



Insurance for all by 2047: The role of distribution models, products, technology and ecosystem players in the insurance sector



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Foreword

The insurance sector in India stands on the brink of a transformative era and is poised to leverage technological advancements, strategic partnerships and innovative distribution models to significantly expand its reach and impact. Though the industry has grown leaps and bounds to create a vibrant competitive marketplace, insurance penetration has remained modest compared to global standards, signaling substantial potential for future expansion.

The InsurTech space in India is also demonstrating rapid growth and expansion in the insurance sector. This growth can be attributed to the increase in funding and market size. InsurTech firms are revolutionising the insurance value chain through innovative solutions in digital distribution, AI-driven underwriting, blockchain for transparency and IoT-enabled usage-based models which has widened the scope for collaboration between traditional insurance players and InsurTechs to deliver enhanced customer experience, increase transparency and develop cost-effective processes. As a result, customers can expect seamless digital interactions, personalised products and quicker claims processing which can significantly improve their overall experience.

There are numerous opportunities for innovation within the InsurTech community which can lead to a positive impact in the insurance industry. These innovations can be supported through initiatives such as workshops, hackathons and strategic partnerships which can foster an environment where these new solutions can thrive. Ecosystem orchestration is another area through which insurance players are driving enhanced customer value by integrating value added proposition with their insurance products through partnerships with non-financial service entities in healthcare, automotive and real estate to deliver holistic solutions which can address a wide-range of customer needs.

This paper discusses how the evolution in distribution models like embedded insurance, business to business to consumer (B2B2C) models, direct-to-consumer (D2C) models and last-mile customer acquisition strategies can potentially improve the access to insurance among the underserved sections of the country's population.

We hope that this document will serve as a valuable resource for industry professionals, policymakers and academics and provide a thorough understanding of the dynamic landscape of the Indian insurance industry.

We would like to extend our gratitude to the Bombay Chamber of Commerce for organising the Insurance Summit 2024 and inviting PwC India to be a knowledge partner for the Summit.

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Introduction

Raina works as a programmer in an IT firm. She plans her finances diligently from savings to retirement but does not have any insurance – something she overlooks unaware of the uncertainties of the future.

Suresh, on the other hand, makes his earnings as a street vendor, selling his wares under the scorching sun and torrential rains. Insurance is a luxury he cannot afford and the consequences he would bear in terms of any exigencies for him and his family would be dire.

This tale of two Indian citizens, though fictional, mirrors the reality of a majority of India's population. In spite of being one of the fastest growing economies in the world, India's coverage in terms of insurance penetration still has room for growth compared to the country's global peers. For every Raina who can afford to weather life's storms, there are countless Sureshs left vulnerable to the whims of fate.

This paper, delves into the intricacies of India's insurance landscape, and explores the challenges and transformative opportunities that InsurTech innovations are bringing to the insurance industry. From current insurance landscape to innovations in the InsurTech space, the growth of ecosystem models to new age distribution models, the paper aims to highlight the trends which can help the insurance sector in weaving a safety net for all Indians by 2047.





Current insurance landscape in India

Insurance penetration in India remains relatively low compared to the global figure of 6.5%¹ and is expected to be around 3.8% for 2023–24, with life and non-life insurance penetration expected to be at 2.9% and at most 1% respectively,² despite the presence of 72 major insurance players.³ Large sections of the population are either underserved or uninsured. Some of the contributing factors for the lower rate of insurance penetration are lack of consumer awareness, trust and differentiated income across the country's population which hinders the expansion of insurance coverage. Another reason for the low rate of penetration is the lack of traditional distribution models and products which have struggled to penetrate the rural and lower income demographic which is further exacerbated since 65% of India's populace resides in rural areas as of 2020.⁴ With the cost of insurance premiums shooting up,⁵ payment of premiums could be another significant barrier for a large part the population, necessitating the need for personalised and sachetised products to address this challenge.

However, when we look at the insurance landscape in India, it has evolved significantly over the last 60 years.



1 https://www.business-standard.com/industry/news/insurance-industry-to-grow-at-an-average-rate-of-7-1-in-2024-28-swiss-re-124011600770_1.html

