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INSURANCE LANDSCAPE IN 2030

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ABSTRACT

The Indian insurance industry is the 11th largest in the global insurance market. The insurance industry is undergoing a major transformation, driven by new technologies, computing power, connectivity and access to vast amounts of data. Convenience and personalization are redefining the prospects of the insurance sector. Escalating competition, growing costs, and shifting customer expectations are posing challenges for the sector as a whole. Insurance companies must increase their efficiency if they want to be competitive and profitable. The pandemic has made insurers revisit their business models and embrace data-led strategies to grow the business.

Insurance policies must be tailored to individual needs and risk profiles, using data from wearables, smartphones, and other devices. Insurance must adapt to new modes of transportation, such as autonomous vehicles and ride-sharing. Insurance companies must use data analytics to better understand risk and price policies more accurately. In the future, we can expect to see even more use of data analytics, as insurers use it to improve customer service, prevent fraud, and make insurance more affordable.

Artificial intelligence (AI) is poised to have a major impact on the insurance industry in the next decade. AI can be used to improve customer service, make underwriting more efficient, automate claims processing and reduce fraud. AI can be used to analyse large amounts of data to assess risk more accurately. This can lead to more accurate pricing and better underwriting decisions. By embracing AI, insurers can improve customer service, reduce costs, and develop new products and services that meet the needs of a changing customer base. Insurers can use robotic process automation (RPA) to automate tasks such as claims processing and customer service.

This research effort traces the technology journey of the Indian insurance sector in the last few years and explicates how, in the next few years, digital transformation will lead to massive transformation of the insurance business model, ways of working and customer outreach efforts. Digital revolution is expected to completely alter the insurance business landscape in 2030 with customer centricity forming the basis for growth and survival. However, what needs to be underscored is that, despite digitalization of insurance, customer experience while transacting with insurance and greater levels of trust between insurance companies and customers will give the insurance sector sustainable competitive advantage.

Keywords:
Automation, Artificial intelligence, Operational models, robotic process automation, frauds, big data, data analytics

INTRODUCTION

The insurance sector in India is in the cusp of change as it faces both challenges as well as exciting opportunities. The Indian digital economy is expected to grow from Rs 7 lakh crores in 2020 to 9 times by 2030. The last decade has seen sweeping changes in the insurance industry with the industry embracing digitalization to generate greater customer value. Changing demographics of the world population in general and the Indian population in particular and new forms of risk are characterising the dynamics of the insurance business. Technology is enabling insurers to enhance operational efficiencies without losing track of customer needs. Innovations in new products and services, strategic alliances with Insurtech firms and developing data analytics capabilities to offer integrated solutions are some of the actions that are going to chart the course of the future of the insurance sector.

Use of data from wearable devices, social media, and other sources to create personalized insurance products and services and use of artificial intelligence to automate insurance processes, such as underwriting and claims management are examples of how technology is transforming the insurance landscape.

Government's push in enabling JAM (Jan Dhan, Aadhar and Mobile) has made customers comfortable in sharing data with financial services providers.

In this seminal paper, we investigate how the insurance sector has grown in the last decade and how despite technological advances, the insurance penetration continues to be lower. By 2030, one can expect the situation to witness a massive improvement and upturning of conventional insurance business models.

Focus on customer convenience, personalisation, transparency and trust will engender a positive customer experience while transacting with insurers. Data is becoming increasingly important in the insurance industry. Insurers are using data to better understand their customers, to price their products more accurately, and to improve their claims management processes.

To win the customer, the table stakes for insurance are expected to be

- Personalized interactions
- Seamless channel integration
- Integrated offerings
- Continuous and consistent delivery of value
- Breeding of trust
- Protection of data privacy

GROWTH OF INSURANCE BUSINESS IN INDIA

India is the 9th largest life insurance market globally and 14th largest non-life insurance market globally. The Indian insurance market is expected to reach $200 billion by 2027. India will add 140 million middle-class and 21 million high-income households by the year 2030, which would fuel demand for the expansion of the country's insurance market.

