



Decoding Consumer Sentiment for Life Insurance

September 2023



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Key Takeaways

Life insurance penetration levels off at 3.2% as Tier 2, 3 & semi-rural areas offer growth opportunities

In FY23, the Indian life insurance sector grew by approximately **13%**, recovering its pre-pandemic momentum, while the penetration rate remained steady at **3.2%** as of FY22, emphasizing the importance of exploring untapped markets

01

Traditional purchase channels continue to be strongest medium of sales

- Most consumers depend on insurance agents and banks for policy purchases due to the perceived trustworthiness of face-to-face interactions
- Digital channels experienced significant pandemic-driven growth but couldn't maintain it after COVID

02

Affordable premiums and flexibility in payment are key factors while purchasing policies

- Metro areas prioritize cash accumulation and investment, whereas price-conscious Tier 2/3 markets prefer products with premium flexibility
- While brand reputation and recommendations matter; customer service and competitive rates influence choice

03

Family's financial stability is the major trigger for purchasing life insurance policies

- Post-COVID sentiment about death has largely influenced the customer base to purchase life insurance
- Tax benefits on life insurance continues to remain a significant factor affecting purchase

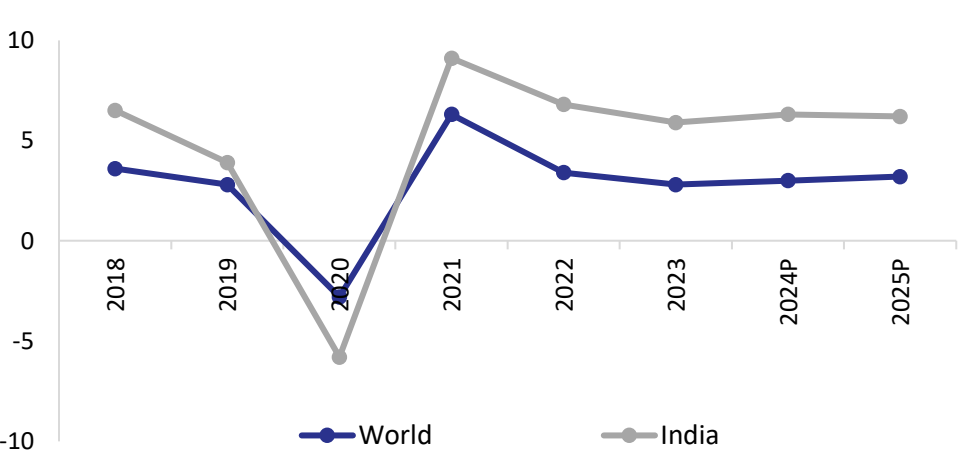
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Life Insurance Industry in India in 2023

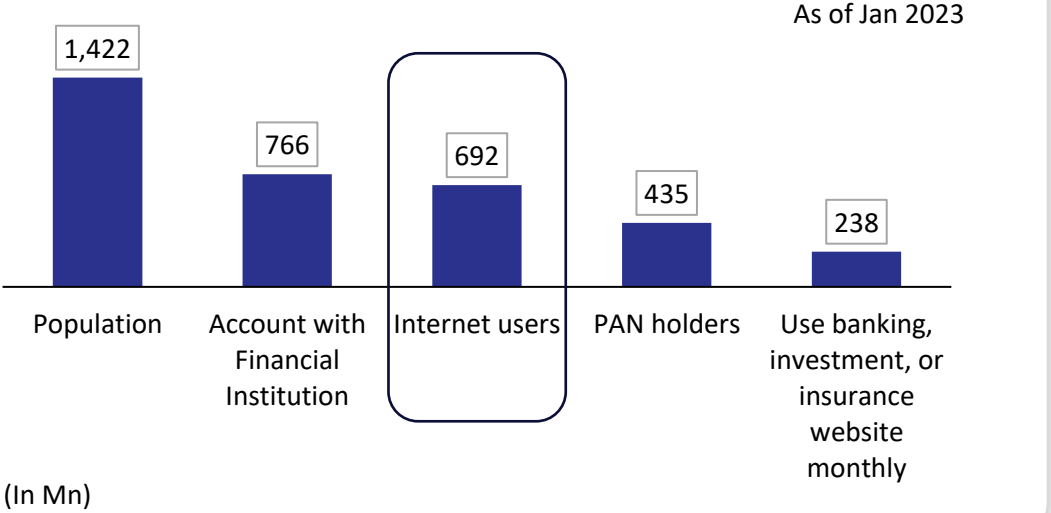
India's life insurance industry is set for growth due to rapid economic growth, digital transformation, and a youthful demographic dividend.

