. Government's focus on uplifting the rural economy and strengthening of the agriculture sector, healthcare for the economically less privileged, infrastructure creation and improvement in the quality of education of the country bodes well for the economy in the long run. India's jump on World Bank's Ease of Doing Business Index lends credibility to India's growth story and together with the "Make in India" initiative has resulted in attracting investors from across the globe. The government's comprehensive recapitalisation plan (recap) for public sector banks (PSBs) worth ₹ 2.11 trillion (1.3 per cent of the GDP) is likely to boost private investment and create employment opportunities. The resolution of non-performing assets (NPAs) is expected to set the stage for a capex revival over time.

The Reserve Bank of India is expected to go for a 25-basis points rate cut in key rates in its policy review meet in August on the back of normal monsoon forecast allaying inflation worries. This should provide additional impetus to the economic growth.

INDIAN INSURANCE SECTOR DEVELOPMENTS

Indian insurance market comprises of 24 life insurance companies, 31 general insurance companies, two Indian reinsurers and 8 branches of overseas reinsurers. The country houses 17% of the global population, however, the Indian insurance market accounts for less than 1.5% of the total global insurance premium.

Gross direct premiums for non-life insurance industry increased by 17.5% y-o-y in 2017-18 to ₹ 150,708.2 Crore as compared to ₹ 128,214.4 Crore in the previous year. Of this, the total gross premium of general insurers grew by 16.9%, ₹ 133,348.3 Crore in 2017-18 as compared to ₹ 114,023.9 Crore in the previous year. The gross direct premium of standalone private-sector insurers saw the sharpest rise of 41.6% in 2017-18 at ₹ 8,296.4 Crore as compared to ₹ 5,858.8 Crore in 2016-17.

The sector is expected to perform better this year owing to increasing penetration of the crop insurance scheme - Pradhan Mantri Fasal Bima Yojana and the national health insurance scheme.

The domestic life insurance industry registered 10.8% y-o-y growth for new business premium in 2017-18, generating a revenue of ₹ 193,866 Crore compared to ₹ 175,022 Crore in the previous year.

GIC Re went public and was listed on the bourses in October 2017. The Corporation received approval to set up syndicate at Lloyd's of London which is expected to enable it to broaden and diversify its international portfolio. The Corporation is expected to start operations in Lloyd's London office in the beginning of the fiscal year 2018-19.

Fiscal 2017-18 also saw listing of ICICI Lombard General Insurance Company (September 2017), SBI Life Insurance (October 2017), HDFC Standard Life (November 2017) and state-run New India Assurance Company (November 2017).

In December 2017, the Insurance Regulatory and Development Authority of India (IRDAI) allowed private equity investors to become promoters in unlisted insurance companies. The move is expected to enhance PE investments in the sector.

GLOBAL REINSURNACE INDUSTRY

Reinsurance has been playing a critical role in supporting the solvency and capital efficiency of insurance risk transfer since decades. Despite ongoing challenges created by low interest rates, lower returns and an increasingly complex regulatory environment, several leading reinsurers have managed to achieve positive growth over the past few years. An aging population in mature markets, progressive urbanization, ongoing formation of a stable middle class, and changing socio-demographics in emerging markets continue to drive the growth in the industry. Changing macro economy and regulatory landscape along with demographic shifts and technological innovation pose both challenges and opportunities to the insurers and reinsurers.

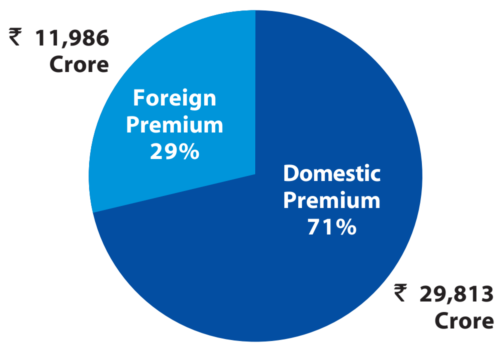
Global non-life reinsurance premiums reached USD 170 billion in 2017, reflecting a growth of 3% in real terms. Based on estimates, the global non-life reinsurance industry faced catastrophic loss estimated around $136 bn from the hurricane season in the Caribbean and the US in 2017. Harvey, Irma and Maria, the season´s three major storms, are estimated to have caused significant insured losses. The combined ratio for 2017 is estimated to be around 110%, with most of the increase due to the hurricane losses, as well as a number of other natural catastrophes including Cyclone Debbie in Australia, earthquakes in Mexico, and wildfires in California and Southern Europe.

