Future of Indian insurance – a story of promise, innovation and collaboration

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Foreword by PwC

Amit Roy
Partner and Leader – Insurance and Allied Businesses
PwC India

As we look ahead to 2047, the vision of 'Insurance for All' becomes not just a dream but an achievable reality. The journey to universal insurance coverage is fraught with challenges yet filled with immense promises. This paper sets the stage for an in-depth exploration of this journey with all its challenges and the concerted efforts to overcome them.

Today, despite growing awareness, a significant protection persists. Over 40 crore individuals – 31% of India's population – lack health insurance. Additionally, an approximate 87% gap in life insurance coverage exists nationwide. For those aged 26-35 years, the mortality protection gap exceeds 90%. With the improving economic condition and health care ecosystem, we are experiencing lower mortality rates and increased longevity. In turn, this is also creating a significant pension gap for the nation.[1]

The situation is equally dire for physical assets. More than 50% of vehicles operate without mandatory third-party insurance, homes remain unprotected and assets are seldom insured.[2] This lack of insurance poses a substantial risk to the financial stability of families, leaving them vulnerable to unforeseen events. By addressing these gaps, we can ensure a more secure and prosperous future for every household in India.

An in-depth assessment reveals that several factors contribute to this gap. A lack of awareness, affordability and trust in insurance products, coupled with the perception that available products are too technical or cumbersome to acquire, inhibits many from seeking coverage. Financial constraints further exacerbate the issue, making insurance seem like a luxury rather than a necessity.

There are specific challenges pertaining to different sectors as well. For example, the agricultural sector is particularly vulnerable. It becomes challenging for insurance companies to offer comprehensive crop insurance due to high fraud rates and absence of digitised land records, which make it difficult to accurately determine land ownership, extent and condition. This results in difficulties in assessing eligibility, calculating premiums and processing claims, making the insurance less effective and reliable for farmers.

1 https://niapune.org.in/uploads/researchreports/NIA%20Report%202023_Enhancing%20the%20Insurance%20Inclusivity%20and%20bridging%20the%20Portection%20Gap.pdf

2 https://www.tribuneindia.com/news/features/50-vehicles-are-uninsured-578704

However, there are sustained efforts by regulators and government initiatives, like Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), to overcome the challenge of low penetration. PMJJBY and PMSBY were launched on 9 May 2015. As on 26 April 2023, these initiatives have 16.2 and 34.2 crore enrolments, respectively.[3] Additionally, regulatory changes are being implemented to create a more transparent and investor-friendly environment. Moreover, Insurtech innovations are playing a crucial role in simplifying insurance processes and making them more accessible.

Technological advancements and policy changes are paving the way for a more inclusive insurance landscape. Initiatives like the National Health Claims Exchange, which streamlines the insurance claims process, and digitisation efforts such as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme demonstrate how technology can reach the country's remotest corners. The ease of doing business has significantly improved with the advent of the Unified Payments Interface (UPI), making transactions seamless and efficient.

Integrating financial and risk awareness into all aspects of life and advocating for the inclusion of these concepts in academic curricula can play a pivotal role in enhancing trust. A skilled talent pool needs to be built while fostering a positive image for the insurance industry to ultimately enhance insurance penetration.

This paper aims to deep dives into these aspects, offering insights and possible solutions to realise the vision of 'Insurance for All'. We envision an insurance landscape where insurance is accessible, affordable and trusted by all. We invite you to join us on this journey, as we explore how we can insure every household, every asset, and every life by 2047.

3 https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1922622#:~:text=Sitharaman%20said%20that%2016.2%20crore,13%2C290%20crore.

Foreword by ASSOCHAM

Taranjit Singh
Chairman
ASSOCHAM Eastern Region

India is one of the fastest growing economies, with its population exceeding 1.3 billion. Concurrently, India's insurance sector is undergoing rapid growth and is projected to reach a market size of USD 280 billion by 2025, driven by a robust compound annual growth rate (CAGR) of 12-15%. Some factors leading to this growth are increasing awareness and rising disposable incomes.

Nonetheless, the industry faces significant challenges, particularly concerning to the low penetration rates. Policymakers have identified several challenges, including limited awareness, complex product understanding, affordability issues, trust deficits, delayed claim settlements and insufficient distribution channels. These challenges must be addressed for the industry's continued expansion.

A comprehensive approach is required to address the low protection gap, given India's vast geographic and demographic diversity. The vision of universal insurance coverage by 2047 aims to ensure that every citizen has adequate life, health and property coverage, along with comprehensive insurance solutions for enterprises.

Achieving these goals requires a supportive and progressive regulatory framework that fosters a competitive environment, enhancing choice, accessibility and affordability for policyholders. The Insurance Regulatory and Development Authority of India (IRDAI) has already implemented significant measures to enhance insurance awareness and accessibility to create a transparent and collaborative ecosystem.

This report by ASSOCHAM and PwC offers valuable insights and perspectives, enabling stakeholders to build future-ready businesses and contribute to the sector's sustainable growth.

