



Unlocking growth opportunities in India's insurance sector





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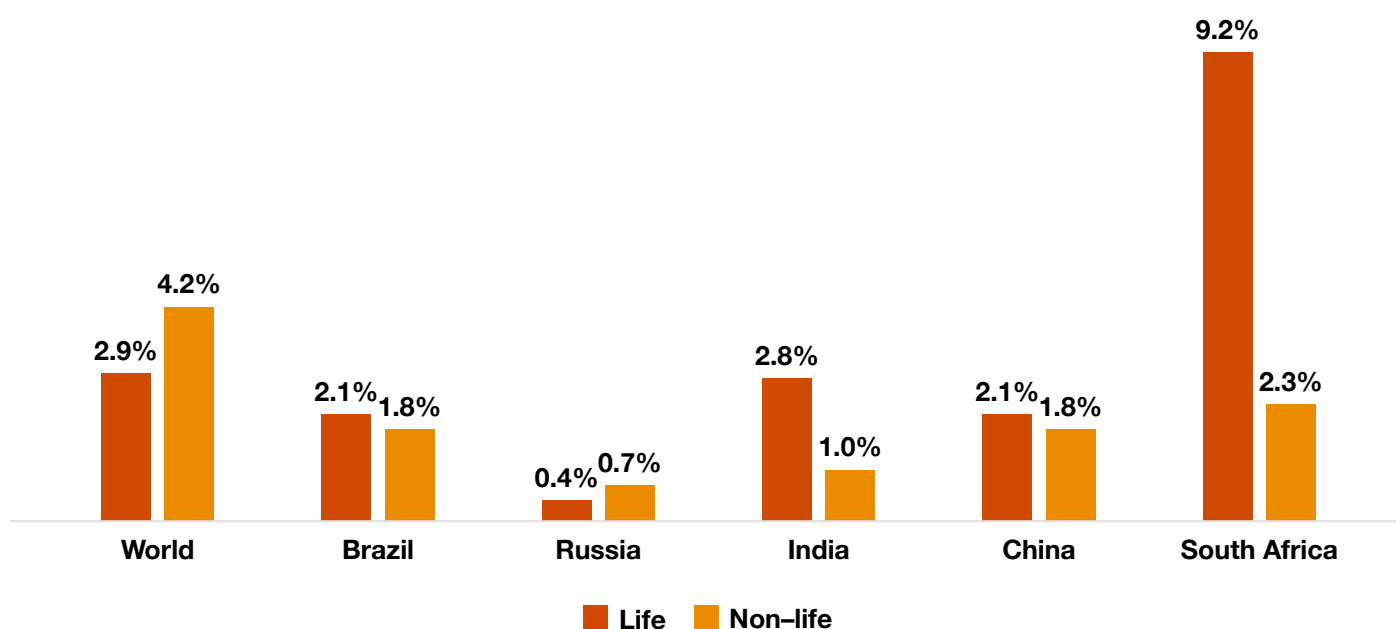
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Introduction

The Indian insurance market is characterised by low penetration and insurance density. A recent study suggests that the overall insurance penetration in India stands at 3.7%, with life insurance at 2.8% and non-life insurance at 1.0%.¹ These figures are notably below the global average, reflecting an opportunity for insurers to develop their customer network and ensure comprehensive coverage. Furthermore, insurance density in India, primarily driven by life insurance, was approximately USD 95 in 2023,² which is merely 10.6% of the world average.³ This scenario reinforces the vast headroom available for insurers in India to expand their reach and ensure growth of the Indian insurance market.