Apart from the unusually high burden from natural catastrophes, the reinsurance industry has also continued to suffer from the ongoing low interest rate environment and the overall softening of underwriting conditions. Some of the major challenges for the industry include the unwinding of quantitative easing, the progress of 'Brexit' negotiations, the impacts of US tax reform, increased regulatory oversight and trade protectionism.

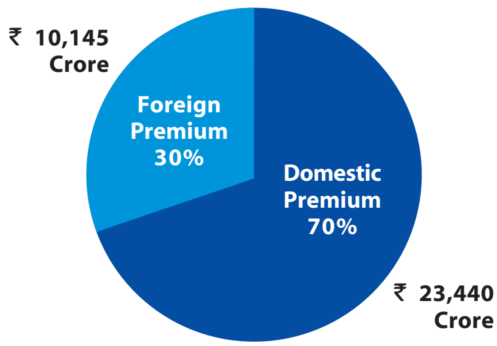
As the insurance and reinsurance industry were well-capitalized ahead of the 2017 hurricanes, it managed to absorb the losses smoothly without affecting its underwriting capacity which remains intact for all lines of reinsurance. Reinsurance continues to fulfil its role in mitigating earnings volatility, controlling peak exposures, addressing reserving risk and providing capital relief.

INTERNATIONAL AND DOMESTIC BUSINESS COMPOSITION

Premium Split: 2017-18

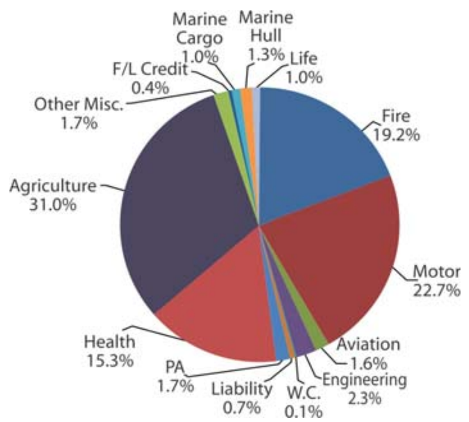


Premium Split: 2016-17

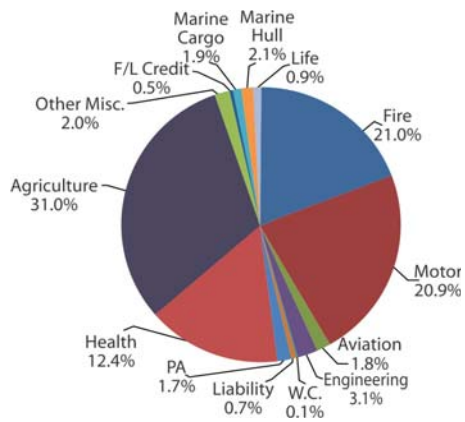


EARNED PREMIUM BREAK UP

Earned Premium Share (%) 2017-18



Earned Premium Share (%) 2016-17



GIC'S BUSINESS PERFORMANCE

The Corporation's gross premium income during the year 2017-18 is ₹ 41,799 Crore and the income from investments was ₹ 5,392.03 Crore. Underwriting results show an overall loss of ₹ 1,497 Crore in 2017-18 compared to an underwriting loss of ₹ 606 Crore in the previous year. The ratio of total business expenses to the earned premium i.e. Combined Ratio stood at 104%. The Solvency Margin of the Corporation as on 31st March, 2018 was 1.72.

CLASS WISE PERFORMANCE

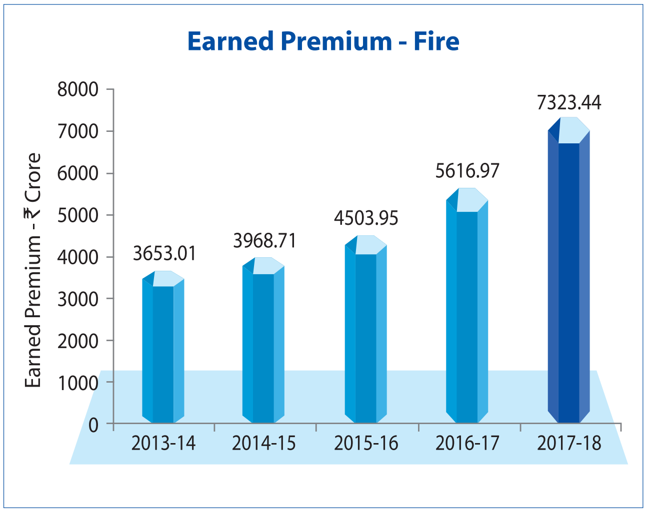
FIRE:

GIC Re's Earned premium for Fire Business for the year 2017 -18 was ₹ 7,323.44 Crore as compared to ₹ 5,616.97 Crore in the previous year.