As on March 2022, India has 67 insurers of which 24 are life insurers and 26 are general insurers, 5 are stand-alone health insurers, and 12 are reinsurers. The insurance density in India increased to $91 in 2021 from $11.1 in 2001. The insurance penetration in India has been increasing from 2.7% in 2000 to 4.2% in 2021. The new business premium of the life insurance industry grew at 17.91% in FY23.

As against a global average of 9%, the total insurance premium in India increased by 13.5% in 2021. The insurance premium volume is $ 127 billion (Life: 76%; Non-life:24%). In terms of total premium volumes, India is the 10th largest market globally with an estimated market share of 1.9%. In 2021, India's share of the worldwide market for life insurance was 3.23%.

Compared to the global life insurance premium increase of 10%, India's life insurance premium grew by 14.2% in 2021. In 2021, India held a 1% share of the global non-life insurance market. In comparison to the global non-life insurance premium, which grew by only 8.4% in 2021, the Indian non-life insurance sector experienced 11.3% increase.

From 2.2% in FY 02 to 3.2% in FY 22, the life insurance sector's insurance penetration has increased. From 0.5% in FY 2002 to 1% in FY 22, the non-life insurance sector's insurance penetration increased. Between FY 2002 and FY 22, the life insurance density increased from $ 9.1 to $ 69. The density of non-life insurance increased from $2.4 in FY 02 to $22 in FY 22.

Premium Volume	Life Insurance	**2021**	**$97 Bn**
	Non-Life Insurance	**2021**	**$30 Bn**
Growth in New Business Premium	Life	**FY 23**	**17.91%**
New Business Premium	Life	**FY23**	**$45**

In FY 22, the life insurance sector reported total written premium income of $ 91 billion (INR 6.93 lakh crore), an increase of 10.2% over FY 21. The private insurers reported a 17.4% increase in premiums, and LIC saw a 6.1% increase.

As of 2019, India's mortality protection deficit is $16.5 trillion, representing an estimated 83% of the country's overall protection requirements. This presents life insurers with a significant potential, with an expected increased life premium opportunity of $78.2 billion per year on average for the period of 2020–30.

In 2020, 73%/62% of clients preferred the online mode for GI/HI products, indicating that customers are now beginning to favour digital modes for their insurance needs. The comfort level of agents using digital technologies has also increased; 63% of agents feel at ease video-calling clients, and >50% are agreeable to online renewals. The second-largest market for Internet users is India. 1 billion people will be online by 2026. Additionally, the pandemic raised awareness of insurance, boosted insurance penetration, and increased demand for protection products, particularly health insurance.

Table 2: insurance penetration and density across the globe

Year	Penetration (%)			Density (USD)		
	Life	Non-Life	Total	Life	Non-Life	Total
2001-02	2.15	0.56	2.71	9.1	2.4	11.5
2002-03	2.59	0.67	3.26	11.7	3.0	14.7
2003-04	2.26	0.62	2.88	12.9	3.5	16.4
2004-05	2.53	0.64	3.17	15.7	4.0	19.7
2005-06	2.53	0.61	3.14	18.3	4.4	22.7
2006-07	4.10	0.60	4.80	33.2	5.2	38.4
2007-08	4.00	0.60	4.70	40.4	6.2	46.6
2008-09	4.00	0.60	4.60	41.2	6.2	47.4
2009-10	4.60	0.60	5.20	47.7	6.7	54.3
2010-11	4.40	0.71	5.10	55.7	8.7	64.4
2011-12	3.40	0.70	4.10	49.0	10.0	59.0
2012-13	3.17	0.78	3.96	42.7	10.5	53.2
2013-14	3.10	0.80	3.90	41.0	11.0	52.0
2014-15	2.60	0.70	3.30	44.0	11.0	55.0
2015-16	2.72	0.72	3.44	43.2	11.5	54.7
2016-17	2.72	0.77	3.49	46.5	13.2	59.7
2017-18	2.76	0.93	3.69	55	18	73
2018-19	2.74	0.97	3.70	54	19	74
2019-20	2.82	0.94	3.76	58	19	78
2020-21	3.2	1.0	4.2	59	19	78
2021-22	3.2	1.0	4.2	69	22	91

Source: IRDA Report – 2021-2022

Positive regulatory interventions are resulting in increased capital flow, improved valuation and the entry of specialized and niche players. The FDI limit has been increased to 74% from 45%. India is all set to become a reinsurance hub. Changes in regulatory sandbox requirements are expected to boost innovations in insurance sector.