Despite global challenges and stricter domestic monetary policies, India expects to achieve a growth rate of 6.5% - 7.0%

Real GDP Growth, Annual % Change



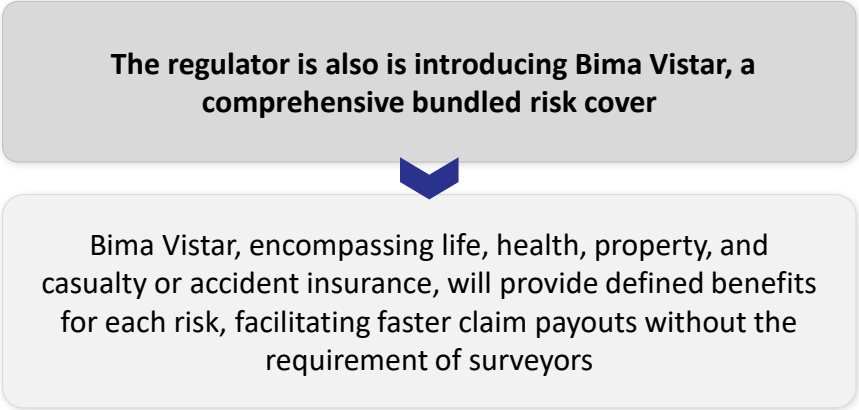
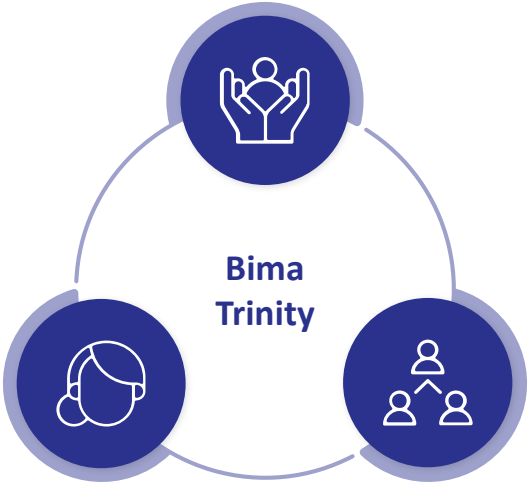
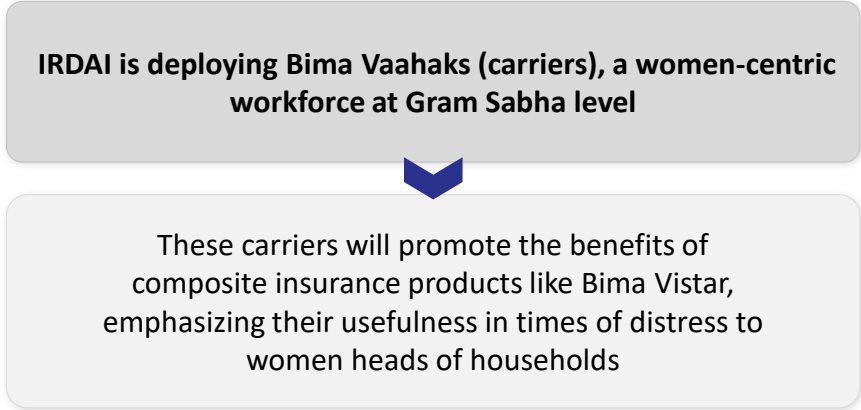
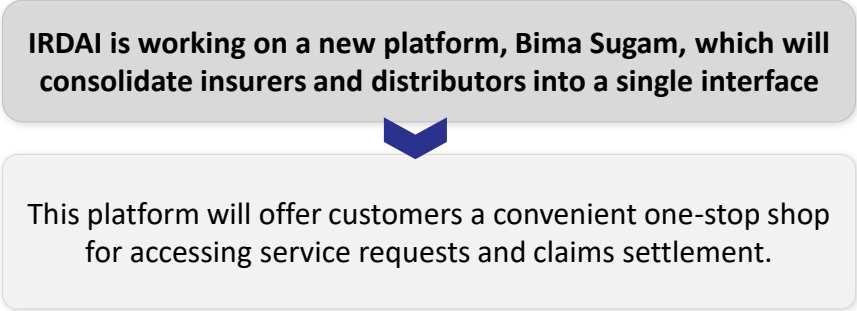
India's digital landscape is evolving, with nearly 50% of the population having internet connectivity



India boasts a 64% youthful population, with a median age of 28 years, indicating a huge opportunity for the insurance sector. A significant growth in domestic “credit” consumption of 21% in FY23 is also creating a large opportunity for increasing insurance penetration.