The domestic premium has increased by 47.91% to ₹ 1,633.15 Crore from ₹ 1,104.15 Crore in the previous year. The foreign premium grew by 26% to ₹ 5,690.29 Crore from ₹ 4,512.83 Crore in the previous year.

The overall incurred claims stood at ₹ 6,390.32 Crore compared to ₹ 4,385.03 Crore last year, which is an increase of 45.73%. This was mainly due to foreign Catastrophic Losses like Harvey, Irma and Maria Hurricanes and California Wildfires in USA, Typhoon Hato in China, Cape Storm in South Africa and Risk Losses like Mir Diamond mine in Russia, ADNOC/Ruwais Refinery in Abu Dhabi. The Major domestic risk losses during the year were Haldiram Snacks, Unicharm India and NTECL.

The fire portfolio made an underwriting loss of ₹ 897.33 Crore as compared to the loss of ₹ 496.24 Crore in the previous year. The combined ratio for fire stood at 112.3% as against 108.8% for last year.

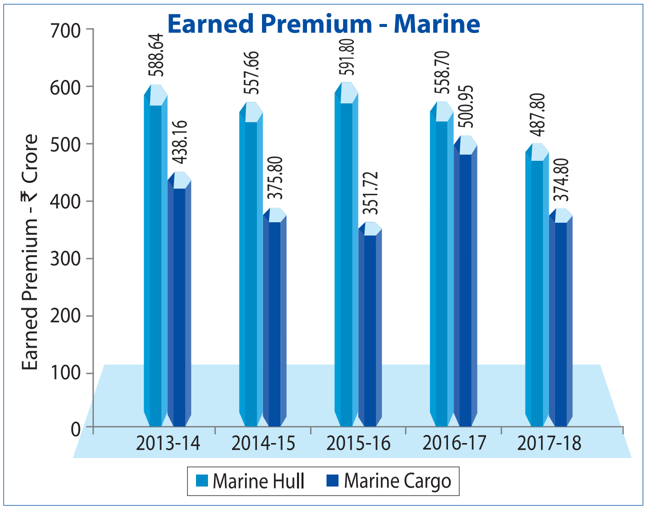


MARINE HULL

This year the performance of the sub-class is outstanding from the point of top line and bottom line as well. The premium income this financial year has shown a growth of over 31 percent over the expiry year with handsome underwriting profit of ₹ 228 Crore which is 46.8% of earned premium. The growth can be attributed to the quoting & participation in almost all port package risks and foreign energy reinsurance markets. The gross premium income this year stood at ₹ 882 Crore as compared to ₹ 673 Crore last year. Despite aggressive pricing and soft market conditions in the domestic as well as foreign market, we have managed to attain growth in premium volume.

Out of three Branch Offices of GIC Re, Dubai branch has shown small increase in hull premium, while the other two branches have de-grown. GIC Re has made sustained efforts to maintain the underwriting discipline in the domestic market.

GIC Re continues to administer the Marine Hull Pool and Hull War Risk Scheme, monitoring the rates & terms. Port and coastal P&I segment have been our new area of focus where the results have also been encouraging. In the international market, we continue to focus on markets like China, South East Asia and Europe to improve the performance and spread of the portfolio.



MARINE CARGO

We have completed gross premium income of ₹ 446.31 Crore as against ₹ 444.60 Crore last year and maintaining a slender growth. The cargo performance was affected by the decision to scale down our exposure in Russia and come out of Iranian exposures due to sanctions. However, the performance was made possible with our focus on new territories like USA, Europe and South America. In the domestic market, we have either increased our participation or maintained our renewal line. We have maintained underwriting discipline in domestic market although soft market conditions continue to prevail.

The portfolio has maintained its improvement both in premium and claim performances in domestic as well as foreign portfolios. We have therefore made substantial underwriting profit of ₹ 146 Crore i.e., 39% of earned premium. All our branches have also shown the positive trend in their performances as compared to last year, particularly our Dubai branch has witnessed significant turn-around in their underwriting performance, showing underwriting profit in marine cargo section. Our focus on new markets and positive trends in Indian economy would continue to drive growth in marine cargo business.

OIL AND ENERGY

GIC Re has adopted prudent as well as positive underwriting approach which has worked well in the Upstream Oil & Energy business segment, as the portfolio continues to grow at healthy rate of 25% over the previous year. Foreign business predominates with 80% of total upstream energy premium reflecting our position as global underwriter.

