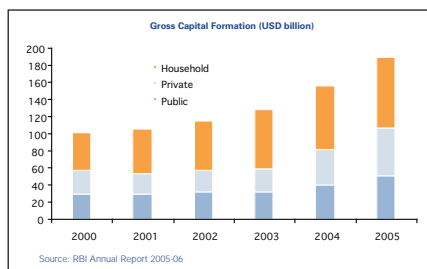
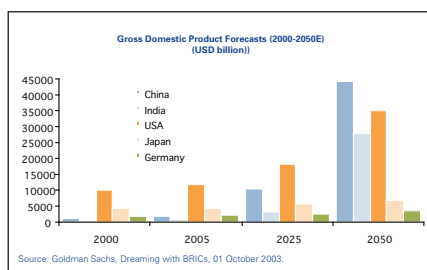




Insurance in India

Invest in the opportunity

FINANCIAL SERVICES



The India growth story

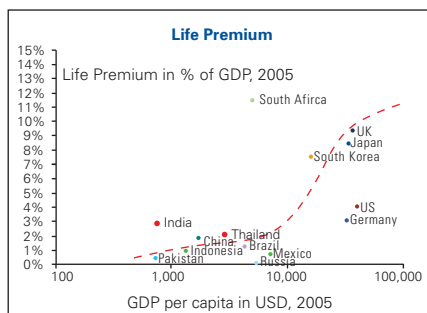
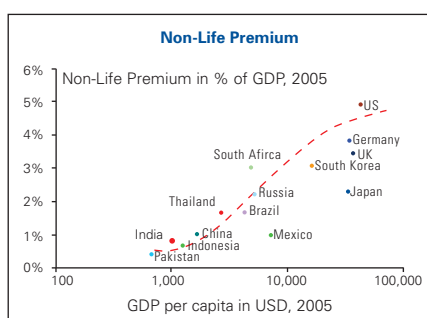
India's GDP growth of 8-9 percent in the past three years has been driven by very strong underlying factors. It has fast become a preferred investment destination for global investors and companies. This has been propelled by:

- a strong democratic parliamentary system facilitating opening up of the economy with investor and corporate friendly liberalized policies;
- paradigm shift from being an agriculture-led economy in the mid-70s to the current services and manufacture-driven one with India emerging as a global hub for manufacturing, software, and Business Process Outsourcing (BPO) services;
- deep relationships with all major global economies resulting in the substantial flow of investment into India;
- robust earnings growth of the corporate sector and a booming capital market resulting in increased income levels;
- increased savings in the economy being channelized into creation of physical assets and rapid development of the infrastructure sector;
- growing population of the consuming and investing class driven by a young workforce (over 50 percent of India's population is below 40 years);
- access to cheap international finance with a wave of Indian investments and acquisitions through American Depository Receipts (ADR) and Foreign Currency Convertible Bonds (FCCB) issues across oil, telecom, pharmaceutical, steel, IT, and automobile sectors.

Insurance in India – a major opportunity

The global insurance industry has been faced with problems of stagnating premium growth. With saturated markets in most developed nations, global insurers are increasingly interested in India and China for sustaining their growth.

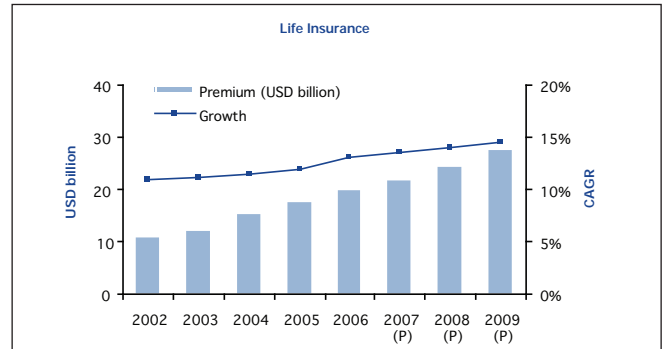
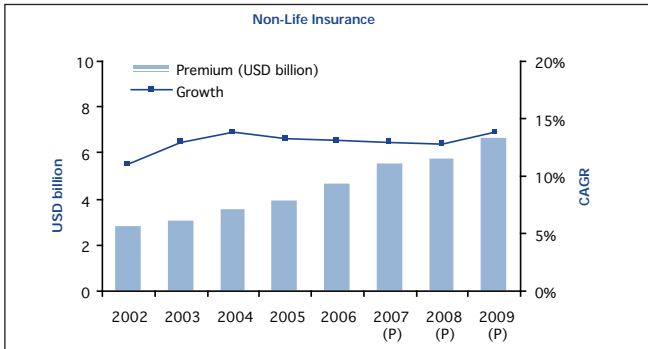
The Indian insurance market presents a huge opportunity (with penetration levels of 2.53 percent in life and 0.61 percent in non-life insurance, at the end of 2005). India is expected to see higher growth rates of insurance driven by regulatory changes in the industry and underlying socio-economic trends.



Source: Swiss Re Economic Research & Consulting

The year 2000 saw the re-entry of private and foreign insurers in the market. Global insurers can directly enter the primary insurance market through Joint Venture (JV) entities of minimum paid-up capital of USD 22 million and 26 percent ownership. The ownership limit is soon expected to be increased to 49 percent.