IRDAI is further enabling growth by extending insurance access and providing flexibility through the Bima Trinity initiative

Efforts are underway to collaborate with the councils of life and general insurance to create a UPI-like movement for the insurance sector with Bima Trinity



Although the industry marked 11.6%* GWP growth riding on post-pandemic awareness boom, policy sales have declined

*2-Year CAGR



New Business Premium

FY23 saw **18% growth** driven mainly by group single policies and individual non-single policies.



Number of Policies

In FY23, the policy sales growth **declined by 2%**, indicating the industry's challenges in expanding its customer base.



Insurance Products

In FY23, the insurance industry primarily focused on launching non-ULIP, non-par products to meet customer demand for affordable, straightforward insurance plans with clear terms

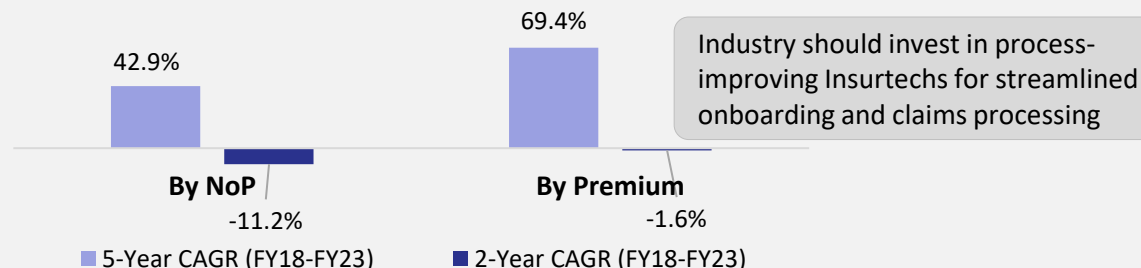
- FY23 saw industry-first features like unlimited withdrawals which provide policyholders with greater control over their money
- New product categories such as millennials, self-employed individuals, and homemakers are being identified by insurers



Sales Distribution Channels

- The pandemic saw the rise of fintechs in India, capturing major markets across industries. However, the growth momentum has not sustained in the life insurance sector, with digital business witnessing a decline in the past two years