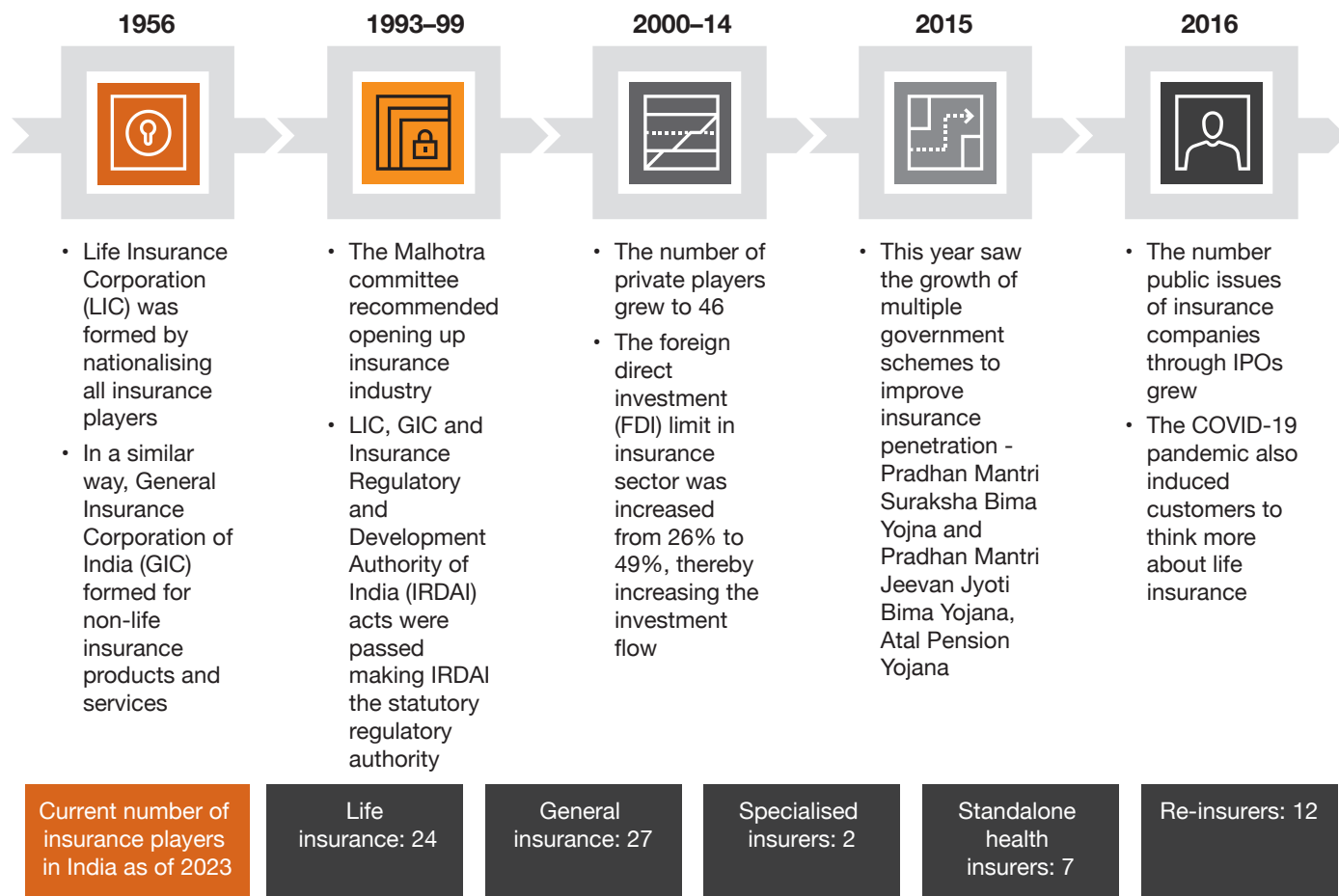
2 https://www.business-standard.com/industry/news/insurance-industry-to-grow-at-an-average-rate-of-7-1-in-2024-28-swiss-re-124011600770_1.html

3 https://www.ibef.org/download/1707220765_Insurance-December-2023.pdf

4 <https://population.un.org/wup/Download/>

5 <https://economictimes.indiatimes.com/wealth/insure/health-insurance/health-insurance-premium-shot-up-over-25-last-year-for-52-policyholders-finds-survey-heres-what-you-can-do-to-reduce-the-impact/articleshow/109923308.cms?from=mdr>

Figure 1: Evolution of Indian insurance landscape



Source: IRDAI; IBEF⁶

An estimate suggests that the Indian insurance market is expected to grow at a compound annual growth rate (CAGR) of 7.1% between 2024–2028.⁷ This is higher than the average growth rate in emerging markets, which is estimated to be at 5.1%.⁸ In the same period, the life insurance market is expected to grow at a CAGR of 6.7% owing to rising demand for term life cover by the middle income group, catalysed by the COVID-19 pandemic, and the non-life insurance market is expected

to grow at a CAGR of 8.3% owing to factors such as economic growth, rising consumerism, innovation in distribution channels, government support and favourable regulatory environment.⁹ In terms of insurance gross direct premiums (GDP), India is expected to move to the sixth position by 2032.¹⁰ In terms of life insurance, India is currently ranked tenth in the world in terms of premiums.¹¹