Introduction

Through its vision 2047, the Insurance Regulatory and Development Authority of India (IRDAI) aims to achieve 'Insurance for All' by focusing on strengthening the insurance ecosystem, promoting innovation, and ensuring comprehensive insurance coverage to every citizen and enterprise.

This paper explores the following five key focus areas outlined by IRDAI:

1. Ensuring that insurance products meet the diverse needs of different customer segments, thus providing suitable and comprehensive coverage.
2. Establishing efficient and effective redressal mechanism for addressing policyholder grievances, thereby building trust and reliability in the insurance process.
3. Simplifying business operations and processes within the insurance industry, thereby making it easier for insurers to operate within the sector.
4. Aligning regulatory frameworks with current market conditions.
5. Promoting innovation, competition, and efficient distribution by incorporating technology and shifting towards a principle-based regulatory approach.

The paper also examines the current challenges and future directions within the insurance sector, addressing the three main pillars of the ecosystem: insurance customers (policyholders), insurance providers (insurers) and insurance distributers (intermediaries).

Our analysis will be framed through the perspective of innovation, regulatory changes and technological advancements. We will delve into how these dimensions significantly impact the primary stakeholders across the five focus areas identified by IRDAI.

Providing the right products for the right customers at the right price

If we look at the rural and urban segment, rural India clearly scores significantly low on the protection quotient scale, with life insurance ownership significantly lagging behind urban areas. Only 22% of the rural population has life insurance coverage, compared to 73% in urban India[4].

Addressing demographic and economic variations is essential to ensure that insurers can provide the right products to the right customers.

Understanding regional aspects allows insurers to tailor products to specific customer needs, enhancing adoption and financial inclusion. Different regions exhibit varying financial literacy levels and preferences for insurance types. By catering to these unique regional characteristics, insurers can offer the right products to the right customers, driving market growth and customer satisfaction.

Region in Focus - East India[5]

1. The east zone is the least financially protected region in urban India, with a protection quotient of 39 that is even lower than the national average of 43.
2. The region has lower security levels compared to other zones. Kolkata is the least financially protected metro city in India.
3. Despite anxieties surrounding financial well-being, luxury expenses in the East zone have bounced back with savings and investments taking a backseat.
4. While life insurance ownership in the East zone is better than the national average, the region lags on the overall knowledge index.
5. The uptake of term insurance products also remains low, while savings products continue to be preferred.

4 https://bfsi.economictimes.indiatimes.com/news/insurance/stark-urban-rural-divide-in-life-insurance-rural-india-worried-about-depleting-savings-survey/98901808

5 https://www.maxlifeinsurance.com/content/dam/corporate/press-release/pdfs/2022/Website%20filing_Women%20survey%20findings.pdf

6. High premiums and operational concerns are identified as barriers to term insurance ownership in the East zone.
7. Notably, the East zone has the highest Retirement Index score of 52, indicating a strong focus on retirement planning.
8. Meanwhile, the rise in the Health Index rising from 46 to 50 demonstrates that the urban population has the highest commitment to health and fitness.
9. Additionally, a Financial Index score of 53 indicates a stronger financial security of the zone's urban population for their retirement years.
10. Compared to the national averages, East India has the highest percentage of health and life insurance ownership at 47% and 86%, respectively.
11. The East zone also has a significant uptake of the National Pension Scheme (NPS) and Pradhan Mantri Vaya Vandana Yojana (PMVVY).
12. The East zone shows a significant shift in awareness levels and perception about retirement savings, with a higher percentage believing in early retirement planning and financial prioritisation.

To effectively increase insurance penetration in diverse regions across India, stakeholders need to consider the various dimensions that impact consumer behaviour and access to insurance products. Targeted strategies across various dimensions can help develop more inclusive and accessible insurance solutions. The following table outlines key considerations and possible directions to enhance insurance penetration across these dimensions.