IRDA is working on a three-pronged approach – availability, accessibility and affordability. This will help industry achieve the lofty goal of 'Insurance for All by 2047". The mission of 'Insurance for All' by 2047 is expected to increase insurance penetration in the country.
The "Insurance for All" mission is expected to further give a fillip to the efforts of insurers and government to enhance penetration levels of insurance in the country and make insurance an AA (anytime, anywhere) affair.

The success of "Insurance for all" will rely on
1. Distribution effectiveness through digital solutions
2. Measures to improve cyber security
3. Attention to personalization supported by data analytics capabilities
4. Increased capital infusion and consolidation through mergers and acquisitions

Bima Sugam is a digital platform for insurance products and services and intends to empower all insurance stakeholders. IRDA is also mooting a united payments interface for insurance through Bima Sugam, Bima Vistar and the woman centric Bima Vahak. IRDA wishes to double the penetration of the insurance market in India in the next 5 to 7 years (by 2028- 2030). IRDA has permitted insurers to conduct video-based KYC and launch standardized insurance products. Insurers can give rewards for low-risk behaviour of insured.

Working group on standardization of cyber liability insurance has been constituted. PE funds can directly invest in insurance companies. IRDA has also laid plans for transition to a risk-based solvency regime from current regime of capital or factor-based solvency.

Table 3: achievements of government of India in promoting insurance

SR NO	NAME OF THE SCHEME	ACHIEVEMENTS
1	Pradhan Mantri Fasal Bima Yojana (risk coverage against crop damage)	world's number one crop insurance scheme in terms of farmer applications enrolled; world's 3rd largest crop insurance scheme in terms of gross premium. Between 2016 and 2022, 276 Mn applications were received under the scheme, and claims of about $ 16.7 Bn (INR 1.28 lakh crore) have been paid to the farmers
2	Pradhan Mantri Jeevan Jyoti Bima Yojana	144 Mn beneficiaries have been enrolled under the scheme, and more than 6 lakh claims have been disbursed (30 Nov'22)
3	Pradhan Mantri Suraksha Bima Yojana	313 Mn beneficiaries have been enrolled under the scheme, and more than 1 lakh claims have been disbursed (30 Nov'22)
4	AB PM-JAY (world's largest health assurance scheme)	230+ Mn beneficiaries have been provided Ayushman cards, and over 44 Mn hospital admissions have been authorised through a network of 25,969 empanelled healthcare providers, including 11,700 private hospitals (9th March 2023)

The data in the above table indicates how serious the Indian government is in ensuring that the benefits of insurance reach every nook and corner of the country.

INDIA: 6TH BIGGEST INSURANCE MARKET IN 2032

India is the 10th biggest insurance market in the world in 2021 worth $130b growing to $420b by 2032. Life insurance premiums are expected to grow by 9% annually by 2032.

A Swiss Re report mentions that India, by 2032, can become the sixth largest insurance market in the world. The report, titled "The Future of Insurance in India", projects that India's total insurance premiums will grow by an average of 14% per annum over the next decade. India's middle class is expected to grow from 340 million in 2021 to 530 million by 2032. This growth will lead to increased demand for insurance products, as people with higher incomes are more likely to purchase insurance. People are more likely to have assets that they want to protect, such as their homes, their cars, and their investments. The Covid-19 pandemic has created awareness among the Indian population for health insurance and life insurance covers.

In 2021, the penetration of life insurance in India was 4.2%, and the penetration of non-life insurance was 2.3%. These penetration rates are still relatively low, but they are expected to grow in the coming years. The report by Swiss Re estimates that the insurance sector will contribute $100 billion to the Indian economy by 2032. The insurance industry will need to invest $50 billion in new technologies by 2032.

The increasing availability of insurance products is making it easier for people to find the right insurance for their needs. For example, there are now a wide range of life insurance products available, from traditional whole life policies to newer term insurance products. There are also a wide range of non-life insurance products available, such as health insurance, car insurance, and home insurance.