6 https://www.ibef.org/download/1707220765_Insurance-December-2023.pdf

7 https://www.business-standard.com/industry/news/insurance-industry-to-grow-at-an-average-rate-of-7-1-in-2024-28-swiss-re-124011600770_1.html

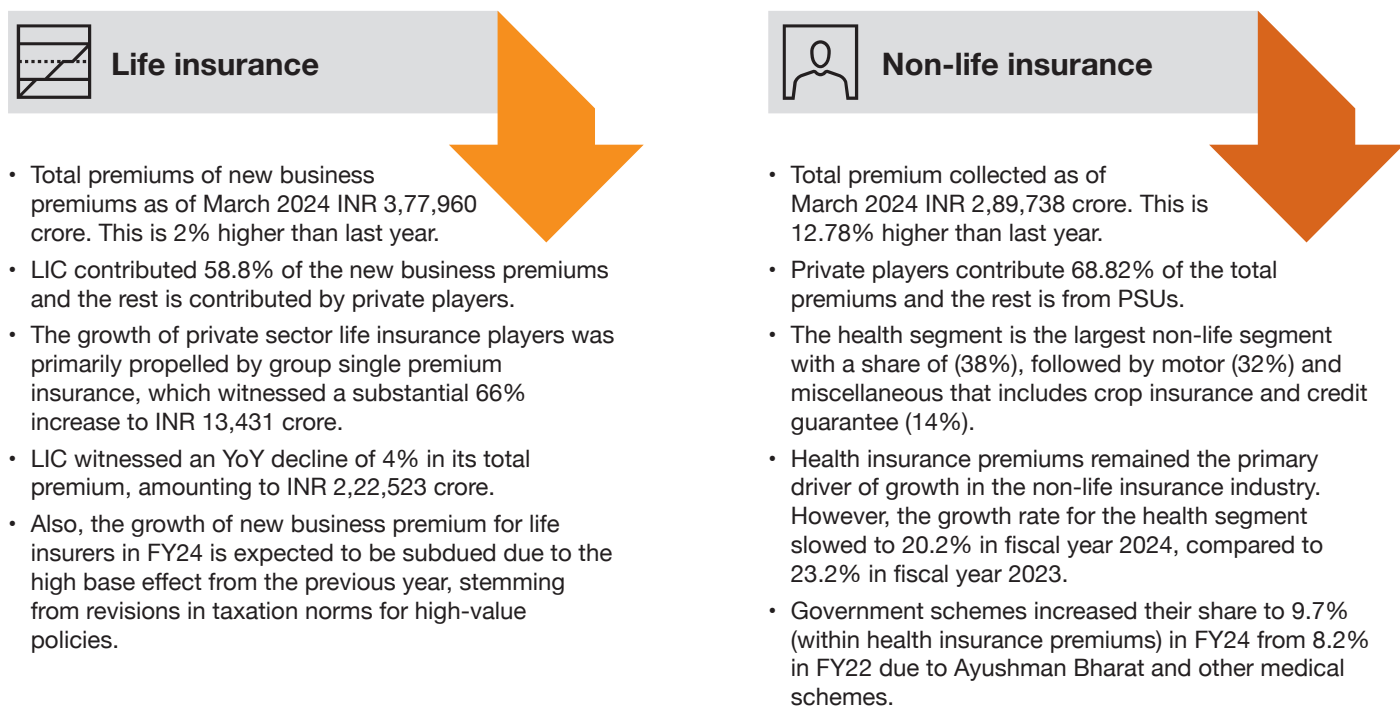
8 https://www.business-standard.com/industry/news/insurance-industry-to-grow-at-an-average-rate-of-7-1-in-2024-28-swiss-re-124011600770_1.html

9 Ibid.

10 <https://irdai.gov.in/annual-reports>

11 <https://policyholder.gov.in/indian-insurance-market>

Figure 2: Key updates on the life and non-life insurance sector



Segment wise total premiums (in INR crores)	Current year (March 2024)	Previous year (March 2023)	YoY growth
Health	1,09,007	90,652	20.25%
Motor	91,781	81,280	12.92%
Miscellaneous (crop insurance and credit guarantee)	39,189	38,908	0.72%
Fire	25,659	23,932	7.00%
Marine	5,080	5,059	0.4%
Others	19,022	17,064	11.5%

Source: IRDAI publication and PwC analysis

The evolving landscape of InsurTech in India

Over the past decade, the insurance industry has seen an increased adoption of digital technologies which is reshaping the way insurance services are being provided and consumed. These technological interventions are becoming important for insurance providers since use cases like AI-driven policy administration, and omnichannel customer engagement platforms provide personalised digital products and services and automation of claims management which can help them in delivering a seamless customer experience.