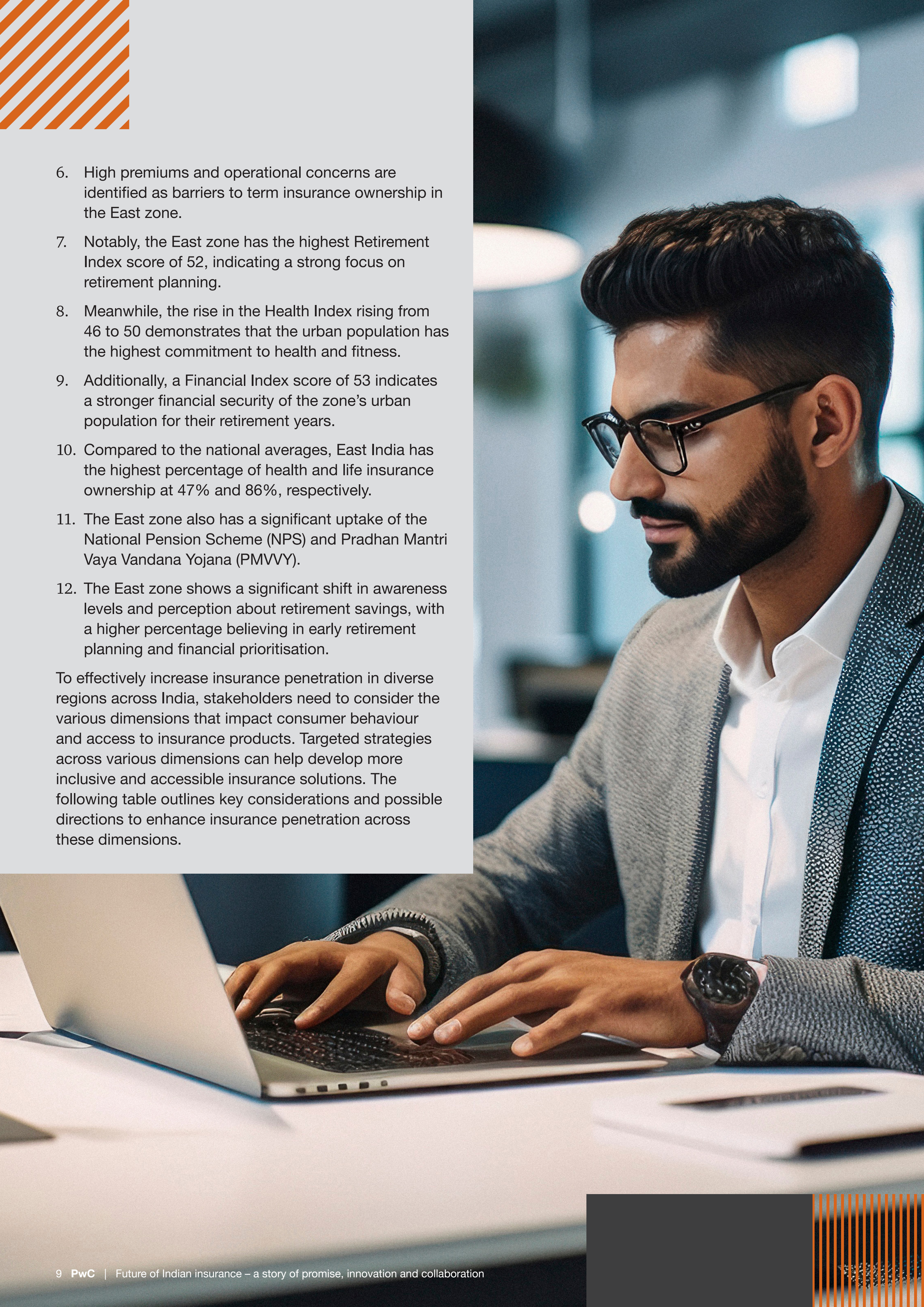

Table 1: Dimensions to be considered for increasing insurance penetration and the possible ways forward

Dimensions to be considered for increasing insurance penetration	Possible way forward
Population size and diversity: India's large and diverse population makes it difficult to design uniform insurance products.	Develop region or culture-specific insurance products that cater to local needs and conditions. Leverage data to understand demographic-specific risks and preferences better.
Urban-rural divide: Insurance penetration is significantly higher in urban areas compared to rural regions.	Enhance the reach of insurance services in rural areas through mobile technology and maximise the enablement of local agents. Develop micro-insurance products that are affordable and suited to rural needs.
Age distribution: Younger populations may not prioritise insurance; older populations may face higher premiums or denial of coverage. **Income levels:** Low-income groups may not have sufficient disposable income to spend on insurance products.	Create products that are attractive to younger demographics. Short-term specific sachet products offer micro-duration insurance tailored to cover immediate needs such as travel, health or electronics protection. Embedded insurance directly integrates coverage into products or services at the point of sale, providing seamless and instant protection. Products designed for covering short-term equated monthly instalment (EMI) gaps, job loss, or seasonal income fluctuations ensure financial stability for young individuals, effectively addressing their dynamic and uncertain economic conditions. For older populations, offer tailored plans that consider their specific health and financial conditions. 'Case in focus - Many insurance companies have already started focussing on micro-insurance products with low premiums and flexible payment options. The government is also subsidising premiums for low-income households through various initiatives like PMSBY, PMJJBY, and Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana (PM-JAY)'
Employment type: A large portion of the workforce is employed in the informal sector, which often does not provide employer-sponsored insurance.	Promote voluntary insurance schemes for informal sector workers. Develop group insurance policies for communities or cooperatives where informal workers are involved.
Cost of insurance: High premiums and additional charges deter potential policyholders.	Use technology to reduce operational costs and pass on the savings to consumers. Implement risk-based pricing to ensure fair premiums. Offer flexible premium payment options to accommodate varying financial capabilities.
Regulatory environment: Complex regulatory requirements can deter market entry and increase operational costs.	The simplification of regulatory processes and reduction in compliance cost can increase insurance penetration. Blockchain provides an immutable ledger where every transaction is recorded transparently. Regulatory bodies can access real-time data, which improves compliance and monitoring. Through blockchain, different financial institutions can share data seamlessly without the need for intermediaries using smart contracts. New products can be developed that rely on shared data, such as micro-loans, peer-to-peer lending and insurance products tailored to specific community needs.