Figure 1: Insurance penetration as a % of GDP



Source: Table D, Summary, Handbook on Indian Insurance Statistics 2023-24
<https://irdai.gov.in/handbook-of-indian-insurance>

1. Table D, Summary, Handbook on Indian Insurance Statistics 2023-24 <https://irdai.gov.in/handbook-of-indian-insurance>

2. Table E, Summary, Handbook on Indian Insurance Statistics 2023-24 <https://irdai.gov.in/handbook-of-indian-insurance>

3. Ibid

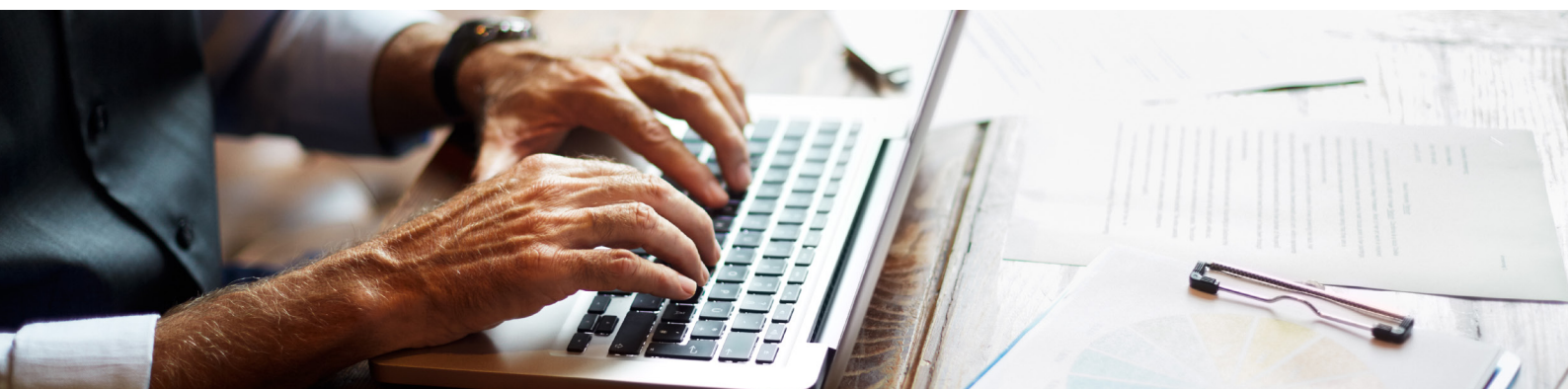
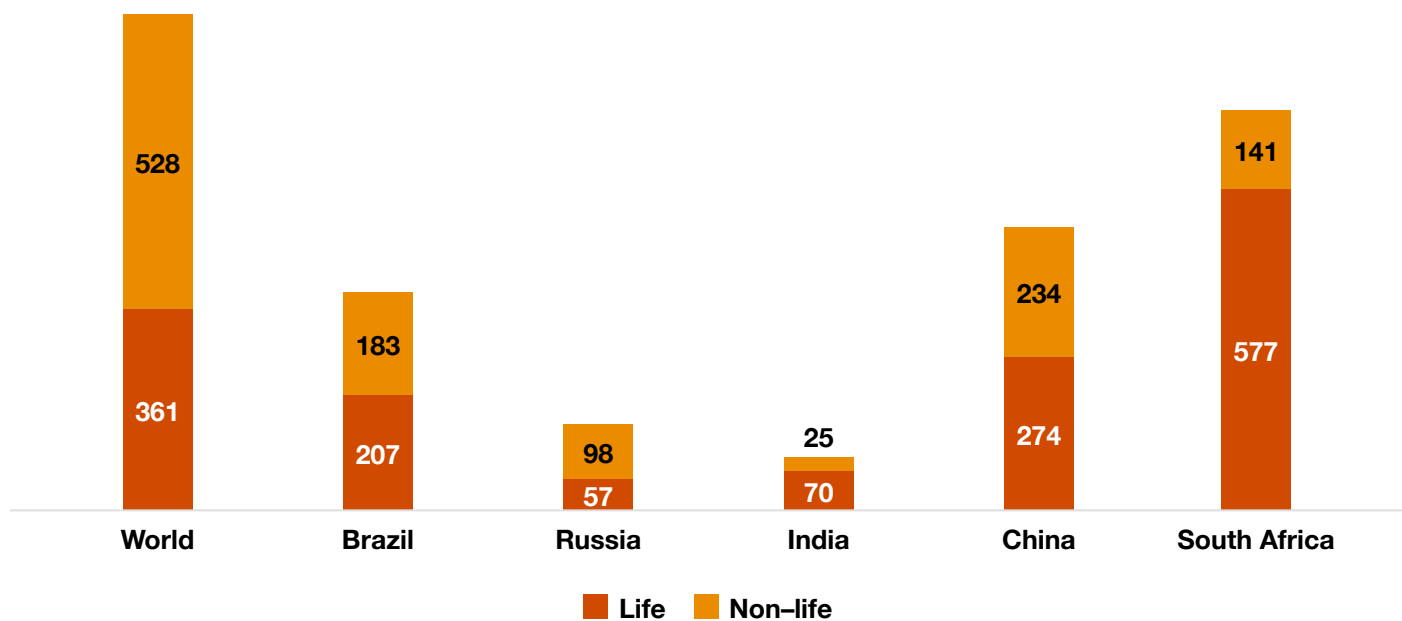