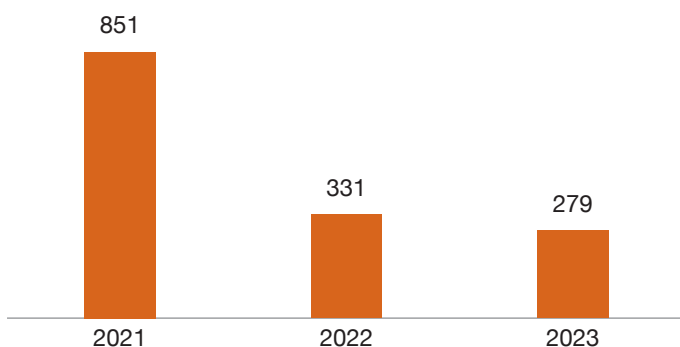
InsurTech refers to the use of technological solutions across the insurance value chain from customer acquisition/engagement to underwriting, to claims management for delivering a seamless customer experience, developing innovative products and/or building efficiencies in process and solutions.

In India, the premium underwritten through InsurTech channels including web aggregators and direct online platforms (e.g. websites), for both life and health insurance is estimated to approximately be around USD 341 million.¹² This is expected to grow by a CAGR of 8.7% between 2023–28, reaching an estimated underwritten premium of USD 519 million by 2028.¹³

Increasing funding in the InsurTech space

InsurTech funding in India reached its peak in 2021 with total funding of USD 851 million.¹⁴ In 2022 and 2023, funding declined due to overall economic slowdown and funding winter in the global landscape.¹⁵ Investors invested more in Series A and Series B start-ups in 2022 and 2023 highlighting their interest in entering the InsurTech market in the early stages.

Figure 3: InsurTech funding across the years in India (USD million)



Source: PwC analysis of Venture Intelligence Data

Apart from the increase in funding, the shift in consumer inclination towards insurance products after the COVID-19 pandemic has been a contributing factor for the growth of InsurTech products. Some of the other factors which have contributed to the growth of InsurTech's in India include growing internet and mobile phone penetration, use of emerging technology including artificial intelligence (AI), the internet of things (IoT), analytics, cloud technology in InsurTech solutions, digital distribution and personalisation of insurance products among others.

Collaborations and partnership as key growth levers

InsurTechs are also adopting innovative solutions to meet the evolving needs of the customers with new business models such as:

- Usage-based insurance (the premium paid is dependent on the use of product/service), e.g. many Indian insurance providers are using telematics devices, on-board sensors on vehicles, and mobile apps to collect driving data of the consumers for calculating insurance premiums.
- Embedded insurance (insurance sold along with other financial services (FS)/non-FS products at their point of sale), e.g. insurance value propositions offered by e-commerce players for electronics items at the point of sale of their products to their customers

¹² PwC analysis of IRDAI data

¹³ PwC analysis of Venture Intelligence data

¹⁴ PwC analysis of Venture Intelligence data

¹⁵ Ibid

- Bite sized/sachetised insurance (micro insurance products for specific needs, typically low value compared to full service products), e.g. micro-insurance solutions offered by ride and travel aggregators to their customers at a small premium.

InsurTechs are also increasingly partnering with insurance providers to create new-age insurance products with them and improve operational efficiencies across their value chain from customer onboarding, distribution, risk management and claims management which can be leveraged to develop products and solutions which offer a superior customer experience and enhances their internal efficiencies. Figure 4 illustrates some of the areas where solutions from InsurTechs are being used by incumbent insurance players.

Figure 4: InsurTech solutions across the insurance value chain

Product design and distribution

Tailored policies for small businesses

InsurTechs are building products that can help users build their micro-insurance policies while shopping with associated brands enabling flexible and affordable insurance coverage basis lifestyle spends.

Sales engagement platform

InsurTechs are offering sales and advisory teams assisted platforms that automates the capturing of contextual data from sales activities and predicts the next best action instantly, thereby helping sales assistants in faster decision-making to improve productivity and automate sales management.

Underwriting

Data-driven pricing

There are InsurTech solutions that use data analytics and AI on the data available across the insurance industry to enable data-based, scientific decision-making including pricing and framing of other business strategies.

AI-based smart underwriting

InsurTech solutions are offering systems that can either integrate with existing legacy systems to enhance them or enable the development of end-to-end new-age underwriting systems. This ensures that straight through processing (STP) and near straight through processing (NSTP) processes become simpler, seamless, efficient, data-driven, customer-centric, faster and automated.

Customer onboarding and engagement

Automated customer onboarding

InsurTechs are offering comprehensive artificial intelligence (AI)-enabled web application for seamless customer onboarding with video-know your customer (KYC) - built on top of speech-to-text, facial recognition and liveliness detection technologies.