FAST FORWARD: A few key innovations in the Indian insurance sector that will enable the sector leapfrogging into the future

Let us now look at some of the recent innovations in the insurance sector. By 2030, one can hope that similar such innovations that take advantage of structural changes in the sector will transform the business landscape.

Pay-as-you-go-insurance

This is a new type of insurance that charges premiums based on how much you use your insurance. For example, if you drive less, you will pay less for car insurance. If you stay healthy, you will pay less for health insurance. This has the potential to revolutionize the insurance industry. It could make insurance more affordable and accessible for everyone. It could also encourage people to live healthier and safer lifestyles. Such a business model will need insurers to have access to a lot of data about their customers. This data can be used to assess risk and set premiums. Insurers need to develop systems to track how much their customers use their insurance. They also need to develop systems to handle claims.

Internet of Things and Telematics: Game changers for insurance

IoT refers to the network of physical devices that are connected to the internet. Telematics refers to the use of technology to collect and analyse data about driving behaviour. Insurers are using IoT to track the location and condition of assets, such as cars and homes. They are also using telematics to track driving behaviour and set premiums.

IoT and telematics can be used to collect data about claims, such as the cause of the loss and the cost of repairs. This data can be used to improve the efficiency of claims management, which can lead to faster and more accurate claims payments.

Mobility Insurance

Capgemini published The World Property Casualty Insurance report, 2023.

The mobility insurance industry is anticipated to grow from its current $0.65 trillion to $1.38 trillion by 2030. Autonomous, connected, electric, and sharing (ACES) mobility will fuel this expansion. By 2030, revenues (in the automobile business) are anticipated to increase by 35% to $3.8 trillion. Carriers will have to adapt to new individualised business models. The

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The global automotive industry is working towards a future with zero traffic jams, zero emissions, and zero collisions.

India is showing a greater interest in adopting innovative mobility options as compared to its global peers. In India, insurers consider technology capabilities and competition as the key challenges in their journey towards the future of mobility. Talent and product development are key for insurers when evaluating their preparedness for the future of mobility, and Indian insurers appear to be more prepared than their global peers in these areas. Indian insurers need to strengthen their delivery of value-added services to increase customer engagement. Indians prioritize value-added services, enhanced claim processes, and digital distribution over personalized pricing, which is preferred by customers globally.

Individual vehicle ownership is anticipated to reduce as autonomous vehicles (AV) and mobility as a service (MaaS) expand. The focus will probably switch from providing insurance for individuals to providing insurance for fleet owners and AV makers. There will be a need for completely new business models as a result of the B2B emphasis. On a pay-per-use basis, insurance is anticipated to be incorporated into other services like AV rental. The linked mobility environment will require insurers to create far more nimble, quick, and real-time products. The transition from personal to commercial insurance will mark a major shift in how risks are managed by the insurance industry.

Distribution could shift from personal market aggregators and brokers to fleet owners' business policies. As insurance becomes a fully integrated B2B business, new partnerships and methods of operation will be required. It is anticipated that the product would be integrated into other services and products (such as insurance as a service). Pay-per-use (such as the driver paying per mile) and product liability for expensive vehicle parts will be stressed. For urgent journeys across connected tech platforms, instant coverage will need to be accessible. Today clients anticipate that the claims cycle should be speedier, easier and more natural. In case a vehicle stalls, customers are probably going to anticipate that the supplier should set up for another one to self-drive to them immediately.

OEMs, fleet managers, and ride-hailing services are just a few of the mobility service providers who will put an even greater emphasis on supply chain risk insurance. Telematics and artificial intelligence (AI) are anticipated to make underwriting increasingly automated. The growth of AVs may result in 30 to 50% fewer accidents, which would cause premiums to decline by 40% by 2040.

2030: CHANGES IN THE INSURANCE LANDSCAPE

The seeds of this change are already being sown now in 2023. Traditional insurance products offered protection against losses, but today's technology driven world has products that prevent risks. Sensors in residential buildings, factories and complexes can prevent threats from fire, gas, water leaks or burglaries. Wearable sensors and health monitors record physical parameters but also are adept in calling up emergency services. Doctors have real time access to patient information. Augmented or Virtual Reality can be used to establish emotional bonds with customers as part of CRM. Customer data can be effectively leveraged to underwrite risks and pay claims.