Direct Online Sales Channel

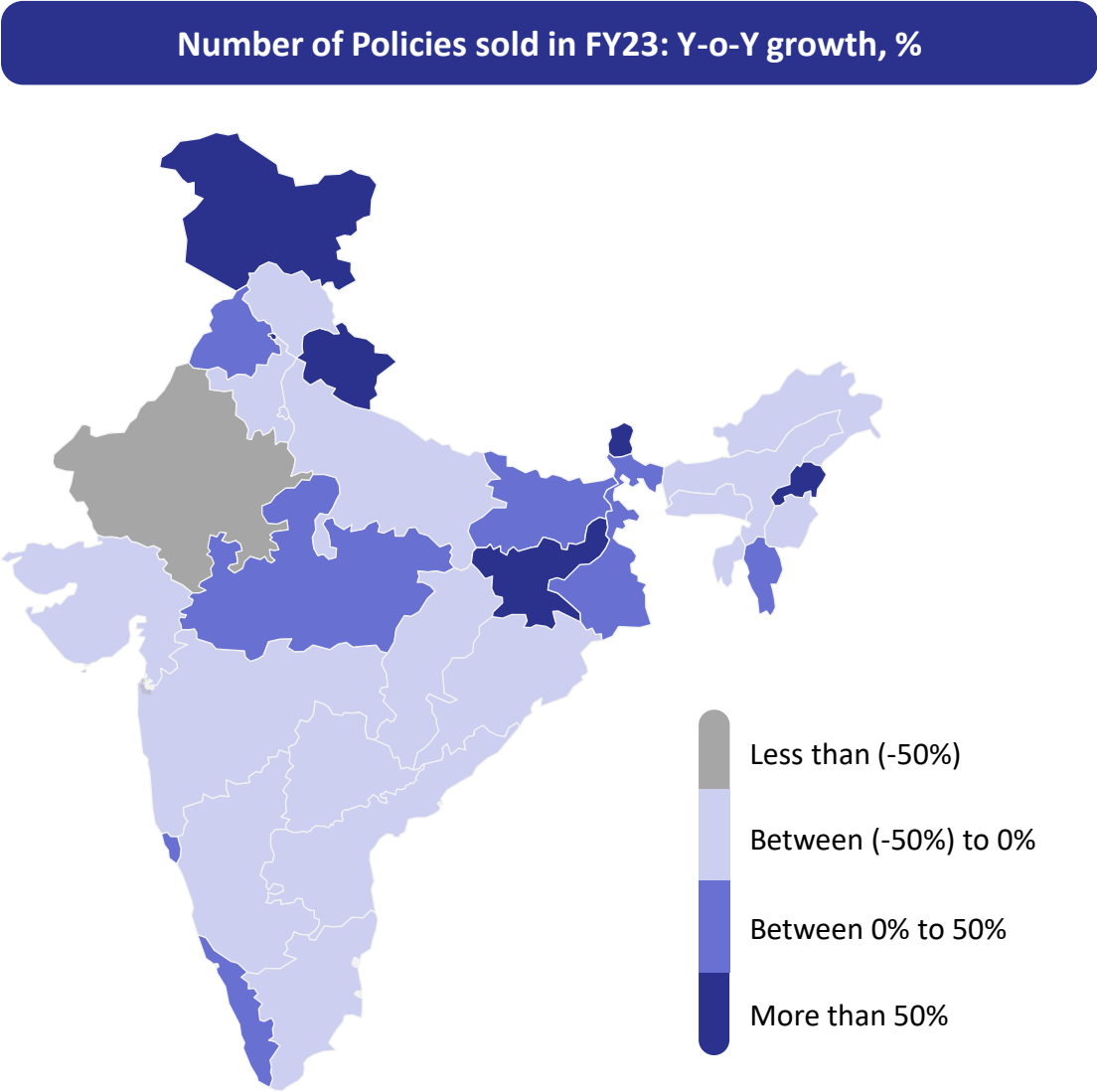


Industry experts indicate that only a few frequent users account for most of the transactions or share of spends in major digital applications indicating:

- Less financial literacy
- Sharp reduction of user-base when it comes to paying users

For Individual business, as reported by companies in public disclosures

FY23 witnessed high GDP states showing negative growth in policies sold, indicating a need to diversify into Tier 2&3 markets



01

States with high GDP/capita like Maharashtra, Gujarat, Karnataka and Tamil Nadu witnessed negative y-o-y growth in the number of policies sold in FY23, indicating saturation of urban markets

02

States with low population such as Sikkim and Nagaland reflect high ratio of policies sold per 1000 people, pertaining to a low base due to their market being in a nascent stage

03

States with medium population are ripe for steady growth as witnessed in Uttarakhand (+226% y-o-y growth in FY23) and Kerala (+38% y-o-y growth in FY23)

04

States with larger populations, like West Bengal and Madhya Pradesh, see higher policy sales per 1000 people, aided by government policies and schemes

3

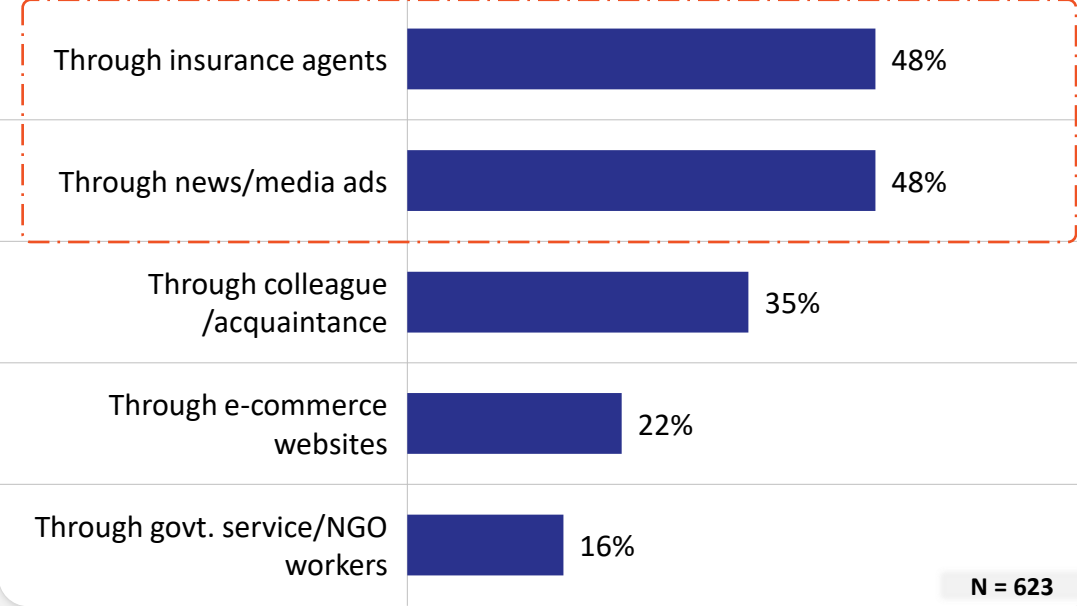
What Do The Tier 2 & Tier 3 Cities Customers Want?