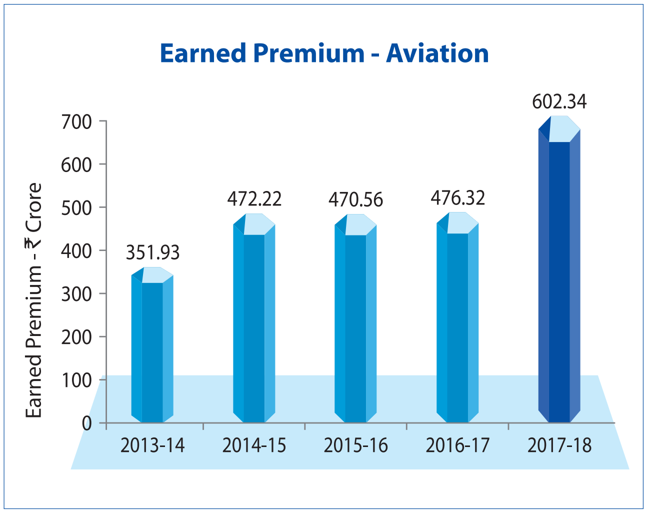
The global O&E capacities remain almost same and is further driving down premium volume. In spite of these challenges, we have increased our premium volume with improvement in underwriting results. Our combined ratio for 2017-18 stands at 36% and underwriting profit of 46.8% of earned premium (as above for hull) which shows the best underwriting practice adopted by us.

GIC Re would continue to explore more opportunities in the areas like Mexico, USA, Brazil, and GCC to improve our premium volume and get better spread and with recent upward cycle in crude oil prices this sector is expected to show revival and improvements.

AVIATION

The previous year witnessed continued softening trends in the first half but showed signs of firming up in the second half. The general tendency in the Q4 renewal season has not given any further reductions in pricing. Certain loss making risks were subject to significant rate increases. While the year was 3rd safest year for the aviation industry, the main concern for underwriters now is the volume of attritional claims arising out of ever-increasing repair cost for modern aircraft equipment. GIC Re expects that the rates would firm-up further but is also mindful that they would still be below its expectations. Aligning the line-sizes, negotiating for optimum price and diversification would be its approach for the forthcoming year.

The change in market trends during July and December renewal, where GIC Re did see an increased premium growth. The earned premium for 2017-18 is ₹ 602.34 Crore against the earned premium of ₹ 476.32 Crore for 2016-17. The main contributor being the strategic alliance partner. GIC Re continues to be cautious and selective in its approach however unprecedented loss activity in a few accounts along with increased cost of attritional losses adversely impacted the combined ratio for the portfolio.



In 2018, Incurred loss for the year is ₹ 655.46 Crore. The major claims during the year were Pegasus Air, US Bangla Air, Hybrid Air, Starbow Air, Island Aviation, Cebu Air, PT Lion Air, Qatar Air and Sedena.

LIABILITY

The Liability portfolio is a growing sector both at international and domestic market.

Despite soft market, the market continued to experience a growth in Liability business, mainly due to increase in awareness of the corporate sector and various new covers available in the market. GIC Re has shown a growth of 74.48% as compared to 2016-17. Obligatory cessions continued to remain at 5% with capping limits of cession for both casualty and financial lines.

No major losses have been reported for the financial year 2017-18.

(₹ in Crore)

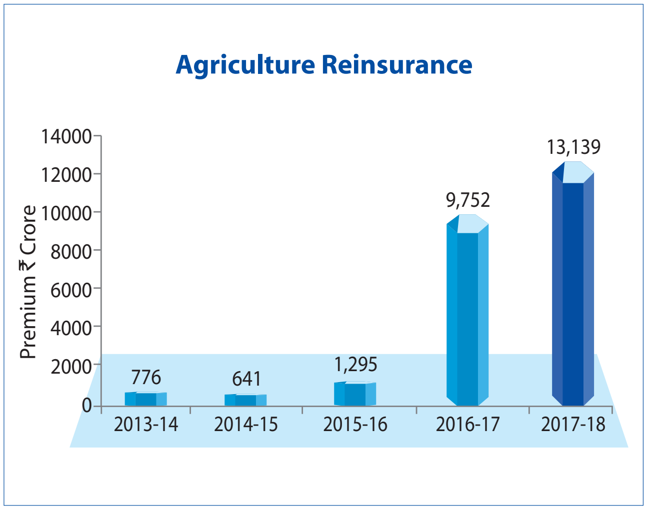
Particulars	2017-18	2016-17	Growth%
Gross Written Premium	407.24	233.40	74.48
Earned Premium	249.32	178.02	40.05
Incurred claims	97.59	101.41	(3.82)

AGRICULTURE REINSURANCE

GIC Re's Agriculture portfolio has shown considerable growth in quantum, with a good balance & diversification, both in domestic and foreign business. GIC Re receives Agriculture foreign business from various countries predominantly Asia. In 2017-18, the Agriculture portfolio received opportunities to enter new markets in USA and Australia, among other countries.