Figure 2: Premium density per capita (in USD)



Source: Table E, Summary, Handbook on Indian Insurance Statistics 2023-24
<https://irdai.gov.in/handbook-of-indian-insurance>

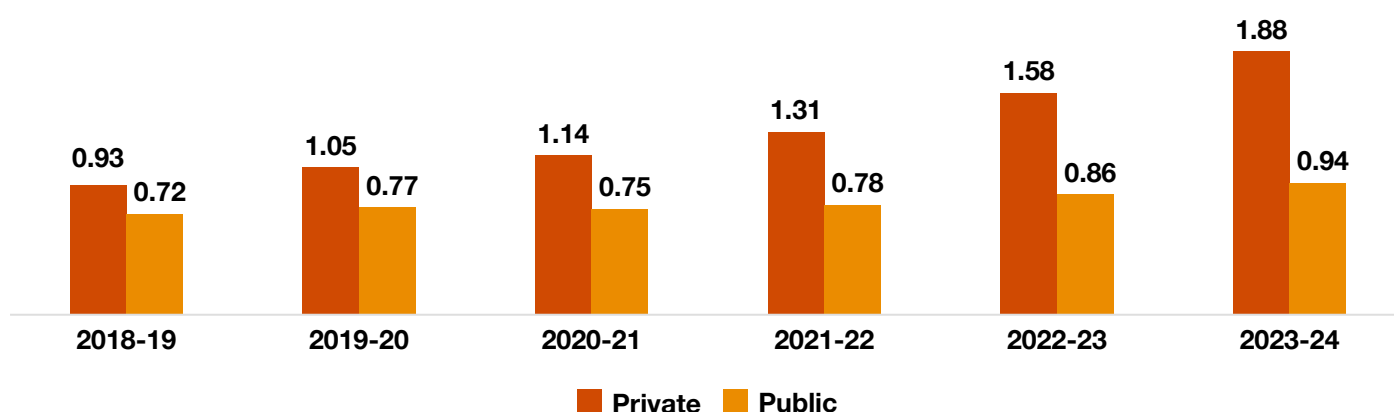
The Indian insurance market consists of a variety of products, including life insurance, health insurance, motor insurance and agriculture insurance along with more targeted offerings such as travel and home insurance.

Innovation and growth trends in non-life insurance

In 2024, the Indian insurance industry witnessed immense growth, especially in the non-life sector which grew by 15%, against a 16.7% increment from 2020–21 to 2022–23⁴, possibly hindered by elevated retail inflation, post-pandemic savings shortfalls and stagnant salaries. Non-life insurance premiums, including health coverage, are expected to grow at an annual average rate of 13–15% in the medium term,⁵ supported by a favourable macroeconomic environment, strong distribution channels, government support and conducive regulatory changes. The health insurance sector, the largest segment, is projected to grow at 12.8% annually from 2024–28,⁶ driven by increased consciousness about health, rising medical costs and initiatives like Ayushman Bharat – a comprehensive health insurance scheme targeting affordable healthcare for millions of underserved citizens.