Distribution channels: Limited and inefficient distribution channels in remote areas.	To enhance insurance coverage in rural India, leveraging venues like market yards, panchayats, banking correspondences and ration shops is crucial. These locations are integral to daily rural life and can serve as effective distribution points for insurance products. Collaborating with policymakers can facilitate this approach, making insurance more accessible and creating vital employment opportunities. Additionally, elevating the image of insurance agents and acknowledging their role in financial security can help make it a respected profession in these communities. Case in focus - The partnership between a leading insurer and an automobile company increases insurance distribution by offering motor insurance premium waiver along with hospicash to its customers in its health insurance product, making insurance more accessible and appealing to a broader customer base, thereby expanding market reach.
Product relevance and customisation: Standardised products may not meet the needs of various demographic and economic segments.	Use customer feedback and data analytics to design customised insurance products. Develop modular insurance plans that allow policyholders to choose specific coverages based on their needs.
Cultural factors: Cultural attitudes towards risk and traditional methods of ensuring financial security can influence insurance product adoption.	Incorporate cultural nuances into marketing and educational campaigns, particularly girl child education. This leads to increased insurance penetration through economic empowerment and informed decision-making.

Source: PwC analysis

Addressing insurance penetration challenges in India requires a multi-pronged approach that combines financial education, technology, regulatory support and community engagement. By tailoring products and services to the specific needs of different demographic and economic segments, and building trust and awareness, the Indian insurance can achieve deeper and more meaningful penetration.

Leading global insurers offering tailor-made products and services

A leading global insurer in Singapore is focusing on providing customer centric policies and solutions. By using robotic process automation (RPA), it provides an electronic mode of policy document distribution enabling the quick resolution of customer requirements. It focuses on analysing unique risks and requirements of different industries to offer tailor-made products for customers.

A global insurer has rolled out its new virtual health payment cards with the aim of simplifying the claims process for customers regarding the time taken and administrative work required to file a health insurance claim.

Customer Centricity

Achieve customer centricity by ensuring deep engagement across the policyholder's journey, thereby, build trust in the process

Keeping customer centricity at the core, this paper analyses the entire insurance value chain and pain points for customer experience and possible mitigation plan for the same.

Table 2: Customer centricity: Pain points

Customer acquisition	Customer servicing	Claims management
Lack of clarity in terms and conditions: Policy documents contain complex jargon, making it difficult for policyholders to understand the coverage and exclusions.	**Insufficient customer support:** During onboarding and policy servicing, inadequate support from insurers leads to frustration.	**Lengthy claim processing time:** claim settlement process takes a long time, causing dissatisfaction among customers.
Lengthy approval processes: Onboarding process is time consuming, leading to delays in policy issuance.	**Self service:** Customers are looking for self-service assistance on digital platforms to quickly resolve some policy servicing issues.	**Low claim settlement ratios:** Some insurers have low claim settlement ratios, raising concerns about their reliability in fulfilling claims. Additionally, fraud prevention measures lead to legitimate claims being delayed.

Source: PwC analysis

Together, this leads to trust issues among customers, lack of transparency and reliability issues.

The possible mitigations for these problem areas or gaps could be the following:

1. Technology innovations

- **Predictive analytics:** Anticipate customer needs and streamline processes based on data-driven insights.
- **Implementing smart contracts:** Automating claims processing and reducing time where preconditions are met.
- **Simplified onboarding:** Digital KYC processes can streamline customer verification, making onboarding faster and easier.
- **User-friendly interfaces:** Mobile apps provide intuitive interfaces for easy policy management and claims submission.
- **Behaviour-based pricing:** In motor insurance, telematics can assess driving behaviour and adjust the premium accordingly, enhancing transparency and trust.

2. Insurtech innovations

- **Disruptive models:** Insurtech startups are introducing innovative products and streamlined processes that challenge traditional models, often leading to improved customer experiences.
- **Customised products:** Enable tailored insurance solutions that better fit individual customer needs.

Insurers' ease of doing business

Create a business-friendly environment for existing and new insurers

Insurance penetration and coverage are major indicators of the economic growth. A direct relationship exists between a country's GDP and the number of insurance companies operating within it. As the economy grows, indicated by a higher GDP, the complexity and volume of assets increase, leading to a greater need for protection through insurance. Consequently, a higher number of insurance companies are required to meet the demand for coverage. For example, the United States, with the highest GDP, has the most insurance companies, while countries with smaller GDPs have fewer insurers. This trend demonstrates that economic growth drives the expansion of the insurance market to safeguard the increasing assets and economic activities. To support and sustain its economic growth, India needs to increase the number of insurance companies to enhance competition, improve service quality and expand coverage.

India is rapidly becoming a viable market for insurance companies, as the growing middle class of the nation, increasing income levels, and proactive government initiatives are contributing in the development of a sustainable and profitable environment for the sector. With digital technology advancements and supportive regulatory frameworks, the insurance sector is set for robust growth.

The Indian Government's ongoing regulatory reforms and economic initiatives aim to streamline operations and drive growth for insurers, making India an attractive investment destination. The country's strong macroeconomic fundamentals—marked by a large and growing market, youthful workforce, and steadfast policy focus on education and upskilling—further enhance this appeal.