In the domestic front, since 2016, GIC Re's Agriculture portfolio has been providing support to the Indian Agriculture insurance industry for implementation of the Pradhan Mantri Fasal Bima Yojana scheme (PMFBY), which comprises of both yield index based product and Restructured Weather Based Crop Insurance product.

The total Reinsurance premium for Agriculture portfolio has increased from ₹ 9,752 Crore in 2016-17 to ₹ 13,139 Crore in 2017-18. Out of GIC Re's total Agriculture RI premium in 2017-18, Indian market premium is ₹ 12,752 Crore while ₹ 387 Crore is written from rest of the world.

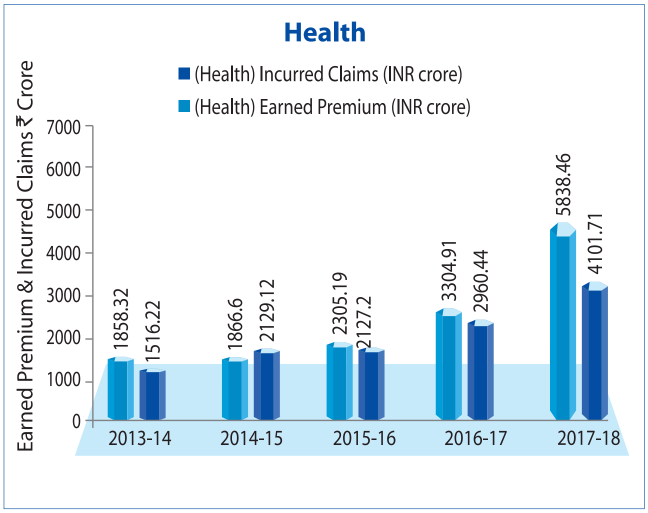


HEALTH

GIC Re Health portfolio comprises mostly of Obligatory cessions, some selective domestic treaties besides the Health business written by the foreign branches. For the year 2017-18, more proportional treaties under the Health class has resulted in a growth rate of 26.88% over the year 2016-17.

(₹ in Crore)

Particulars	2017-18	2016-17	Growth(%)
Gross Written Premium	5294.60	4172.88	26%
Earned Premium	5838.46	3304.91	76%
Incurred Claims	4101.71	2960.44	38%



MOTOR

The Gross/Net Motor premium during the fiscal year was ₹ 8,045.55 Crore as against ₹ 6,624.39 Crore in the corresponding previous year, registering a growth rate of 21.5%.

Earned premium for the year stands at ₹ 8,638.82 Crore as compared to ₹ 5,592.06 Crore in the previous year, recording exceptional growth rate of 54.5%.

Incurred claims for the year were ₹ 6,321.83 Crore as compared to ₹ 5,388.67 Crore in previous year. This is an increase of 17.3% over previous year.

(₹ in Crore)

Particulars	2016-17	2017-18	Growth %
Gross Written Premium	6,624.39	8,045.55	21.5%
Earned Premium	5,592.06	8,638.82	54.5%
Incurred Claims	5,388.67	6,321.83	17.3%

We have been successful in retaining major accounts while expanding our footprint in both domestic and foreign markets. Our growth in domestic market at YOY rate of 17.1% is higher than market average for motor insurance business in India. Our foreign book is growing prominently at YOY rate of 36.7%.

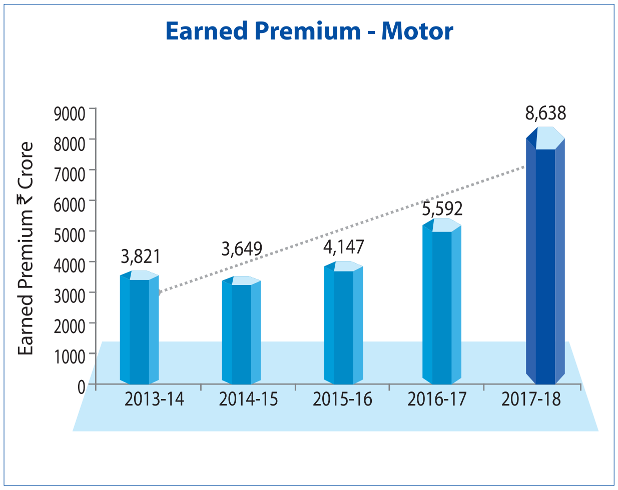
The percent growth in incurred claims by 17.3% this year is lesser than the corresponding percent growth of 38.2% last year. This increase is in line with the growing book size.