Global insurers in India have seen very healthy growth. This trend is expected to continue for many years and is expected to meet global penetration levels.



Source: KPMG

Key Growth Drivers	Expected Impact
Pension sector reform	Entry of private fund managers
Growing health insurance needs	Maturing of sector, global players, innovative products
Improved distribution reach	Faster, low-cost access to customers
Removal of controlled tariffs	Opportunity for differentiation, innovation
Increasing consumer awareness	Higher growth rates, innovative products
Rising disposable incomes	Growth in protection and savings offers
Globalisation of Indian corporates	Increased focus on liability insurance
Increased international trade	Demand for credit insurance

Health Insurance – The next big wave

- Huge untapped market - only 1 percent of population covered under private health insurance.
- Current premium on private health insurance of USD 500 million with an annual growth rate of 30 percent.
- Highly attractive market with removal of insurance tariff barriers and possible lowering of initial capitalisation requirements by the regulator.
- Decreasing impediments on the supply side with improved infrastructure and accreditation practices.

Source: IRDA

Pension Sector – The emerging opportunity

- Total pensions market limited to USD 15 billion with a mere 8 percent of 410 million workforce having access to some coverage.
- Comprehensive legislation expected in 2007, with introduction of new pensions scheme (NPS) based on defined contributions (DC) and portable individual pension accounts.
- Major impetus to the secondary equity and debt markets expected with detailed investment guidelines being finalized for the pension funds.
- Tremendous opportunities in the near future for Pension Funds and Annuity Managers, Point of Presence and Record-keeping players.

Source: Ministry of Finance

Challenges facing insurers entering the Indian market

Over the last six years, 14 global majors have already entered the Indian market through JV entities. Implementing distinctive strategies on product innovation, customer segmentation, and effective distribution, these players have already captured close to 30 percent and 35 percent of the non-life and life insurance markets respectively.

Propelled by India’s growth story, the insurance industry is witnessing the next influx of global players. Some of the key challenges faced by the aspiring entrants are:

- **Choosing the right JV partner:** It is crucial to work with a partner with similar business ethos, market commitment, risk appetite, corporate governance, and financial transparency.
- **Creating the ideal structure:** Creating a company structure that manages the expectations of both partners and is compliant with all the relevant regulatory requirements, is required for seeking operating licenses and establishing operations.
- **Building a winning strategy:** Creating a business strategy that is driven by the unique dynamics of the Indian market, and reflects an understanding of the customer, market risks and emerging trends in the industry is important.
- **Developing a winning proposal:** The Indian insurance regulator plays a proactive role in granting licenses to new entrants in the Indian market. Insurance players increasingly need to have a strong business plan and other relevant documentation to ensure a smooth regulatory approval process.

Working with KPMG – our approach

KPMG with its deep market understanding of the Insurance industry, extensive experience from strategy development to implementation and skilled resources has developed an approach to help ensure your smooth and rapid market entry. This approach offers a wide range of services from assessing market potential to defining the strategy and making it operational.





Recent assignments in life, non-life, and health insurance

Market Entry Strategy

- Assisted a leading Fortune 25, European insurance company in its entry into the Indian life and non-life insurance markets.
- Advised a leading Japanese non-life insurance company on its India strategy and business plan review.
- Assisted a Germany-based health insurance company on its India strategy, business plan review, and regulatory licensing process.

Partner Search and JV Setup

- Assisted a leading Fortune 25, European insurance company in its entry into the Indian life and non-life insurance markets.
- Advised a leading Japanese non-life insurance company on its India strategy and business plan review.

Regulatory, Tax and Structuring

- Assisted a leading Fortune 25, European insurance company in its entry into the Indian life and non-life insurance markets.
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- Assisted a Germany-based health insurance company on its India strategy, business plan review and regulatory licensing process.

Operationalising the JV

- Assisted a leading Indian life insurance JV company in its IT application portfolio review.
- Assisted a leading Indian non-life insurance JV company in its review of operating model, process improvement, and implementation assistance.

KPMG in India

The member firms of KPMG International in India were established in September 1993. As members of a cohesive business unit KPMG in India responds to a client service environment by leveraging the resources of a globally aligned organisation and providing detailed knowledge of local laws, regulations, markets and competition.

Our range of services includes audit, tax, and advisory services to over 2,000 international and national clients. KPMG has offices in India in Mumbai, Delhi Bangalore, Chennai, Hyderabad, Pune, and Kolkata. The firms in India have access to more than 2,000 Indian and expatriate professionals, many of whom are internationally trained.

KPMG in India brings cross-functional experience and a global knowledge network to assist investors. KPMG's Strategic and Commercial Intelligence practice helps clients evaluate their strategy, validate assumptions, review projections, and execute a winning deal, while managing associated risks. Our global and multidisciplinary approach combined with a holistic understanding of our client's key strategic and operational drivers facilitates the process of assisting our clients in understanding the big picture and evolving a proactive strategic response. As an independent advisor, KPMG works with all the key stakeholders (industry participants/banks/regulators/government and industry associations) and market players (such as private and government insurers and reinsurers, etc.).

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