RPA (Robotic Process Automation), IPA (Intelligent Process Automation) and Artificial Intelligence (AI) will streamline underwriting and claims management, fraud detection, and payments. Use of chatbots as part of conversational commerce will ensure support to customers 24 x 7.

The ease with which insurance transactions can be carried out will determine customer stickiness. It will be imprudent to segment individuals as per demographic criteria alone. Individual customers should understand the insurance product and also identify with it. Social groups who share similar beliefs, attitudes and passions will play a decisive role in influencing people to buy insurance. Claims administration will continue to be the moment of truth.

Listening to customers will no longer be an option. Selling a single type of insurance policy to the population won't help. Life insurance policies that are customised to specific individuals based on their occupation, age and preferences will become the norm. Agents have to be tech savvy as customers will lose patience with agents who do not render valuable after sales service.

What does this mean for insurance?
Insurance business models have to constantly evolve to keep pace with these changes.
Insurance sector will begin focusing on risk prevention behaviours and rewarding such behaviours instead of providing protection alone. As technology keeps progressing in leaps and bounds, insurance sector has to innovate to introduce new products and services. Newer risks will need new forms of insurance cover.

Let us not forget – in 2030, insurance will no longer be about only selling policies. The insurance sector must provide support to the customer in areas that the customer needs support and use it as a sales pitch. For example - as more and more people face the threat of job loss, unemployment insurance will be in demand. Gig economy demands that insurers cover those employees as well.

In Peer-to-peer (P2P) insurance, a group of people can pool their capital, self-organize and self-administer their own insurance. A set of like-minded people with mutual interests will have superior bargaining power when they approach insurers for bespoke solutions. A small group of family members, friends or individuals with common interests combine premiums to insure against risks. In the event of a loss, money from the pool is used to cover the individual. This is an example of how social networking can be leveraged to offer insurance covers.

Insurers listening to the "Voice of the Customer" and placing it at the very core of their business strategy is what customer centricity all about. This will need streamlining of internal processes to follow the customer journey. Customer interactions across different touchpoints (telephone calls, emails, instant messages via social media, text messages) will have to be integrated with data capturing protocols and ERP systems. Omni channel approach will give agents real time information about clients which in turn will enable rendering a great service experience to customers.

Companies may set up captive insurance companies to protect capital erosion. Individuals may have their own insurance reserves that can come to their aid in case of an exigency. Selling pure vanilla insurance products may not be the best thing to do. Tied covers will be necessary. For example – paying a motor insurance premium for a two-wheeler can be accompanied with two free maintenance services. Health insurance premiums must have an incentive of free health check-up at least once in two years and option of availing discounts for a visit to a nutritionist.

2030 will see the convergence of banks, insurers, reinsurers and insurtech firms. Bancassurance models will also undergo a sea change. For example – opening up of a new bank account will mandate buying an insurance policy too. On premises legacy systems will move to the cloud. By 2030, it is expected that block chain would have become all pervasive. Block chain increases transparency and fairness in the processing of claims through traceability and can increase operational efficiency by reducing frauds.

By 2030, an insurance card will become mandatory like AADHAR card to avail benefits of public schemes. Insurers will place greater emphasis on predictive models than historic data. Insurance solutions will be integrated into the offerings of other solutions some of which will be need based. For example, real time cargo insurance for logistics operators. Insurance coverage for individual behaviours and events will drive insurance sales. This will involve assessment of risks in real time. Insurers will not just provide insurance covers but also advise customers about anticipating risks. The software of insurance companies will be using AI solutions to get a better understanding of risks. This can ease fraud detection efforts. By 2030, insurance regulation will play a balancing role between risk, data privacy and insurability.