Customer experience analytics

InsurTechs are providing AI-enabled customer intelligence and experience solution that enables insurers to deliver superior customer experience leading to higher customer retention, loyalty and lifetime value.

Claims management

Predictive data analytics

Insurers are increasingly using their ability to report on data trends by collecting, analysing and visualising data. They are leveraging predictive analytics to forecast customer behaviour and actions that may lead to claims.

Fraud detection

InsurTechs are enabling insurers with fraud detection systems to detect and anticipate fraudulent activity and behaviours of customers, either in the onboarding or claim processing phases by leveraging the customers' background data.

Employee engagement

GenAI powered knowledge management

InsurTech solutions are using GenAI to assist organisations in automating language related tasks and extract insights from text data, thereby enhancing sales, service and marketing efforts.

Risk management

Analysing communication data to identify potential medical risks

InsurTechs are developing solutions that can analyse emails, chats and calls data, to identify cues that indicate potential risks such as mention of health concerns to proactively assess and mitigate health-related risks.

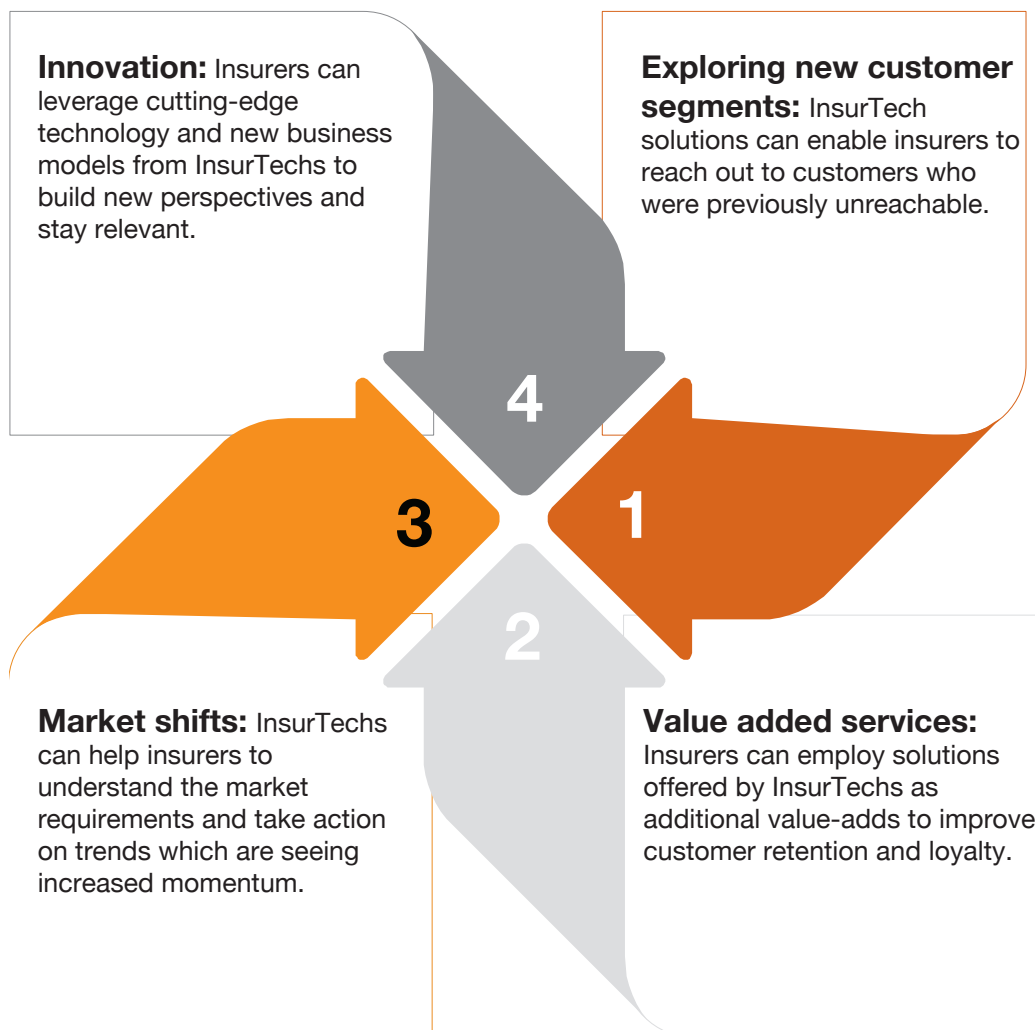
Ecosystem players and collaborations

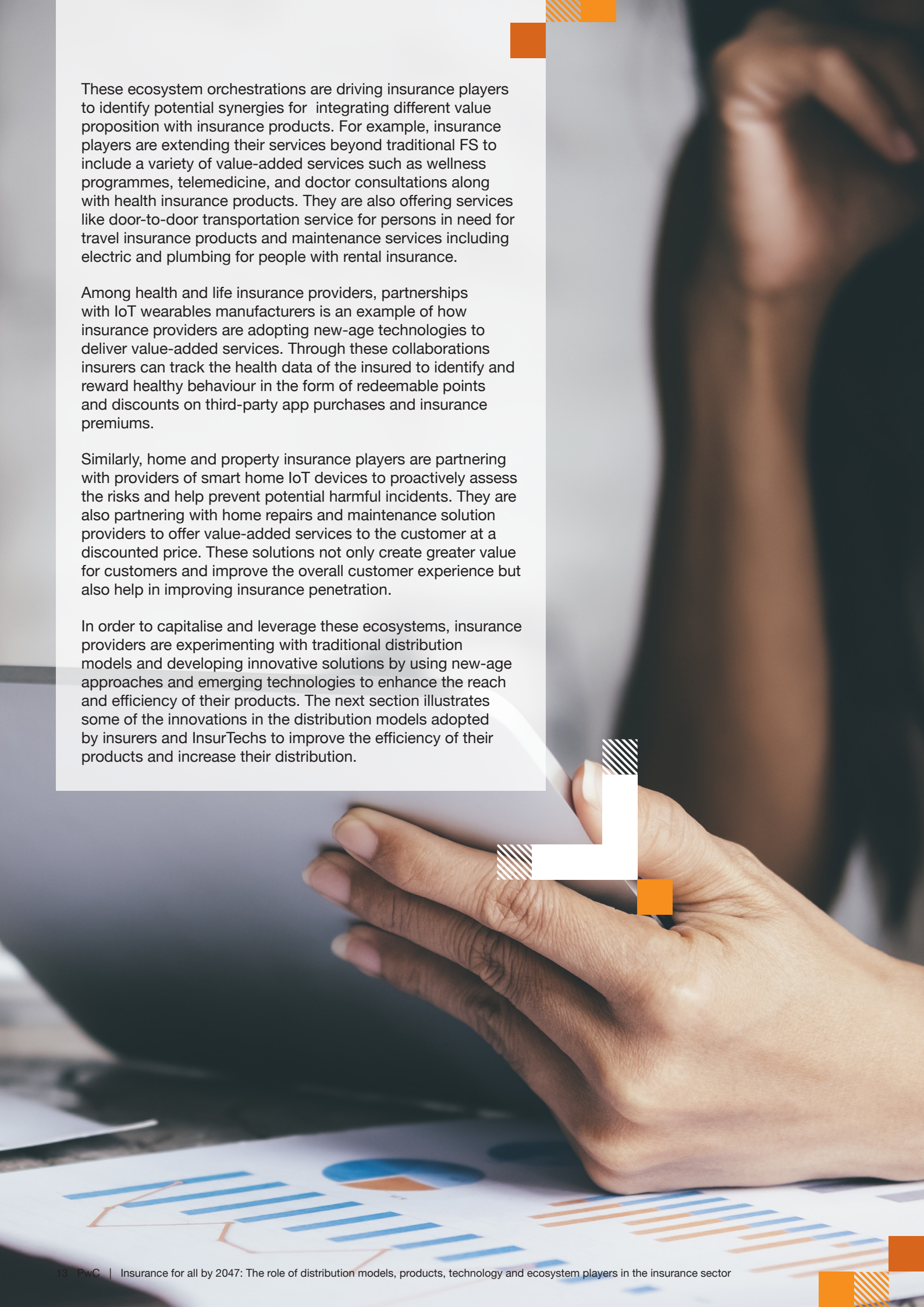
Ecosystem orchestration is a key enabler for insurance players and helps them to tap into ecosystems like healthcare, automotive, home and property, travel, retail and employee benefits, with specific financial and nonfinancial needs to provide products which are tailor-made to address these requirements. Some of the key areas where insurance players can focus on are:

- innovation
- new customer segments
- market trends
- value-added services.



Figure 5: Key drivers for insurance players to focus on ecosystem orchestration



A hand holding a pen over a document with charts and graphs. The document features a bar chart with blue bars and an orange line graph. The background is a blurred image of a person's hand holding a pen over a document with charts and graphs. The overall scene is professional and analytical.

These ecosystem orchestrations are driving insurance players to identify potential synergies for integrating different value proposition with insurance products. For example, insurance players are extending their services beyond traditional FS to include a variety of value-added services such as wellness programmes, telemedicine, and doctor consultations along with health insurance products. They are also offering services like door-to-door transportation service for persons in need for travel insurance products and maintenance services including electric and plumbing for people with rental insurance.