As insurers work to improve the ease of doing business, three critical elements are leading this transformation: the Unified Payments Interface (UPI), pay-as-you-go (PAYG) models and InsurTech partnerships. These innovations are not only simplifying transactions but also enabling more flexible and customer-centric insurance solutions.

Impact of UPI on insurance transactions

The introduction of UPI has revolutionised the financial landscape in India, offering a seamless and efficient payment mechanism. For insurers, UPI provides several benefits that significantly enhance customer experience and operational efficiency:

- **Instant payments:** UPI enables real-time transactions, reducing the time taken for premium payments and claim disbursements. This speed builds trust and satisfaction among policyholders.

- **Cost-effective:** The low transaction costs associated with UPI help insurers reduce operational expenses, allowing them to pass on the benefits to customers through lower premiums.
- **Accessibility:** With UPI's wide adoption, customers across urban and rural areas can easily make insurance-related transactions, broadening the reach of insurance products.

PAYG model

The PAYG model is another innovative approach that is gaining traction in the Indian insurance market. This model offers significant advantages to both insurers and policyholders:

- **Usage-based premiums:** Under the PAYG model, premiums are calculated based on actual usage or risk exposure. This approach is particularly beneficial for products like motor insurance, where premiums are linked to the kilometres driven.
- **Customer-centric:** PAYG aligns with the financial capabilities and needs of policyholders, offering flexibility and affordability. Customers can adjust their coverage based on changing circumstances, making insurance more accessible and attractive.
- **Enhanced risk management:** Insurers can better manage risk by closely monitoring usage patterns and adjusting premiums accordingly. This leads to more accurate pricing and reduces the likelihood of fraudulent claims.

InsurTech partnerships: Driving innovation and efficiency

Insurtech partnerships are transforming the traditional insurance landscape by introducing cutting-edge technology and innovative solutions. These collaborations offer multiple benefits:

- Setting up a new insurance business has been easier as InsurTechs are providing end-to-end platforms from acquisition to distribution and claims. The traditional way of building core operational infrastructure is becoming redundant, thus, reducing the overall time to market.
- **Enhanced customer experience:** InsurTech firms bring advanced technologies, such as artificial intelligence (AI), machine learning (ML), and blockchain, which streamline processes and enhance customer service. For instance, AI-powered chatbots can provide instant assistance and process claims more efficiently.
- **Data analytics:** Partnering with InsurTech companies allows insurers to leverage big data analytics for better risk assessment and personalised product offerings. This leads to more accurate underwriting and targeted marketing strategies.
- **Operational efficiency:** Automation and digital solutions introduced by InsurTechs help insurers reduce manual interventions, leading to faster processing times and lower operational costs. This efficiency translates into better service for customers and improved profitability for insurers.

Regulatory changes in India

Insurance regulatory reforms and government initiatives: Boosting penetration and market appeal

As IRDAI progresses towards the vision of universal insurance coverage by 2047, the insurance industry need to address the evolving needs of our society and enhance the robustness of our insurance frameworks. The recent regulatory frameworks introduced by IRDAI represent significant strides in this direction. This section outlines some crucial regulatory changes and their anticipated benefits, setting a clear path towards achieving comprehensive insurance coverage for every citizen.

Table 3: Regulatory reforms

Notable aspects for better simplification and adoption of insurance	Recent regulatory changes	Benefits
Introduction of flexible policy durations	Customers can now have flexible policy durations. Policy tenure can be annual, less than a year or even more than a year. This flexibility provides more options to cater to individual needs.	The flexibility in policy duration will empower customers by offering tailored options that cater to their unique needs and preferences, enhancing overall satisfaction, and making insurance more accessible and user-friendly.
Streamlined claim settlement process	Tech-based allocation of surveyors to be done within 24 hours of the reported claim according to the General Insurance Council. Reports must be submitted in 15 days by the surveyors and decision on the claims shall be made within 7 days. Additionally, IRDAI mandates quick claim settlements, requiring insurers to approve cashless claims within an hour and authorise hospital discharges within three hours.[6]	This accelerated timeline shall help in promoting customer satisfaction by reducing the delay in claim settlement.
Age limit flexibility	The age limit for purchasing health insurance has been removed by IRDAI effective from 1 April 2024. Previously capped at 65 years, individuals of any age can now acquire new health insurance coverage, marking a significant shift in India's insurance landscape.[7]	This inclusive strategy fosters a healthier society by allowing individuals to obtain necessary medical coverage without any age-related restrictions, highlighting a positive and progressive change in India's insurance landscape.
Reduction in the waiting period for coverage of pre-existing conditions	Insurance companies can no longer reject policies for individuals with critical medical conditions, such as heart or a renal failure, cancer and acquire immuno-deficiency syndrome. The waiting period for covering pre-existing conditions has been reduced from 48 months to 36 months, after which all pre-existing conditions must be covered, even if not initially disclosed.[8]	This change provides hope and security for those with pre-existing conditions, ensuring that they have access to the care and support they need without prolonged delays.