SIGNIFICANT TRENDS BY 2030

• Cloud based ERP
• Automation – AI, Big data analytics, Augmented reality, Internet of things – these will become table stakes for insurance businesses
• Explosion of data from connected devices
• Data culture and strategy
• Upskilling of insurance workforce
•Customer-centricity as bulwark of all insurance operations
• Trust as the basis for growing business
• Significant progress in institutional insurance coverage
• Regulation as a great business enabler
• Detection of claims in real time through automation
• Reduced lead time between claim intimation and claim processing
• Core competency of insurance sector in managing cyber risks
• Empowered insurance intermediaries – agents and brokers who can also render deeply informed technology-enabled financial advice as part of customer-centric approach.

SUGGESTIONS & RECOMMENDATIONS

Market Trends & Research

Insurers have to be ahead of other sectors in terms of predicting future market trends. Have insurance companies ever had a research department? May be not. But now it is time for a separate research wing that can integrate all research requirements for the insurance business. This research wing can be clubbed with the technology vertical with CTO (Chief Technology Officer) rechristened as CTRO (Chief Technology and Research Officer). These cells will have in-house talent that has the expertise in data analytics. Every insurance company may have their own Insurtech cell which means consolidation of Insurtech into insurance business is a distinct possibility. The innovation cells in each insurance company will act as a weathervane for predicting market trends.

Innovative performance metrics

There has to be a radical re-thinking in terms of using "percent of GDP" to measure insurance penetration. Since, the premium paid by insured is made up of two components – pure risk and investment, it will be prudent to use the total sum insured underwritten by the industry as a metric rather using premium incomes alone. For example, CII and KPMG have proposed a metric called Coverage Ratio – ratio of cover availed by an individual to an individual's annual income.

Insurance companies must embrace the environmental, social and governance (ESG) agenda to assess the impact of their actions on employees, customers and local communities. Social responsibility has to be cleverly intertwined with insurance marketing and selling.

Investing in insurance education and knowledge dissemination for increasing insurance penetration and reducing information asymmetry

Consumer education about insurance has gained sporadic attention in the last decade. However, an all-out attempt to improve consumer knowledge about insurance has become inevitable. Digital channels provide information and empower customers but let us not forget that there is information overload on the Internet and the probability of misleading information about insurance cannot be completely ruled out. Therefore, entrusting customers with high quality, credible information becomes crucial.

Information exchange within the insurance business is made possible by open insurance. It fosters more transparent and open interactions built on trust, understanding, and a vast amount of data between insurance firms and their clients. Both insurance companies and customers will gain from it because it makes it easier to comprehend everyone's demands. It's a win-win situation where consumers have more delightful insurance experiences and providers gain greater insights about their insurance products.

Digital Revolution

For businesses to survive and prosper in the future, digital transformation is a must. Digital natives are accustomed to using technology and anticipate interacting with companies and organisations digitally. To make better judgements about marketing, sales, and operations, businesses must be able to gather and analyse data. Customers are requesting experiences that are more digital and tailored. Businesses will be at a competitive disadvantage if they do not adopt digital transformation. They won't be able to draw in and keep clients, which increases the likelihood that they'll fail. The digital era is a moment of immense possibility and transformation. Businesses will be well-positioned to flourish in the next years if they embrace digital transformation.

Insurers must strengthen digital payment architecture for on boarding and renewals. Collaboration with Insurtech firms and aggregators will be crucial for growing the business. Insurers must also leverage Ayushman Bharat Digital Mission to drive transparency.

Leveraging data

Data that can integrate insurance information can create a seamless ecosystem. Going forward, understanding customers through data and providing differentiated value propositions for different customer segments like rural, Gen Y, Gen Z, SMEs etc will become crucial. Collaboration among industry players and sharing of common databases can help fight fraud. To enhance data security, insurers must focus on data governance and management practices.

Innovations in Products and Processes

There is a need to explore new segments, new channels and new product categories. Crop insurance, corporate insurance, open insurance, household insurance, lifestyle insurance, fire insurance, cyber insurance and travel insurance will demand greater attention from market actors. Motor insurance sector will continue to benefit from data driven premium calculation. Pay as you go motor insurance will become popular. Insuring electric vehicles will demand new underwriting protocols.

in Bangalore to enable start-ups to develop products and services. As of now, there are 110 Insurtech start-ups in India. More capital flows can therefore be expected in the insurance sector.