Motor insurance is expected to grow at 7.9% annually from 2024–28,⁷ driven by a revival in automobile sales, rising incomes and demand for electric automobiles. Similarly, agriculture insurance is predicted to grow at a more modest rate of 2.5% in the medium term,⁸ supported by technological innovation and the government's support in to improve crop insurance infrastructure through initiatives such as Pradhan Mantri Fasal Bima Yojana (PMFBY).

Figure 3: Premium inflows of non-life insurance (in INR lakh crore)



Source: Table 40, Part II, Handbook on Indian Insurance Statistics 2023-24
<https://irdai.gov.in/handbook-of-indian-insurance>



4. Table 40, Part II, Handbook on Indian Insurance Statistics 2023-24 <https://irdai.gov.in/handbook-of-indian-insurance>

5. India non-life insurers face impact from 1/n rule transition: CareEdge | Insurance Asia

6. <https://insuranceasia.com/insurance/in-focus/indian-health-insurance-sector-slated-128-cagr-2028>

7. <https://insuranceasia.com/insurance/news/indias-general-insurance-sector-slated-expand-112-in-2024>

8. Economic Survey 2023-24: Crop insurance to see growth from 2024 onwards, government tech push to boost sector - The Hindu

Some of the recent shifts in the non-life insurance industry are:



Health insurance is surpassing motor insurance

Over the past decade, health insurance premiums grew nearly 400% to INR 93.5 thousand crores,⁹ surpassing motor insurance's 130% growth to INR 77 thousand crores.¹⁰ Evolving customer priorities, growing healthcare expenses and an increasing prevalence of lifestyle diseases are some of the factors contributing to this trend.



Standalone health insurers (SAHIs) are leading the growth in the sector

SAHIs achieved a CAGR of 32%, outperforming private insurers at 22% and public insurers at 14%.¹¹ This growth is fuelled by high persistency rates, pricing power and low loss ratios, making SAHIs a key player in the sector.



Improvement in incurred claims ratio

The non-life insurance sector saw better risk management with private firms maintaining stable ratios (75–80%)¹² and SAHIs operating in a tighter range (55–63%),¹³ except during the COVID-19 pandemic. Public service undertakings (PSUs), though lagging, have demonstrated a positive reduction trend during the past few years. This pattern indicates insurers' growing ability to optimise claims management, contributing to the financial wellness of the non-life insurance sector.



Improvement in key metrics of life insurance

The life insurance sector demonstrated a steady growth rate of 6% in 2024, but this growth rate fell short of the 13% achieved in 2023¹⁴ primarily due to modifications in tax exemption limits for high-value policies. Looking ahead, an annual growth rate of 10% is anticipated from 2024 to 2028,¹⁵ fuelled majorly by growing demand from the middle class and younger demographic segments, as well as the adoption of InsurTech solutions.



9. Table 44, Part II, Handbook on Indian Insurance Statistics 2023-24 <https://irdai.gov.in/handbook-of-indian-insurance>