6 https://www.google.com/amp/s/m.economictimes.com/wealth/insure/motor-insurance/motor-insurance-rule-change-no-arbitrary-claim-rejection-quicker-claim-settlement-pay-as-you-drive-options-must-says-irdai/amp_articleshow/110907614.cms

7 https://www.google.com/amp/s/www.livemint.com/insurance/health-insurance-for-senior-citizens-how-the-no-age-restriction-new-rules-will-benefit-the-elderly-explained-irdai/amp-11714811264494.html

8 https://www.google.com/amp/s/m.economictimes.com/wealth/insure/health-insurance/3-changes-in-health-insurance-claim-rules-to-help-consumers-reduced-waiting-period-for-pre-existing-diseases-moratorium/amp_articleshow/109315842.cms

Notable aspects for the simplification and adoption of insurance	Recent regulatory changes	Benefits
Corporate governance	As per IRDAI, insurance companies need to get prior approval for appointing their board's chairperson. Current chairpersons have a deadline until 31 March 2026, or the end of their current terms, whichever comes first.[9]	As per the new corporate management rules, IRDAI has prohibited conflicts of interest in key management positions. The senior management positions cannot hold both business and control functions. Two or more control positions cannot be held by an individual as per IRDAI.
Changes in surrender value	IRDAI published a new regulation on surrender value of insurance policies:[10] 1. If the policy is surrendered in the second year, 30% of total premium will be paid. 2. If the policy surrendered in the third year, 35% of total premium will be paid. 3. If the policy is surrendered between the fourth and seventh year, 50% of total premium will be paid. 4. If the policy is surrendered during the last two years, 90% of total premium will be paid. However, surrender values will be given for life insurance policies that are not single premium made on condition that the insurance premium is paid for at least two years in succession.	These regulations ensure that policyholders receive a fair and significant portion of their total premiums back, depending on the year of surrender. The structured approach, with increasing percentages from the second year to the last two years, provides clarity and assurance for policyholders, enhancing their confidence in the insurance system.

Source: PwC analysis

9 https://www.gicouncil.in/news-media/gic-in-the-news/irdai-introduces-new-corporate-governance-regulations-for-insurers/#:~:text=Existing%20Chairperson%20have%20been%20given,competent%20authority%2C%E2%80%9D%20IRDAI%20said.

10 https://www.financialexpress.com/money/insurance-irdai-norms-on-surrender-value-to-be-effective-april-1-heres-how-it-will-impact-policyholders-3437314/

Table 4: Regulatory initiatives

Notable aspects for better simplification and adoption of insurance	Recent regulatory changes	Benefits
Bima Sugam	During its 125th board meeting, IRDAI approved the electronic insurance marketplace, Bima Sugam, along with seven other regulations. This platform will help the customers in identifying the best possible insurance policy by comparing it with other insurance companies.	The platform will act as a one stop solution for all entities in the insurance value chain, including customers, insurers, intermediaries and agents. It helps foster transparency, enhance efficiency and promote collaboration throughout the entire insurance value chain.
Swasthya Sathi	The Swasthya Sathi scheme, launched by the Government of West Bengal in December 2016, provides comprehensive health insurance coverage to families in the state. As of 2024, the scheme covers approximately 2.5 crore individuals across 50 lakh families. 1. Swasthya Sathi is to be extended to around 22 lakh migrant workers from West Bengal working in other states so that they can get free treatment in those states. 2. The West Bengal state health department has recently issued an advisory to district authorities and hospitals across the state to conduct a medical audit if any patient is admitted to a hospital for more than 10 days under Swasthya Sathi. To prevent any fund leaks and false claims, the state government has set up a monitoring team led by an anti-fraud official.	1. Migrant workers can avail themselves of initial admission to a hospital near their workplace. They can shift to one in West Bengal after stabilisation in case of prolonged treatment. 2. This step has been taken to reduce the misuse of Swasthya Sathi cards. There have been issues of malpractice, such as generation of addition bills in the past.
National Health Claims Exchange (NHCX)	The NHCX is a government-developed centralised platform designed to simplify insurance claims processing. Currently, approximately 33 major insurance companies are participating in the NHCX platform. It serves as a hub for the seamless exchange of claims-related information among all parties involved, including payers (insurers, third-party administrators and government scheme administrators), providers (hospitals, laboratories and polyclinics), beneficiaries and other relevant entities.	By integrating data from various healthcare providers, insurers and patients, NHCX enhances the efficiency and transparency of claim settlements. It reduces administrative burdens, accelerates claim approvals, and minimises errors, leading to quicker reimbursements and improved patient satisfaction. Additionally, NHCX's robust analytics capabilities offer valuable insights for healthcare policy and decision-making, ultimately fostering a more efficient and responsive healthcare ecosystem.

Source: PwC analysis

https://helpline.swasthyasathi.gov.in/AboutTheSchme.aspx

https://timesofindia.indiatimes.com/city/kolkata/west-bengal-government-to-start-swasthya-sathi-for-22-lakh-migrant-workers-soon/articleshow/110810396.cms

https://m.economictimes.com/industry/banking/finance/insure/at-least-33-major-health-insurance-companies-join-govts-centralised-claims-related-info-exchange/articleshow/111757271.cms

The growth-focused Budget 2024 is expected to positively impact the insurance sector via the following:

- increasing demand for surety bonds in infrastructure projects.
- boosting the need for crop insurance and agricultural products.
- enhancing farming processes in agriculture and aquaculture, potentially leading to greater profitability for the insurance industry.
- creating opportunities for specialised insurance products in emerging sectors, such as renewable energy.