Dematerialisation of insurance policies wherein policies can be stored in a digital format will be an interesting development in the future. Policy renewals, modifications, porting and claims processing will become faster and convenient.

Benchmarking, redesigning and reengineering processes will increase operational efficiency. Machine learning will strengthen and streamline processes/procedures like workflow automation, claims processing, fraud detection and conversational interfaces like chat bot.

Customer centricity to fuel business growth

Insurers have to adopt a customer centric approach by placing customers before profits and use multi-channel and multi-location architecture to offer a diversified product portfolio to customers. Customers can be offered tailor made products like sachet products, on-demand insurance, event based insurance and even pet insurance.

Regardless of technology interventions in the insurance sector, trust will remain integral to the development and sustenance of a mutually rewarding and enduring relationship between the insurers and customers.

What steps are needed from a policy perspective?

1. One-step data repository
2. Data sharing framework for analytics
3. Data security standards and protocols
4. Investments by insurers in Insurtech firms to leverage data and technology
5. Consistent terms and conditions across insurers
6. Increasing the actuarial skill base in India
7. Designing performance metrics to measure customer satisfaction
8. Strengthening digital network infrastructure in India

The insurance industry must strive to focus on governance mechanisms to protect against reputational risks. Confluence of technology and data will define customer experience. Data from connected devices will enable deeper understanding of customer profiles leading to personalized pricing and real time service delivery. Identifying quality data will however remain a challenge. The industry must leverage the power of technology without allowing the dilution of trust factor that can bind the insurers and policyholders together. ESG metrics will need to be embedded with the performance metrics of insurance companies.

CONCLUSION

A report by Red Seer states that the insurance market will reach $222 billion by FY 26. As per policy bazaar.com, the total annual premium of insurance companies is expected to reach Rs 39 lakh crore in FY 2030. World Bank update (India Development Update) in April 2023 notes that Indian economy is a resilient economy despite challenges in the global business environment. Growth is estimated to be 6.9% for 2023 with real GDP growing at the rate of 7.7% year on year during the first three quarters of the fiscal year 2022/23.

All the naysayers of insurance must not forget that insurance contributes to economic progress and social development of a nation. Growth of insurance industry in India is the result of several factors. FDI in insurance, growing awareness about insurance, banks entering insurance sector, strategic alliances, tech-savvy insurance agents and brokers, improvements in distribution and operational capabilities and a strong regulatory support have made a significant contribution to boost the prospects of the insurance sector in India.
Favourable demographics like 55% population in the age group of 20-59, increase in the middle-class population (140 million middle class income Indian households by 2030) and attempts to make insurance more inclusive is further adding to the charm of insurance both as a business and as a service.

The pandemic deflected attention of consumers to the "protection" value of insurance which had hitherto got side tracked in favour of value propositions like "insurance for tax protection" and "insurance as an investment avenue".

In the past, the Indian insurance market was dominated by a few large state-owned companies. Liberalization of the sector brought about sweeping changes. The public sector insurance companies have matched steps with private insurance companies in terms of enhancing their digital footprint. LIC has made rapid strides in embracing digitalization and rendering excellent customer service. The surge of new private insurance companies entering the Indian market has led to increased competition, which has forced companies to develop new and innovative products in order to attract customers. There are now a wide range of life insurance products available, from traditional whole life policies to newer term insurance products.

The regulatory reforms in India are making it easy for insurance companies to do business in India. The government has relaxed the foreign direct investment (FDI) limit in the insurance sector, and it has also introduced new regulations that are designed to make it easier for insurance companies to use technology. These reforms are making India a more attractive market for insurance companies, and they are expected to lead to further growth in the Indian insurance market.

For a long time, the narrative around insurance has revolved around investment and tax savings with the protection component being relegated to peripheral importance. However, post Covid-19 pandemic, consumers have realized the importance of protection. This realization will grow stronger and by 2030, insurance policies will be purchased more for their "protection" value than anything else. Insurance will regain its position as a mechanism to protect against death, disease and disability. This behavioural change will certainly have an impact on insurance penetration.