The fiscal year 2017-18 will be recorded in our books where Motor business yielded notable underwriting profit of ₹ 807.15 Crore.

The premium and growth split for domestic and foreign markets is outlined below: -

(₹ in Crore)

Gross Premium Split - Domestic vs Foreign				(GWP – GIC Re)	
Particulars	**Total**	**Domestic**	**% of Total**	**Foreign**	**% of Total**
2016-17	**6,624.39**	**5,141.09**	77.6%	**1,483.30**	22.4%
2017-18	**8,045.55**	**6,018.10**	74.8%	**2,027.45**	25.2%
YOY%	***21.5%***	***17.1%***		***36.7%***	



OTHER MISCELLANEOUS

The last year's figures in Other Miscellaneous includes Agriculture Insurance part which is now been reclassified and incorporated in Agriculture business. Hence, 2017-18 figures are showing the negative growth in comparison to previous year. High growth in incurred claims is due to IBNR & OSLR being reclassified & incorporated in Agriculture business. The department has been constantly endeavouring to provide sufficient capacity to cedants through treaty and facultative arrangements and also supporting new types of approved insurance covers.

(₹ in Crore)

Particulars	2017-18	2016-17	Growth(%)
Gross Written Premium	515.92	908.76	-43.23
Earned Premium	648.84	526.76	23.34
Incurred Claims	731.73	(53.46)	1468.74

LIFE REINSURANCE

In Life Insurance Business, India continues to be ranked 10th among the 88 countries. At present, there are 24 Life Insurance Companies operating in India (Source: IRDAI Annual Report 2016-17).

Indian Life Insurance has shown growth of 10.7% for new business premium for the year 2017-18. LIC has shown growth of 8.16% whereas Private Life Insurers have shown growth of 17.16%. (Source: IRDAI First Year Premium of Life Insurers as at 31st March, 2018).

Gross Life Re premium of the Corporation has increased to ₹ 437.71 Crore from ₹ 362.57 Crore in the previous year, a growth of 20.72%. Earned premium has increased significantly from ₹ 234.97 Crore to ₹ 378.94 Crore this year.

The Life Reinsurance Department is gaining experience in various life products by quoting as well as taking shares in the reinsurance arrangements for these products as per regulation 28(9) of IRDAI effective from 16th January, 2017, which grants the Indian Reinsurer the first order of preference for placement of Life Reinsurance Business in India.

TERRORISM INSURANCE POOL

The Indian Market Terrorism Risk Insurance Pool was formed as an initiative by all the non-life insurance companies in India in April 2002, after terrorism cover was withdrawn by international reinsurer's post-9/11. The Pool has thus completed 16 years of successful operations. All Indian non-life insurance companies (excluding monoline insurers) and GIC Re are members of the Pool. The Pool is applicable to insurance of terrorism risk covered under property insurance policies. Capacity offered by the Pool is currently at ₹ 2,000 Crore per location for terrorism risk. Premium rates were revised downward under the Terrorism Pool arrangement w.e.f 1st April, 2014.

In order to improve the market penetration for Terrorism Risk Insurance with better marketing by Brokers/Agents, Brokerage of upto 5% was allowed w.e.f. 1st January, 2014 for Terrorism Insurance business procured through Brokers.

GIC Re continues to successfully administer the Pool. Apart from its role as Pool Manager, GIC Re also contributes capacity to the Pool and participates as a reinsurer on the Pool's excess of loss reinsurance protection.

The Pool's premium income for 2017-18 was ₹ 533.93 Crore and Claims paid by the Pool during 2017-18 were ₹ 19.46 Crore. No major losses were reported to the Pool during 2017-18.

SEGMENTWISE CLAIMS EXPERIENCE

(₹ in Crore)

Particulars	Financial Year	INDIAN			FOREIGN		
		Earned Premium	Incurred Claims	Incurred Claims Ratio	Earned Premium	Incurred Claims	Incurred Claims Ratio
Fire	2017-18	1633.15	1237.47	75.8%	5690.29	5152.85	90.6%
Fire	2016-17	1104.15	1368.03	123.9%	4512.83	3017.00	66.9%
Engineering	2017-18	441.40	163.11	37.0%	453.78	289.81	63.9%