10. Ibid

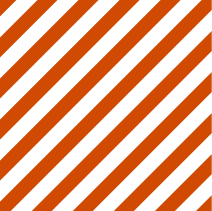
11. Ibid

12. Ibid

13. Ibid

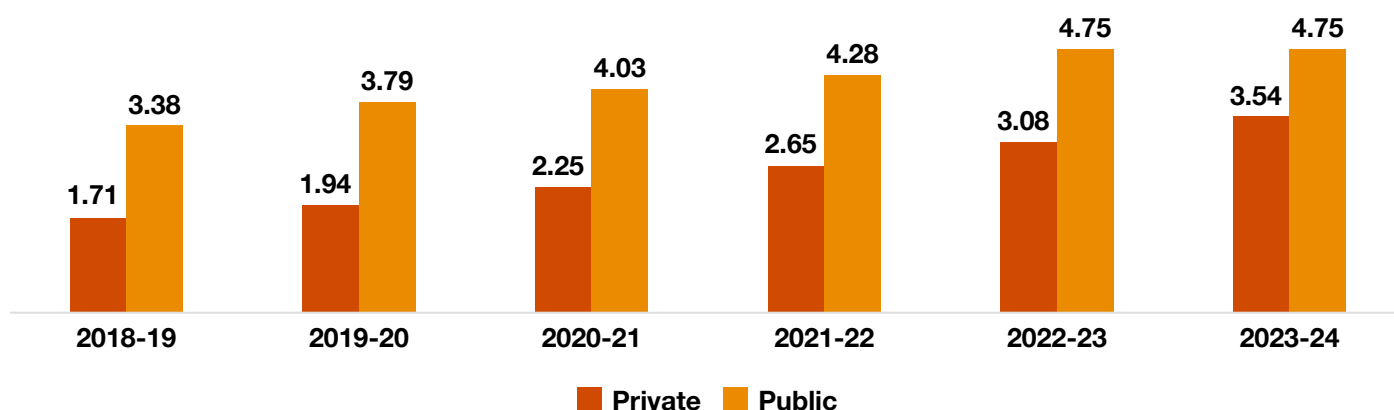
14. Table 2, Part I, Handbook on Indian Insurance Statistics 2023-24 <https://irdai.gov.in/handbook-of-indian-insurance>

15. Ibid



Improvement in key metrics of life insurance sector

Figure 4: Premium inflows of life insurance (in INR lakh crore)



Source: Table 2, Part I, Handbook on Indian Insurance Statistics 2023-24
<https://irdai.gov.in/handbook-of-indian-insurance>

Some of the recent changes in the life insurance market are:



Rising claim settlement ratios boosting customer trust

Private insurers have seen a rise in their individual claim settlement ratio, rising from 97% in 2020–21 to 98.9% in 2023–24, which is slightly better than public insurers' settlement ratio, which was 98.15% in 2023-24.¹⁶ This improvement has bolstered consumer trust, encouraging prospective customers to explore offerings from private insurers as well, especially in Tier 2 and Tier 3 cities where the public insurer was often the sole choice.



Increased persistency ratios enhance loyalty

The 61st-month persistency has also shown improvement. Private insurers have led this change, with persistency rates improving from 21% to 45%¹⁷ over the past decade. This improvement can be attributed to customer-focused strategies, innovative products and proactive customer engagement. Public insurers have seen a steady improvement from 44% in 2015 to 49% in 2024 and, due to the fluctuations over the years, it has even reached 50% in some years.¹⁸

The growth of insurance products in India accentuates a rapidly evolving market that has successfully adapted to cater to varied customer demands. As the industry continues to grow, it is essential to understand the changing demands of the customers which are primarily driven by evolving customer expectations, emerging growth areas and increasing conduciveness of the regulatory frameworks. Together, these factors are setting the stage for the next wave of advancement and pioneering innovations in the Indian insurance sector.

16. Table 15, Part I, Handbook on Indian Insurance Statistics 2023-24 <https://irdai.gov.in/handbook-of-indian-insurance>

17. Table 28, Part I, Handbook on Indian Insurance Statistics 2023-24 <https://irdai.gov.in/handbook-of-indian-insurance>

18. Ibid



Changing customer expectations

As customers become financially aware, their expectations for insurance products and services also evolve. Customers now ask for personalised, simple, transparent and accessible solutions. Technological advancements, socio-economic modifications and cultural trends are reshaping consumers' demands. Therefore, insurance firms must ensure that their growth strategies are aligned with the changing needs and preferences of their clients. If insurers struggle to adapt, they risk stagnation, losing their competitive edge and face impending decline.

With numerous established insurance companies and emerging InsurTech firms, customers now have many options to choose from for their insurance services who can fulfil their needs. Some of the aspects which customers seek in their insurance providers are:



Tailored and personalised product offerings with:

- simple policy terms and conditions including benefits and exclusions
- tailored coverage levels
- availability of multiple insurance offerings within a singular policy
- flexible pricing to accommodate diverse budgetary needs.



