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Life insurance landscape in 2024: Amidst evolution



Reflecting on the current landscape and envisioning the trajectory for life insurance in 2024 brings a mix of anticipation and a call for strategic innovation for the life insurance industry. The Indian insurance sector has significantly grown and evolved over two decades but continues to face hurdles and challenges in penetrating a significant portion of the population, highlighting the imperative need for a transformative shift in perception, approach and ways of doing business.

The essence of life insurance as a fundamental aspect of financial planning cannot be overstated. It serves as both, a shield against unforeseen risks and a tool for long-term wealth creation. Despite this critical role, India trails far behind global benchmarks of insurance penetration where India's life insurance penetration is 3% of GDP as of 2022-23. To address this gap, the Insurance Regulatory and Development Authority of India (IRDAI) has embarked on a visionary mission aimed at achieving "Insurance for all by 2047."

The drivers – Bima Sugam, Bima Vahak and Bima Vistaar

This ambitious objective calls for a paradigm shift within the insurance sector, necessitating innovative strategies to enhance accessibility, bolster distribution, and foster a customer-centric ecosystem. As a response, IRDAI has spearheaded several initiatives, notably Bima Sugam, Bima Vahak, and Bima Vistaar designed to bridge the gap in insurance penetration.

Bima Sugam is aimed towards creating a one stop online platform for insurance products and services. It will help policy holders to access and monitor all their policies on a single platform, allowing them to purchase, make premium payments, update policy details and register claims. The platform is aimed towards simplifying the process of buying, servicing and paying renewal payments for the customer.

Bima Vahak will be a women centric distribution channel that will focus on enhancing insurance penetration and ensuring last mile delivery of all insurance products. It is aimed at engaging with local resources who understand the financial needs and have the trust of the local population.

Bima Vistaar will be a first of its kind insurance product covering life, health and property cover at an affordable price.

These initiatives shall harness the power of technology and grass-root level connect to create tangible platforms both digital and physical, enabling direct interaction between customers and multiple insurers, focusing on all strata of customers throughout the country including, rural, semi-urban and urban areas.

Addressing DIY with technology

The evolving regulatory landscape is steering towards a principle-based regime, emphasising innovation, competition, and efficiency within the sector. Concurrently, the demand side, primarily driven by tech-savvy GenZ, is advocating for instant accessibility and personalised products. This demographic inclination towards a Do-It-Yourself (DIY) approach has ushered in the widespread adoption of tech tools, prompting a transformative moment akin to the financial industry's UPI adoption. Insurers are and will have to further create more simple and DIY options for customers right from product knowledge, buying journey, servicing options and claims. Simpler and convenient processes will help significantly deepen insurance penetration in India.

New age customers are comfortable using digital tools like mobile app, chatbots for product recommendations, payment of renewal premiums, reaching out digitally for queries and servicing. This is resulting in faster and accurate response for the customer and reduced cost of operations for life insurers. These digital tools have changed the way customers reach out to life insurers for their insurance related needs.

The industry has also identified the need to engage with the customer and is therefore coming up with unique propositions around value added services such as health and wellness. These are designed to promote healthy lifestyle choices among individuals to improve their life longevity, reduce healthcare costs and reduce claims expenses for the insurers.

Recognising these shifts, the insurance industry is swiftly embracing digitisation. Technology has transitioned from a desirable aspect to a crucial necessity, pivotal in improving operational efficiency, reducing costs, and enhancing the overall customer experience. The integration of advanced technologies like AI, ML, and big data is reshaping operational frameworks, enabling better risk assessment, and facilitating the creation of more tailored products and services aligned with evolving customer preferences.

Expanding distribution geographies

The distribution landscape of insurance products in India has witnessed a significant transformation due to the rising customer engagement through direct online platforms and web aggregators. These digital platforms have revolutionised how consumers access insurance by providing an array of services with transparent and convenient way to compare various options, empowering customers to make an informed decision while opting for a financial cover. Simultaneously, on one hand where online platforms have overhauled the customer journey, the role of insurance agents and bancassurance still remains crucial. The reach and connect of regional banks in some remote areas offers best mechanism to tap the new customers, the ones who have never learnt about the insurance. Bancassurance partnerships between banks and insurers have gained quite a momentum in last few years,

leveraging extensive banking networks to offer insurance products, further diversifying distribution channels for insurance companies.

The insurance industry is intricately tied to global economic trends, making it susceptible to the potential effects of various factors like inflation, interest rates, and geopolitical events. Inflationary pressures can significantly impact the industry by affecting the value of insured assets, escalating claims costs, and potentially altering customer behavior regarding insurance purchases. Thus, the sector must remain agile, continually reassessing risk models and investment strategies to navigate the ever-changing global economic landscape and ensure resilience.



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The year of opportunities – 2024

2024 stands as a pivotal year brimming with opportunities for the life insurance sector. Initiatives aimed at extending coverage to untapped territories, collaborations with Insurtech startups, healthcare providers, and government bodies, along with the adoption of cutting-edge technologies, represent avenues for industry growth and innovation. The industry's commitment to transparency enhancements, streamlined claims settlement systems, and addressing the impact of climate change underscores a dedication to adaptability and resilience. As the sector progresses towards a more advanced insurance model, the role of 'Insurance 2.0' becomes increasingly pivotal, reshaping insurance as not just a financial product but as a catalyst for socio-economic resilience and long-term prosperity.

The vision of achieving 'Insurance for All' by 2047 propels the industry into a new era characterised by structured approaches, regulatory foresight and a steadfast commitment to inclusivity. Within this landscape, the strategic imperative is clear, to navigate these evolving dynamics, transform challenges into opportunities, and steer the narrative towards a customer-centric future, ensuring that insurance serves as a beacon of financial security and empowerment for every individual in India.

Link: <https://etinsights.et-edge.com/life-insurance-landscape-in-2024-amidst-evolution/>