Among health and life insurance providers, partnerships with IoT wearables manufacturers is an example of how insurance providers are adopting new-age technologies to deliver value-added services. Through these collaborations insurers can track the health data of the insured to identify and reward healthy behaviour in the form of redeemable points and discounts on third-party app purchases and insurance premiums.

Similarly, home and property insurance players are partnering with providers of smart home IoT devices to proactively assess the risks and help prevent potential harmful incidents. They are also partnering with home repairs and maintenance solution providers to offer value-added services to the customer at a discounted price. These solutions not only create greater value for customers and improve the overall customer experience but also help in improving insurance penetration.

In order to capitalise and leverage these ecosystems, insurance providers are experimenting with traditional distribution models and developing innovative solutions by using new-age approaches and emerging technologies to enhance the reach and efficiency of their products. The next section illustrates some of the innovations in the distribution models adopted by insurers and InsurTechs to improve the efficiency of their products and increase their distribution.

Evolving distribution models

Some of the current distribution models used by insurance players include bancassurance, corporate agents, brokers, internet aggregators and direct distribution. Each of these distribution models presents its own unique considerations and challenges. Therefore, it is important for insurance players to evolve their distribution models and become more customer centric and enhance their awareness and access to insurance products. A few key innovations in this segment are listed below.

Last-mile customer acquisition

According to a recent survey conducted in 2023, people in tier 2 and tier 3 cities in India allocated 15–20% of their household income towards medical expenses.¹⁶ The survey results also indicated that the regions had low insurance penetration and 55% of the respondents had never even heard about insurance.¹⁷



16 <https://www.businesstoday.in/latest/economy/story/tier-2-and-3-population-spends-15-20-of-household-income-for-medical-expenses-report-393828-2023-08-11>

17 Ibid.

Several FinTech players are working on making their solutions more accessible to the rural population of India by setting up distribution points for their FS through partnerships with local businesses and agents in these remote locations. InsurTechs and insurers are increasingly partnering with last mile technology players to improve access of insurance solutions and maximise insurance awareness among the under-insured. They are also focusing on providing sales-assist solutions to insurers to manage their salespersons. These solutions help in enhancing the quality of customer engagement and increasing the efficiency of customer-facing insurance agents through automated workflows, timely nudges, recommendations and deeper insights about target customers. Insurers are adopting these solutions through their partnerships with the last-mile players to enable their fleet on street to tap into the potential customers in tier 2 and tier 3 cities, thereby improving the efficiency of the customer acquisition and engagement.

Business to business to consumer (B2B2C) distribution

InsurTech players are transforming the B2B2C model and focusing on specific solutions to differentiate their product propositions and are providing solutions which cater to the needs of small and medium enterprise (SME) employers to provide employee benefits. The solutions include offerings for life, health and accidental insurance as well as health and wellness programmes. These solutions also offer a high level of curation, thereby enabling SMEs to care for their employees.

Rise of embedded insurance

Embedded insurance is a model in which insurance can be offered during a point of sale of a non-insurance product or service. The insurance products are integrated into the business offerings, thereby enabling customers to purchase insurance during their transaction journey without having to go through a separate insurance provider.

In India, estimates suggest that embedded insurance could grow at a CAGR of 46% over the period between 2022 to 2029 to reach a value of USD 20.18 billion in terms of gross written premiums.¹⁸ In terms of embedded insurance, insurers are able to overcome the challenges of building awareness and trust among customers as they are already engaging with a product/service they require, thereby cutting down on the cost of acquiring new customers. Some of the relevant use cases for embedded insurance are motor insurance (through auto dealership), extended insurance for products bought online (e-commerce extended damage protection) and property insurance (offered to renters/owners for covering their assets as part of their application process).