Simplified accessibility and convenience through:

- consistent and accurate information, agnostic to the channel of interaction
- self-service models, supported via a suite of interactive tools and resources, be it insurance calculators or comparison charts
- secure touchpoints for customer transactions, increasingly varying cyber fraud
- 24x7 omnichannel customer support.





Quick turnaround times with:

- single window processing with minimal redirection
- streamlined documentation, limited paperwork and reduced administrative hurdles
- transparent claim processing with minimal manual checks
- guaranteed claim approval timelines (e.g. 3 hours for health, 1–2 days for motor/life)
- notification and updates in real-time regarding the status of applications, claims and other requests.



Consistent customer engagement and interaction using:

- personalised communication via e-mails, messages and newsletters
- informative content through mediums such as blogs, webinars and workshops
- periodic updates about existing policy, new product launches, and changes in terms and conditions
- surveys and feedback forms aiming to improve the quality of service based on customer opinion
- rewards in the form of discounts, bonuses, or special offers, to ensure continued partnership.

Changing preferences of customers have underscored the imperative for insurance companies to invest in digitisation to enhance customer service. However, a key challenge for insurers is how these investments can be targeted towards areas which can align with the company's larger objectives. Achieving this alignment requires a balance between both immediate and long-term goals.

Emerging growth avenues

According to a recent survey, merely 30% of people in India's Tier 2 and Tier 3 cities possess insurance policies.¹⁹ These cities are emerging as major growth areas for insurers driven by rapid demographic and socio-economic changes. An expanding middle class, coupled with increasing disposable household incomes and urbanisation, has chosen to increasingly prioritise financial security, driving demand for insurance products. The COVID-19 pandemic highlighted the importance of health and life insurance, with more and more people from these areas seeking insurance coverage. Government campaigns such as Ayushman Bharat Yojana aim to provide health insurance to economically weaker sections while technological innovations coupled with digital adoption are driving market growth. With more than 50% of smartphone sales in Tier 2 and Tier 3 cities,²⁰ and mobile data usage 30% higher than in metropolitans²¹ insurers can increase their presence in these areas via digital platforms, by facilitating access to a wide-range of insurance products, simplifying policy documents and ensuring shorter claim processing timelines.

The establishment of the International Financial Services Centres Authority (IFSCA) at GIFT City, Gujarat, also aims to simplify regulatory processes, enhance global connectivity, and setup India's insurance sector to integrate and compete with international players for servicing the needs of global customers.

Insurers are tailoring product portfolios and distribution strategies to cater to the needs of emerging markets. New-age players are bringing pioneering offerings in health, travel, pet and event coverage to the market. This ranges from flexible health plans and real-time travel assistance to specialised pet insurance policies and event-specific protection. These areas, once considered niche, now aim to address emerging customer needs and add a refreshing touch to the Indian market which is saturated with policies having limited differentiation in areas of traditional coverage.

Although challenges like low penetration and higher servicing costs persist, the headroom for growth is substantial. Insurers can foster financial empowerment and help realise the 'Insurance for all by 2047' vision by leveraging technology and building more extensive distribution networks across channels.



19. <https://www.financialexpress.com/money/insurance-30-people-in-tier-2-3-cities-currently-own-insurance-policies-motor-insurance-most-common-survey-3144935/>

20. <https://telecom.economictimes.indiatimes.com/news/devices/tier-2-beyond-markets-may-drive-smartphone-sales-in-india-this-year/119891987>

21. <https://economictimes.indiatimes.com/industry/telecom/telecom-news/et-graphics-data-usage-in-tier-2-cities-towns-more-than-metro-cities/articleshow/114403669.cms>



Regulatory developments

To support the growth of the insurance sector in India, the Insurance Regulatory and Development Authority of India (IRDAI) has begun a comprehensive regulatory overhaul which intends to create a more conducive environment for insurers to conduct business and innovate. It consolidates 34 existing regulations into six principle-based ones²² and has also introduced two new regulations to ensure simplicity and provide greater clarity. The reforms prioritise setting minimum business obligations for insurers while operating in rural and social sectors, establishing a digital marketplace called the Bima Sugam which streamlines the registration processes for insurers and implements a comprehensive framework for governance. They also emphasise the importance of creating innovative insurance products, supporting foreign reinsurance companies, and adopting prudent risk mitigation practices.