Additionally, the following regulatory reforms will directly impact the insurance sector in near future.[11]

1. Tax deducted at source (TDS) rate cut for life insurance

Regulatory change:

Under section 194DA of the Income Tax Act, a 5% TDS is deducted on the income portion of life insurance payouts, excluding amounts exempt under section 10 (10D) of the Act.

This change is effective from 1 October 2024.

Impact:

Reducing the TDS rate to 2% will increase upfront payouts, making life insurance more attractive and improving liquidity for recipients.

2. Amendment to clarify various activities in the insurance sector as neither a supply of goods nor services

Regulatory change:

An amendment to Schedule III of the Central Goods and Services Tax (CGST) Act, introduces Paragraphs 8 and 9 to clarify that specific activities in the insurance sector are neither a supply of goods nor services. These activities include:

- The apportionment of co-insurance premiums by the lead insurer to co-insurers under a co-insurance agreement.
- Services provided by insurers to reinsurers regarding ceding or re-insurance commissions.

Impact:

These provisions will apply subject to certain conditions, potentially simplifying the tax treatment of these specific insurance activities and reducing compliance complexity for insurers and reinsurers.

3. Inadmissibility of non-business expenditure by life insurance companies:

Regulatory change:

It is proposed that any expenditure not admissible under section 37 of the Act for computing the profits and gains of a business will be added to the profits and gains of the life insurance business.

Impact:

This change will increase the taxable income of life insurance companies by including non-business expenditures that were previously non-deductible. Consequently, life insurance companies may face higher tax liabilities.

The IRDAI’s regulatory changes are crucial in advancing the insurance sector towards the vision to achieve insurance for all by 2047. The introduction of flexible policy durations, expedited claims processes, elimination of age limits and reduction in waiting periods for pre-existing conditions significantly enhance the accessibility and reliability of insurance products. Improved corporate governance and initiatives, like Bima Sugam, foster greater transparency and efficiency within the sector. These measures collectively provide a strong foundation for the comprehensive financial protection for all citizens. The impact of these reforms is far-reaching, promoting a resilient insurance landscape that caters to the diverse needs of India’s population.

Technology enablers

Riding on the technology and innovation wave to provide robust support to the sector

Technology enablers in the insurance industry have greatly improved customer onboarding, servicing and claims processing. Digital platforms and AI-driven tools streamline onboarding by simplifying applications

11 https://www.indiabudget.gov.in/doc/budget_speech.pdf

and risk assessments. Customer service is enhanced through AI-powered chatbots, self-service portals, and personalised communication, allowing for easy management of policies. Claims processing benefits from automated systems, real-time tracking, and fraud detection algorithms, making the process faster and more transparent. These advancements enhance customer satisfaction and operational efficiency for insurance providers. Some of the technological trends which will continue to impact the insurance sector are:

AI and ML

- **Personalised onboarding:** AI can tailor the onboarding experience based on customer profiles, guiding them through relevant products and processes.
- **Claims automation:** AI algorithms can assess claims quickly by analysing submitted documentation and data patterns, reducing processing time.

A leading digital insurer in China has deployed AI technology in the whole process of car insurance claims settlement, including initial reporting, loss handling, submitting digital pictures and loss assessment. They have adopted AI image recognition technology to process loss assessment with a high accuracy rate. They also use face recognition, using which compensation can be received in seconds.

A leading global insurer uses deep learning models to predict significant traffic accidents. This aids in better price optimisation and claim cost reduction.

Generative AI

Generative AI is revolutionising insurance by improving risk assessment and underwriting with advanced data analysis, enhancing customer interactions through personalised and automated services, and streamlining claims processing with efficient, AI-driven decision-making. This leads to greater operational efficiency, reduced costs and innovative insurance offerings.

A global insurance company operating across the world uses Gen AI in a multifaceted role. It is used to promote customer service and efficiency in operations. Intelligent assistants available for 24/7 are used to answer queries related to underwriting and risk appetite. Smart tools are utilised in the underwriting process for risk assessment and pricing with greater accuracy. Generative AI is also used to streamline back-office operations and claims management.

Blockchain

- **Transparent transactions:** Blockchain ensures secure and transparent record-keeping, which can help in verifying claims and reducing fraudulent activities.
- **Smart contracts:** Blockchain can automate claim payouts when predefined conditions are met, streamlining the process.

A leading insurance company in the US leverages blockchain technology to provide efficient, affordable and hassle-free insurance services. The blockchain based technology evaluates weather risks and employs smart contracts to automate claims based on rainfall data, ensuring that farmers receive protection against climate events such as droughts and floods.

The Internet of things (IoT)

- **Risk assessment:** IoT transforms insurance by providing real-time data for accurate risk assessment, personalised policies, pricing and product recommendations. It enhances claims processing and fraud detection through automated reporting and verification. Additionally, IoT enables proactive loss prevention and improved customer engagement, leading to more efficient and tailored insurance services.

