India’s Insurance Sector – Projected Boom and Structural Shifts by 2030

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India’s Insurance Sector News

- India’s insurance industry is poised for substantial expansion, with Gross Written Premiums (GWP) expected to grow by 123% by 2030.
- This development reflects **changing consumer behavior, increasing insurance awareness, and structural transformations** in both retail and institutional segments.
- The insights are based on a joint report by the Insurance Brokers Association of India (**IBAI**) and McKinsey & Company, supported by the IBAI Insurance Insights Survey of 2,500 retail customers.

Growth Trajectory of India’s Insurance Sector

- **Rapid increase in GWP:**
  - **GWP refers** to the total amount of premium revenue an insurer collects from policies issued during a specific period, before any deductions for reinsurance or other adjustments.
  - GWP to grow from **₹11.2 lakh crore in 2024** to ₹25 lakh crore by 2030.

    - This reflects a 123% increase in total insurance premium volume.

- **Rising insurance penetration:** Insurance penetration (ratio of total insurance premiums collected by insurance companies to a country's GDP) to **improve from 3.7% (2024) to 5% by 2030**, closing the gap with the global average of 6.8% (2023).
- **Past performance:** Between FY 2020 and FY 2024, total premiums rose from ₹7.8 lakh crore to ₹11.2 lakh crore, showing strong double-digit growth.

Retail Segment – Divergent Needs and Behaviors

- **Dominance of life insurance:** Retail GWP is expected to reach ₹21 lakh crore by 2030, with over 90% from life insurance.
- **Customer pyramid insights:** 65% of opportunity lies at the two ends –
    - UHNI and HNI (Ultra/High Net-Worth Individuals) with assets over ₹8.5 crore.
    - Mass-market customers (individuals or businesses with relatively similar needs and purchasing power) with basic or first-time insurance needs.
- **Insurance awareness vs. actual coverage:**
    - 60% of HNI/UHNI customers believe ideal cover is 10 times of their salary, but only 30% actually hold such coverage.
    - **Intent-coverage gap** (a period during which an individual lacks insurance coverage) is a major structural issue.
- **Influence on purchase decisions:**
    - **70% HNI/UHNI**: Rely on trusted advisors.
    - **45% mass-market**: Influenced by family and friends.
- **Claims experience:**
    - 50% of HNI+ customers considered switching insurers due to poor claims service.
    - 55% SMEs faced claim rejections.
    - 75% need help with claims paperwork.

Institutional Segment – Emerging Growth Frontiers

- **Non-life insurance dominance:** Institutional GWP to grow 3 times to ₹2.8 lakh crore by 2030.
- **SME segment potential:**
    - Currently contributes approximately 10%, but expected to grow fastest.
    - Half of SME opportunities concentrated in 17 cities and 10 capital-intensive industries: **textiles, automotives, pharmaceuticals, industrial goods**, etc.
- **Structural barriers:** Low intent to purchase due to –
    - Perceived non-necessity.
    - Lack of risk-management knowledge.
    - Margin pressures.
- **Role of regulatory push:**
    - 70% SMEs purchase insurance due to compliance, not voluntary need.
    - Seek advisory support, sector-specific products, and handholding in claims.

Policy and Regulatory Implications

- **Bridging the insurance gap** can support financial resilience and economic stability.
- **The sector offers scope for regulatory reforms**, digital outreach, and inclusive insurance models.
- Focus needed on –
  - Customer-centric innovations.
  - **Simplified claims management.**
  - **Insurance literacy**, especially among SMEs and low-income segments.

India's Insurance Sector

- **Insurance in India** (covers both public and private sector organisations) is listed in the Seventh Schedule of India's Constitution as a **Union List subject**, meaning it can only be legislated by the Central government.
- **The primary regulator** for insurance in India is the Insurance Regulatory and Development Authority of India (**IRDAI**) which is a statutory body established in 1999.
- India is the **fifth largest life insurance market** in the world's emerging insurance markets, growing at a rate of 32-34% each year.
- Over the past nine years, the insurance sector has **attracted substantial foreign direct investment** amounting to nearly Rs. 54,000 crore (US$ 6.5 billion), driven by the government's progressive relaxation of overseas capital flow regulations.
  - **The FDI sectoral cap** in the insurance sector has been revised from 49% to 74% under the automatic route.
  - **The Union Budget 2025** also announced the further increase of FDI sectoral cap for the insurance sector from 74% to 100%. This enhanced limit will be available for those companies, which invest the entire premium in India.
- The insurance industry of India has **57 i**nsurance companies – 24 are in the **life insurance** business, while 34 are **non-life** insurers.
- Among the life insurers, **Life Insurance Corporation (LIC)** is the sole public sector company. There are six public sector insurers in the non-life insurance segment.
- In addition to these, there is a sole national re-insurer, namely **General Insurance Corporation of India** (GIC Re).

Source: IE