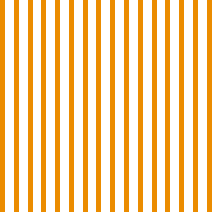
The anticipated regulatory changes signal promising prospects with a focus on growth and innovation. The plan for permitting 100% foreign direct investments (FDI)²³ could attract substantial foreign capital, strengthening the industry's capital base and encouraging innovation as foreign entities could bring in innovative offerings backed by advanced technologies, making the consumer choice rich. Proposed changes in bancassurance and distribution regulations aim to reduce reliance on parent banks, encouraging diversification and independent operation thereby enhancing competition, along with the intent to move towards a principle-based reserving (PBR) which focuses on dynamic reserve calculations, considering future economic conditions and insurer-specific factors like mortality and expenses wherein insurers must hold the higher of reserves calculated using prescribed factors or those considering various future conditions. The push from industry experts and relevant stakeholders for a reduction in Goods and Services Tax (GST) on health and term insurance policies could make policies more affordable, potentially improving insurance penetration. Furthermore, a composite insurance licence could streamline costs, and increase operational efficiency while simplifying compliance for insurers, potentially providing more comprehensive insurance options and lower premiums for consumers.

All changes, implemented or planned, aim to foster innovation, enrich competition, ensure sustainable growth and improve consumer access to insurance products, taking India closer towards achieving its goal of 'Insurance for All by 2047'.²⁴

22. <https://www.thehindubusinessline.com/money-and-banking/insurance-regulator-rolls-out-revised-set-of-regulations/article67983737.ece#:~:text=IRDAI%20has%20replaced%2034%20existing,and%20introduced%20two%20new%20ones&text=In%20a%20significant%20regulatory%20revamp,and%20introduced%20two%20new%20regulations>.

23. <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2098394>

24. <https://irdai.gov.in/web/guest/document-detail?documentId=1624671>



Primary focus areas

Every insurer has a distinct approach towards servicing customers. For insurers to adapt to the rapidly evolving market dynamics and regulatory landscape they must prioritise strategic focus on best practices that improve customer satisfaction and streamline service delivery. To ensure sustainable development while remaining competitive in the ever-changing insurance landscape, companies need to focus on the following strategic growth areas:



Customer-centric process transformation

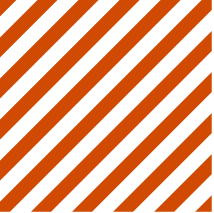
- Simplify the onboarding process for new customers.
- Offer extensive personalisation and customisation.
- Implement greater transparency during the claims settlement process.
- Facilitate easy policy management and renewals.
- Utilise digital content and tools to improve customer engagement and inculcate brand loyalty.
- Ensure proactive communication and assistance to ensure quality customer experience.



Product and service simplification

- Flexible and modular product design.
- Distinctive product features such as usage-based, green insurance, etc. along with value-added services.
- Transparent and easy to understand pricing structures.
- Succinct and simplified policy terms, benefits and conditions.





Delivery model optimisation/expansion

- Easy access and availability of services for the customers.
- Integrate various service channels to offer consistent customer experience.
- Scalable operating model to accommodate growth.
- Data-driven channel strategy to tailor marketing efforts and optimise channel usage.



Embrace digital transformation

- Build user-friendly digital platforms.
- Automation tools to streamline key processes and repetitive administrative tasks.
- Develop digital ecosystems including a robust API strategy to integrate with third-party services and platforms.
- Collaborate with strategic technology partners.
- Ensure scalability and flexibility in operations.
- Robust cybersecurity measures to protect customer data.