A leading insurer in the United States combines IoT and predictive analytics to anticipate and mitigate risks. Through IOT devices, they continuously monitor environmental factors and can predict potential property damage. This approach enables them to offer personalised premiums and help policyholders avoid costly incidents.

Telematics

- **Behaviour-based pricing:** In motor insurance, telematics can assess the driving behaviour and adjust premiums accordingly, enhancing transparency and trust.
- **Instant claim validation:** Telematics data can provide immediate evidence in the event of an accident, expediting claims processing.

A global insurance company is using the concept of usage-based insurance. By using ML and telematics, it gathers real-time driving data and accurately assesses the risk. This helps in offering automatic discount and a personalised rate at the time of renewal based on one's driving performance.

Chatbot and virtual assistants

- **24/7 customer support:** AI-driven chatbots can assist customers with queries during onboarding and claims processes at any time.
- **Guided claims submission:** Chatbots can provide step-by-step guidance for filing claims, reducing confusion and errors.

1. A leading insurer in the UK has launched a claims chatbot. The initial notification of non-emergency car and home claims is handled by this chatbot.
2. A leading InsurTech company employs a chatbot for life insurance which assist customers in identifying best possible life insurance policy by comparing rates from major US-based insurance companies. This chatbot is used for sales, claims handling and customer service.

RPA

- **Efficiency in documentation:** RPA can automate data entry and management of tasks, reducing human error and speeding up processing times.
- **Claims processing automation:** It can automate repetitive tasks involved in claims assessment and settlement.

An Abu Dhabi based insurance provider implemented an RPA bot integrated with AI technology to automate tasks like quote generation and policy registration. The insurer could thus free up its agents and redirect them to manage WhatsApp business chats, leading to an improvement in the quality of customer service.

Way forward

To ensure the successful implementation of IRDAI's vision of achieving insurance coverage by 2047 for all, stakeholders must focus on continuous innovation, robust regulatory frameworks and effective collaboration across the ecosystem.

Additionally, a customer-centric approach is essential. The focus should be on offering affordable and accessible insurance products tailored to diverse needs and implementing effective redressal mechanisms and simplified processes to ensure a seamless experience. By prioritising customer satisfaction and inclusivity, the insurance sector can build trust and comprehensively expand coverage.

Effective public-private partnerships leveraging combined resources and expertise will play a crucial role in achieving this vision. This collaboration can enhance accessibility and affordability through regulatory frameworks, innovative products and technology advancements. Coordinated efforts in financial inclusion and public education will ensure comprehensive coverage for all communities.

The Government has been a pivotal actor in revolutionising insurance accessibility by removing goods and services tax (GST) on protection products and health insurance, making them more affordable. Raising the limits of Government initiatives like PMJJBY and PMSBY ensures better coverage. Integrating financial literacy into high school curricula, especially for girls, can empower the next generation to make informed insurance decisions.

Technological advancements, the biggest game changer in the insurance industry, will continue to streamline customer onboarding and claims processing through AI-driven tools and digital platforms. These innovations can enhance customer service and operational efficiency, making insurance more accessible and transparent. By leveraging these technologies, achieving insurance for all by 2047 can become more feasible.

By following these approaches, one can look forward to a future where insurance is universally accessible, affordable and trusted by everyone.

About ASSOCHAM

In 1920 ASSOCHAM initiated its journey of value creation for Indian industry. It has more than 400 chambers and trade associations. It is known to serve more than 4,50,000 members from all over India. It has witnessed both growth and turbulence in the Indian economy and has played a significant role in shaping up the industrial environment, trade and commerce in the country.

Today, ASSOCHAM is recognised as the leading source of knowledge for the Indian industry ready to redefine growth and development in the technology-driven era of the 'knowledge-based economy'. ASSOCHAM is viewed as a dynamic, proactive, forward-thinking institution, prepared to meet the aspirations of corporate India in the age of evolving business. ASSOCHAM is working towards creating a suitable environment of India business to enhance global competitiveness.

Vision

Empower Indian enterprises by inculcating knowledge that will be the catalyst of growth in the barrier-less technology-driven global market, and help them upscale, align and

emerge as formidable players in their respective business segments.

Mission

As a representative organ of corporate India, ASSOCHAM articulates the genuine,

legitimate needs and interests of its members. We believe education, health, IT, BT, CSR and environment to be the critical success factors.

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Contact us

Amit Roy

Partner and Leader - Insurance and Allied Businesses
PwC India
roy.amit@pwc.com

Contributors

Ayon Ray

Director - Application Technology
PwC India
ayon.r.ray@pwc.com

Sreyoshi Mukherjee

Senior Manager - Application Technology
PwC India
sreyoshi.m.mukherjee@pwc.com

Ishani Mazumder

Senior Associate - Application Technology
PwC India
ishani.mazumder@pwc.com

Ashwini Alhat

Senior Associate - Insurance and Allied Businesses
PwC India
Ashwini.kiran.alhat@pwc.com

Design

Kirtika Saxena

pwc.in

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