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'India's insurance sector on track to more than double by 2030, gross written premiums could hit ₹25 lakh crore'

The IBAI survey revealed that when SMEs do buy insurance, it is driven by the need to comply with regulatory and client mandates

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India's insurance sector is projected to witness robust expansion, with gross underwritten premiums (GWP) expected to more than double — rising by 123 per cent to Rs 25 lakh crore by 2030 from Rs 11.2 lakh crore in 2024, according to a report by the Insurance Brokers Association of India (IBAI) and McKinsey & Company. This surge is likely to lift insurance penetration from the current 3.7 per cent to 5 per cent, bringing India closer to the global average of 6.8 per cent recorded in 2023.

Between FY 2020 and FY 2024, the industry saw strong double-digit growth, with total premiums across life and non-life segments increasing from Rs 7.8 lakh crore to Rs 11.2 lakh crore, the report said.

"India's insurance sector is entering a new era of opportunity, with the potential to more than double by 2030," said Narendra Bharindwal, President, IBAI.

The report said the retail segment could attain GWP of around Rs 21 lakh crore by 2030, of which over 90 percent is driven by the life segment. "Around 65 per cent of the retail opportunity is present at the extreme ends of the customer pyramid-the ultra-high-net-worth individuals (UHNI) and high-net-worth individuals (HNI) at one end, and the mass-market customers at the other end," it said.

The intent to buy insurance is missing, despite awareness, the report said. In the retail segment, among affluent and ultra-high-net-worth and high-net-worth customers (UHNI and HNIs are individuals with household personal financial assets over Rs 8.5 crore), 60 per cent customers believe that their ideal life insurance cover should be 10 times their salary, yet only 30 per cent have this cover. Similarly, in the institutional segment, 70 percent micro and small enterprises purchase insurance because of regulatory or client mandates.

"By 2030, UHNI and HNI customers could account for around 20 per cent of the total projected retail insurance value pool, while the mass-market segment is expected to account for nearly 45 per cent," the report said.

While nearly 70 per cent of affluent and UHNI / HNI retail customers purchase insurance on the recommendations of trusted advisors, 45 per cent of mass market customers rely on the recommendations of friends and family, it said.

The claims experience is a key differentiator in the insurance journey. As many as 50 per cent of affluent and HNI+ customers considered switching their insurers or channel of purchase and nearly half of them switched due to dissatisfaction with the claims process. Similarly, over 55 per cent of SMEs have had their claims rejected, and over 75 per cent seek assistance with documentation and paperwork in the claims process, the report said.

"These segment-specific insights are derived from the IBAI Insurance Insights Survey, which reveals the behaviour and pain points of 2,500 retail customers," the report said.

GWP for the institutional segment, largely in non-life insurance, is expected to grow nearly three times to reach Rs 2.8 lakh crore by 2030. "While the SME segment currently has a contribution of only close to 10 percent, it is expected to grow the fastest. Around half of the total SME opportunity lies in clusters across 17 Indian cities, in nearly 10 leading, capital-intensive industries such as textiles, automotives, pharmaceuticals, and industrial goods," the IBAI-McKinsey report said.

This segment lacks the intent to buy insurance, often because the enterprises do not entirely believe it is critical, and because lack of guidance and handholding, as well as persistent margin pressure cause them to deprioritize it, it said.

The IBAI survey revealed that when SMEs do buy insurance, it is driven by the need to comply with regulatory and client mandates. "They lack internal risk-management expertise, seeking advisory and guidance, products tailored to their needs, and support on documentation and claims processes. Equipping them to foresee their risks and empowering them through products customized at the sector level could draw them into the fold of insurance protection," it said.

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