Particulars	Financial Year	INDIAN			FOREIGN		
		Earned Premium	Incurred Claims	Incurred Claims Ratio	Earned Premium	Incurred Claims	Incurred Claims Ratio
Engineering	2016-17	404.59	44.31	11.0%	412.83	325.24	78.9%
Marine	2017-18	328.11	-97.13	-29.60%	534.50	363.50	68.0%
Marine	2016-17	432.60	401.75	92.9%	627.01	354.16	56.5%
Misc. Other	2017-18	17795.03	17071.31	95.9%	1599.70	1382.96	86.5%
Misc. Other	2016-17	11557.08	8921.54	77.2%	1360.44	1046.49	76.9%
Life	2017-18	361.56	424.55	117.4%	17.38	-12.18	-70.1%
Life	2016-17	246.83	324.61	131.5%	-11.86	20.12	-169.6%
Aviation	2017-18	53.08	94.72	178.4%	549.25	560.74	102.1%
Aviation	2016-17	22.34	11.64	52.1%	453.99	422.85	93.1%
Motor	2017-18	6930.39	4705.46	67.9%	1708.44	1616.38	94.6%
Motor	2016-17	4220.36	4394.86	104.1%	1371.70	993.81	72.5%
Total	2017-18	27542.71	23599.50	85.7%	10553.34	9354.05	88.6%
Total	2016-17	17987.95	15466.74	86.0%	8726.94	6179.67	70.8%

INVESTMENT

Indian Economy 2017-18

The launch of Goods and Service Tax(GST), the Prime Minister 'Saubhagya' scheme, (Through this scheme, the government would supply electricity to all household by the end of 2018) and Udaan scheme (air regional connectivity scheme) were the key highlights of 2017-18.

The Indian Economy has sustained a macro-Economic environment of relatively lower inflation, fiscal discipline and moderate current account deficit coupled with broadly stable rupee dollar exchange rate. The growth rate of GDP by Central Statistic Office for the FY 2017-18 has been estimated at 6.6% as against 7.1% in previous FY 2016-17.

The year 2017-18 has been marked with some major transformational economic reforms such as the implementation of the GST regime and reforms-directed at the banking as well as corporate sector, by way of the new Indian Bankruptcy Code (IBC). The second half of the fiscal year witnessed a revival of sorts as global recovery boosted exports. India jumped 30 places on the Ease of Doing Business rankings also received a sovereign ratings upgrade for the first time in 14 years, validating the reforms.

Assets under management (AUM) for the Indian mutual fund industry rose by ₹ 1.06 trillion to ₹ 22.41 trillion in January 2018, as per the latest AMFI data. Indian Mutual Funds have currently about ₹ 2.11 crore (₹ 21.1 million) SIP accounts through which investors regularly invest in Indian Mutual Fund schemes.

The Reserve Bank of India kept the repo rate unchanged at 6% in FY 2017-18. The Reserve Bank of India in its December review had kept the benchmark interest rate unchanged on concerns of a possible price rise.

Bond yields have been volatile and have risen significantly over the past few months of year 2017-18 mainly because of heavy supply of securities, higher inflation and fiscal deficit among others. Yield on the 10-year benchmark bond increased by nearly 50 bps and traded in a band of 7.33-7.77% in March 2018.

Foreign direct investment (FDI) in India increased by about 3 per cent in 2017-18 on account of steps taken by the government to improve business climate and liberalized policy norms.

In the last four years, the government has liberalized FDI norms in sectors such as defence, medical devices, construction development, retail and civil aviation. The main sectors that received maximum foreign in flows include services, computer software and hardware, telecommunications, construction, trading and automobile

According to the world bank, the Indian economy is likely to grow at 7.5% in 2018-19 and Goods and Services Tax (GST) and demonetization is expected to have a positive impact, on Indian economy which will help foster a clean and digitized economy in the long run.

Based on IRDAI guidelines, the Corporation invests 45 per cent in Directed Sector comprising Central/ State Government Securities, Government Guaranteed Bonds, Housing and Infrastructure Sector. Balance 55 per cent is invested in Market Sector and these investments are subject to prudential and exposure norms.

The book value of investment of the Corporation stood at ₹ 47,816.52 Crore from ₹ 39,126.27 Crore showing an increase of ₹ 8,690.25 Crore representing a growth of 22.21% over the previous year. Income from investments stood at ₹ 5,215.26 Crore with a mean yield on funds at 12%. The net non-performing assets percentage was at 0.56%.