Product simplification will brighten the prospects of the insurance sector and this will make people value insurance for what it is – a financial tool to mitigate risks. Insurance for electric vehicles is an area that will gather momentum. Over the next 10 years, cloud based insurance lifecycle, financial planning bots and telematics will become industry practices. Democratization of data and AI will transform the essence of insurance. Insurance business models will change beyond recognition. Insurers will use artificial intelligence to automate tasks such as underwriting and claims processing. For some lines of business, manual underwriting with specific skill sets will be needed. Computing power, network infrastructures and connectivity will trigger claim settlement.

The insurance landscape in 2030 is expected to be significantly different from what it is today. The rise of Insurtech start-ups, the increasing demand for data-driven decision making, and the need to improve the customer experience are shaping the future of insurance. Insurtech start-ups are disrupting traditional insurance models. They are offering new products and services that are more convenient, affordable, and personalized than traditional insurance. Data analytics is enabling quality decision making in underwriting, pricing and claims through better mapping of customer risk profiles. Customers are increasingly demanding a more digital and personalized insurance experience. Customers expect to buy, use, and renew insurance online.

Reinsurance will be expected to cover risks like nuclear risks, terrorism risks, business interruption losses due to bilateral war between nations, cyberattacks on servers and IT infrastructure. A reinsurance mechanism will be required because the costs resulting from such risks are likely to be too high for insurers to cover individually.

The market for cyber liability will increase significantly in this situation. Cyberattacks are a growing threat to the insurance industry. Insurers will need to invest in cybersecurity in order to protect their data and their customers. Insurers will partner with Insurtech start-ups to offer new products and services.

Seizing new market opportunities in insurance will need insurers to embed more partners into the insurance value chain and develop capabilities to share vast volumes of data quickly and securely. Automation and digitalization will open up new opportunities for elevating the efficiency of insurance market participants. Better automated pricing models and automation of insurance processes will become the norm by 2030 rather than the exception. Insurers have to find ways to adapt to the changing climate and to mitigate the risks associated with it.

The regulatory environment for the insurance industry is constantly changing. Insurers will need to stay up-to-date on the latest regulations in order to comply with them.

Simpler products, a common IT platform, simplified product offerings and omni channel methods of distribution will lead the growth and progress of the insurance sector. Customers will have access to online portals for not just buying insurance policy but also to manage their policies better. It is highly plausible that by 2030, majority of insurance policies will be sold online. Fitness trackers, home assistants, smart phones and smart watches will generate mass of data for the insurance sector. Rather than an individual buying insurance covers separately (house, pet, life, motor etc), it is possible that a composite arrangement is possible through one life and one non-life insurer. Property insurance underwriting will be done using satellite images to gain more risk details about the property. Amazon has started offering insurance in the US. This is a potential threat for the Indian insurance sector.

The insurance industry is still a very important part of the Indian economy. Insurers play a vital role in protecting people and businesses from financial loss. The insurance industry is expected to grow significantly in the next decade, driven by factors such as rising incomes, increasing urbanization, and the aging population. Insurers must adapt to the changing needs of customers and the increasing competition in the industry.

Indian insurers must make structural improvements to their operating models and cost structures and use technology as an enabler for business growth. Increased digital adoption across all dimensions of the insurance value chain has now become inevitable. A Mc Kinsey report claims that shifting to digital operations will improve productivity and reduce operational expenses by 40%.

By 2030, the insurance growth will rely more on pervasive connectivity between market participants and intelligent use of data. Cognitive automation, deep learning and data will transform the insurance landscape. Smart contracts will enable the instant authorization of payments, reduce the risk of frauds and support claims settlement. The AI-enabled algorithms will generate accurate risk profiles of customers in real time. Sweeping changes in the insurance business model (necessitated by the changes in the socio-economic environment and influence of technology) in the last decade has sharpened the focus on the need to leverage technology, deploy data for decision making and insights and employ customer centric measures to grow and sustain the business momentum. This will establish the base for growth and development of insurance sector in the next few years.

Changes in the insurance operating model will need realignment of customer interfaces, information sharing protocols and data security architecture. Customers are much likely to accept insurance as an essential part of their lives with insurance holding a special place as a financial tool that can mitigate risks and protect from unexpected events. These are exciting times for the insurance sector in India.

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