Develop an agile workforce

- Flexible work arrangements.
- Use digital collaboration tools to facilitate teamwork.
- Foster a culture of innovation.
- Invest in employee upskilling for future growth.
- Create mentorship programs to facilitate knowledge transfer and professional development.



By implementing comprehensive strategies, insurance companies can be well-equipped to enhance their market penetration and achieve substantial sales growth. These initiatives will help optimise operations while assuredly elevating customer satisfaction. They will also promote innovation and resilience in an increasingly dynamic industry. By implementing these transformations, insurers will be better positioned to cater to the varying needs of customers across segments more effectively and efficiently, thereby sowing the seeds for long-term success and sustainable growth within the Indian insurance sector.

Key considerations

Before implementing any strategic initiatives, it is crucial for insurance companies to meticulously evaluate and consider key considerations which could determine the direction and success of these efforts. These considerations help ensure that the initiatives are well-planned and executed while being tailored to cater to any specific needs and challenges of different insurers. By addressing these elements proactively, insurers can mitigate risks, optimise resource allocation, and achieve their strategic goals more effectively.



Customer-centric process transformation

- Access to the required data and analytics is essential to perceive individual needs and preferences.
- Design products which can fulfil the needs and preferences of various customer segments.
- Build digital tools and platforms to optimise the onboarding process.
- Access KYC and other documents directly from central repositories to ensure a seamless submission process.
- Enhance customer service with 24/7 support and chatbots for routine inquiries.
- Collect and incorporate customer feedback for continuous service improvement.
- Measure the success of personalisation/customisation initiatives and incorporate it back into customer communication to increase customer satisfaction and retention.
- Implement systems to provide customers with real-time updates on their queries, specifically on claims.
- Adopt self-service tools for policy management and renewals.



Product and service simplification

- Offer various choices of customisation allowing customers to mix and match coverage options.
- Identify smaller segments in products and identifying potential areas with headroom for growth.
- Map patterns in customer demand to leverage first mover advantage by prioritising innovation, e.g. pet insurance.
- Enhance technical capabilities for flexible and modular product designs.
- Ensure transparency in pricing models incorporating various influencing factors.
- Optimise costs to maintain competitive and profitable pricing.
- Simplify policy language to make terms and conditions easily comprehensible for customers.





Delivery model optimisation

- Target the right markets and customer segments specific to the insurer.
- Expand their presence in tier 2/3 cities.
- Identify relevant and effective distribution channels (digital, agents, brokers, bancassurance).
- Develop omnichannel experiences that combine self-service and physical touchpoints.



Embrace digital transformation

- Leverage AI and data analytics to further personalise customer interactions to improve risk assessment.
- Balance automation with human involvement in high-value relationships.
- Protect customer data with comprehensive security measures to prevent cyber fraud.



Development of an agile workforce

- Establish necessary IT infrastructure and security protocols to allow flexible working environments.
- Digital collaboration tools to synchronise organisational needs and team dynamics with current systems and workflows.
- Ensure that the sales force is ready for adaptation in compensation, training and processes.





Conclusion

The Indian insurance market is undergoing a transition which presents several opportunities for insurers. However, the key question insurers need to address is how they can capitalise on these opportunities. Rising consumer awareness and increasing regulatory oversight has led to the expansion of the insurance sector in Tier 2 and Tier 3 cities. To leverage this expansion insurers must consider diversifying their product range to accommodate diverse customer preferences and facilitate personalised products, easy accessibility and swift service. They should also focus on adopting an agile, technology led approach and proactive communication to offer customised experiences. By prioritising technology-driven, long-term solutions, insurers can significantly improve customer experiences and make internal operations more efficient. Furthermore, implementation of strategic initiatives with a long-term outlook and a customer-centric approach can foster innovation and ensure adequate preparation to adapt to future trends.



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Data Classification: DC0 (Public)

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AW - April 2024 - M&C 44912