GIC Re's Reinsurance Program

The Corporation has arranged both Risk and Catastrophe Excess of Loss Reinsurance, in respect of various classes of business, for protecting its net retained portfolios under domestic business. On large sized risk, wherever necessary, the Corporation arranges for facultative retro. CAT protection has also been arranged for selected business and territories in respect of Foreign Inward business. Placements have been made with securities meeting the stipulations laid down by the Regulator. There are no new cessions to the Structured Solution as the contract has not been renewed effective 1st June, 2017. The Non-Marine Domestic Risk cum Cat layers and the Non-Marine Foreign Cat XOL layer which were earlier part of the Structured Solutions were placed along with the traditional programmes w.e.f. 1st June, 2017. Following Board Resolution not to renew the Structured Solutions Contract, coverages in respect of other COBs ceded under the Structured Solutions are attached to respective traditional programmes of those COBs.

FUTURE OUTLOOK

An important economic phenomenon in recent decades is economic convergence — the process whereby emerging economies reduce the gap vis-à-vis developed economies in terms of per capita income, standard of living and prosperity. As India progresses further along the path from lower-middle-income to upper-middle income country status, there is growing prosperity and possibility of eradication of poverty which was difficult to envision even a couple of decades back. The robust growth in economic sphere should result in higher standard of living, greater disposable incomes and pursuit of security, stability, assurance and sustainability. This would all lead to formalisation of economy and greater financialisation. GST with its initial glitches being sorted out is now expected to prove to be a robust tax reform measure improving compliance and ease of business and bolstering government resources, further enhancing governmental capacity to provide subsidies which can now be targeted with great efficiency.

To achieve this for some subsidies, the most important tool is insurance whether life or non-life. Insurance helps protect income levels by absorbing expenditure as also protects asset accretion through transfer of costs of catastrophes. As Indian insurance sector traces its growth trajectory along the s-curve, the future of insurance looks brighter than ever before. With governmental emphasis on sustainability and widening and deepening the financial inclusion with greater social security, insurance will emerge as an important tool to achieve this macro-economic policy objectives.

Pradhan Mantri Fasal Bima Yojana and Aayushman Bharat are examples of government policy initiatives in this regard. The PMFBY has entered its third year of operation, albeit with some decline in farmers' enrolment. Loanee farmers constitute about 80% of the enrolment under the PMFBY. This shows that it has got some traction among non-loanee farmers as well.

Ayushman Bharat - National Health Protection Mission will cover about 10 Crore poor and vulnerable families (approximately 50 Crore beneficiaries), providing coverage upto ₹ 5 lakh per family per year for secondary and tertiary care hospitalization. This will be an entitlement based scheme with entitlement decided on the basis of deprivation criteria.

Globally the insurance markets have become saturated and players in those markets are seeking and lobbying for access to growth markets of emerging economies. Globally insurance industry growth rate can be expected in the range of 2-4% while it is in double digits in India and there is tremendous potential that is to be tapped. This is reflected in the insurance penetration levels. Penetration is measured as insurance premium in the country as percentage of Gross Domestic Product. Comparing Indian insurance penetration level of about 4% with global average clearly indicates the potential. However, global average itself is deflated by low penetration in Africa and Asia. When adjusted for advancement to the level of developed economy over next 3-4 decades which will be a continuous evolutionary process, the potential will look still more impressive. Apart from this, the penetration levels of developed economies are against the backdrop of aging and aged population. Again, adjusting for India's demographic profile for next couple of decades, the scope for insurance sector growth looks truly astounding. Another important shift that happens alongside the transition from the emerging to developed economy is the shift from property based insurance to liability based exposures. This throws up a different growth trajectory for the sector itself as intangible assets and exposures overtake tangible assets which need protection. Emerging perils such as cyber insurance and persistent phenomenon of medical advancements and medical inflation continue to provide significant growth momentum for the insurance sector.

While advancements in industrial safety are quite encouraging, emerging automated driving threaten the existence of motor class over the next few decades, if not longer, there are enough perils and hazards, threats and dangers which will propel the growth of the sector.

A very important driver of insurance sector is emerging from the sustainability focus of governments world over such that resilience is built into the economic policy making and planning itself. This has very important implications for the insurance sector since globally very significant proportion of population and assets are located in coastal cities and climate change presents substantial threats to this wealth accumulation owing to rising sea levels.

Climate change is an important phenomenon which threatens stability of agricultural yields jeopardizing farmer welfare. At the same time, it is threatening city conglomerations, some in coastal zones. With increasing global integration, an event in one place has cascading effect on a much wider geographical scale. This brings under focus the need to provide protection against substantial volatility.

Governmental thrust, targetted subsidies, tapping technology to promote efficiencies and feasibility of curbing moral hazard apart from facilitating deepening of penetration – all augur quite well for the insurance sector, both in terms of the growth prospects and profitability trends.