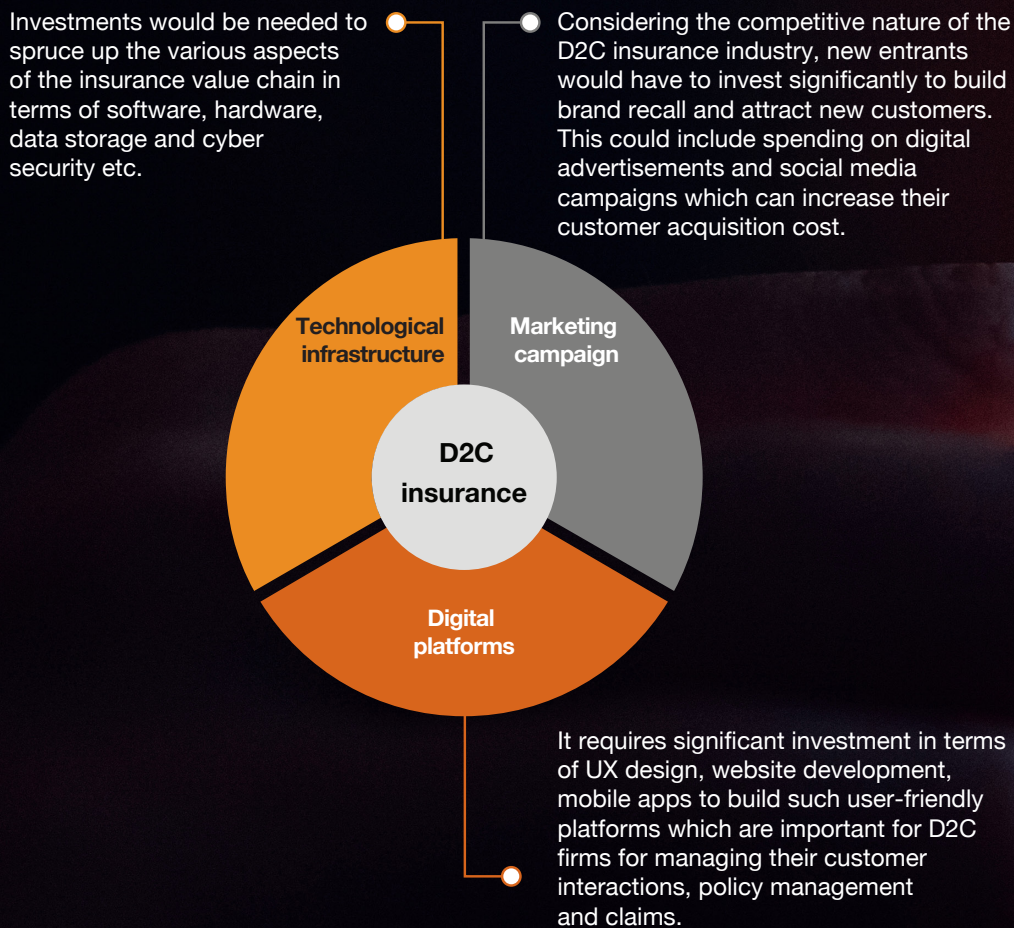
18 <https://bfsi.economicstimes.indiatimes.com/news/insurance/how-embedded-insurance-is-accelerating-insurance-penetration-in-india/101401066>

D2C distribution for contextual insurance

In this distribution model, insurance products are directly sold to the customer by the insurance providers (through their sales advisors) without involving any intermediaries (third-party agents, brokers, etc.). Since the intermediaries are eliminated in this model, it cuts down on the commission and intermediary costs for the insurer, which can then be passed down to the customer, thereby lowering their premiums. However, setting up this model would require significant investments in terms of technology infrastructure, marketing and developing digital platforms to establish their presence in the market (as illustrated in the figure below).

This distribution model would also require upfront investments that can cause strain to cash flow, especially in early stages of operation. However, D2C insurance platforms can directly connect with the customers to understand their needs and provide contextually relevant products and directly sell it to the customers, thereby improving the customer journey.

Figure 6: Investments required for setting up a D2C model





| The way forward

Traditionally, insurance has been viewed as a product for which customers prefer minimal interaction and typically engage with it only during unfortunate occasions in their lives. However, insurers are recognising the evolving needs and expectations of customers and are seeking ways to improve how they can interact and connect with their customers beyond acquisition and claims settlements. For instance, property insurers can partner with firms which provide home security needs to offer discounts on premiums to customers who install smart security systems. By using technology, insurers are able to provide innovative value-added services which facilitates the development of successful ecosystems and redefine the future of the insurance industry.

While India seeks to achieve universal insurance coverage by 2047, the role of InsurTechs in achieving this goal cannot be overstated. Insurers are investing in necessary technology infrastructure and forming partnerships with InsurTechs and other technology players to improve the way they engage with their customers. As technology-driven solutions gains popularity in the insurance sector, some of the questions which the industry should consider to enhance the insurance coverage in the country are:

1. While the regulators are already working with the industry to come up with new solutions, is there a need for policy interventions that can improve partnerships between insurance and non-FS players?
2. As the scope of solutions offered by insurance players goes beyond traditional insurance, is there a need to update the current risk framework related to consumer interest?
3. Considering the vast amount of health data available, is there a need to come up with a framework that can help insurers and InsurTech players to utilise the data in a responsible way to deliver a customer-centric, seamless customer experience?
4. What steps can be taken to improve the synergies between the incumbents and InsurTechs to deliver customised solutions for the customers and improve insurance penetration in the country?

The insurance industry is embracing innovative distribution models, products, technology and collaboration to bridge the insurance gap and empower Indians with financial protection and security. It will be beneficial for the stakeholders to join hands and harness the transformative potential of InsurTech solutions, ecosystem orchestration and new-age distribution to build a more resilient and inclusive insurance ecosystem for the future.



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