Customers are leaning towards top players with at least one policy in portfolio, engaged through media and insurance agents

Top known insurance brands among respondents



Medium of awareness



Most purchased brands

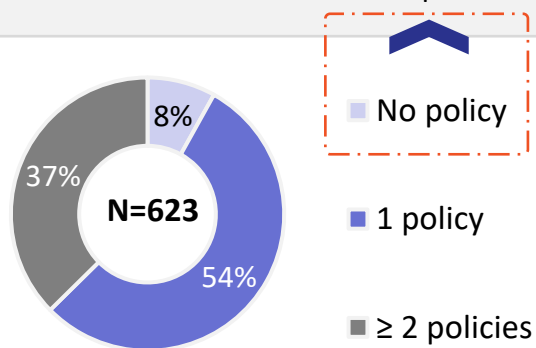


N = 571

Affordable premiums and simple products incentivize term insurance, though majority of Tier 2&3 customers own a single policy

Number of life insurance policies customers own

Customers without insurance policies often choose to invest in alternative financial instruments like PF and FD due to a lack of understanding and trust issues with insurance providers.

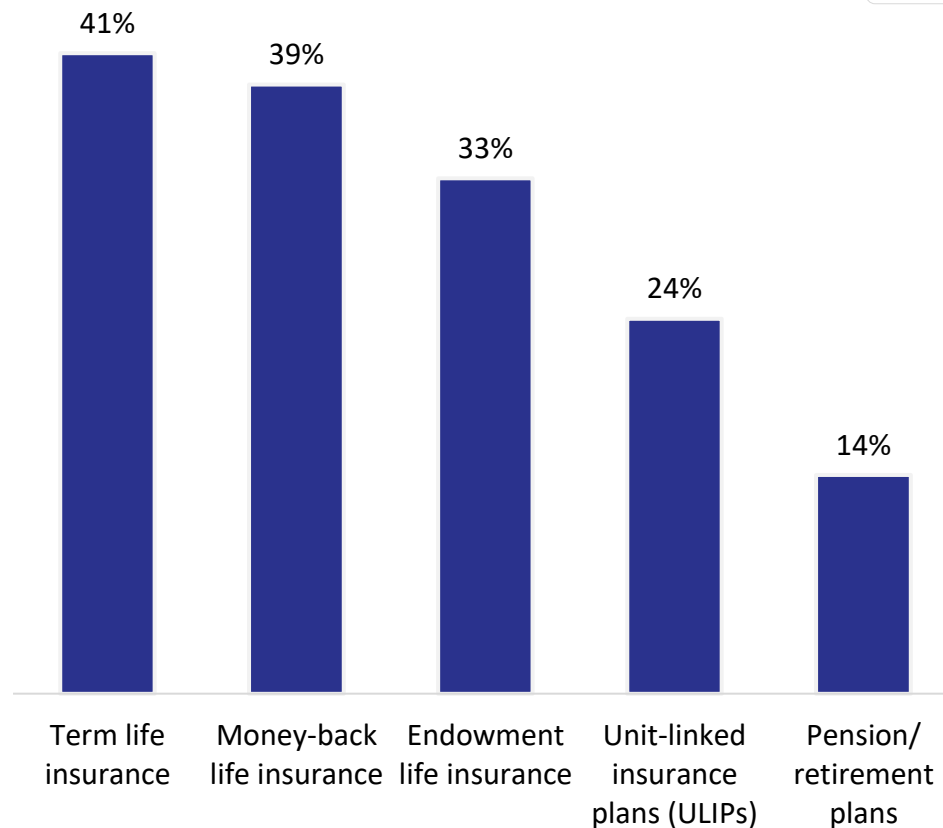


The number of policies held by customers is influenced by their income and age group:

- Respondents earning an annual income of over INR 10 lakhs tend to view purchasing 2 or more policies as an investment
- Respondents employed in the public sector typically possess 2 or more policies
- Individuals within the age group of 36-60 years are more likely to own 2 or more policies

Top Products

N = 571

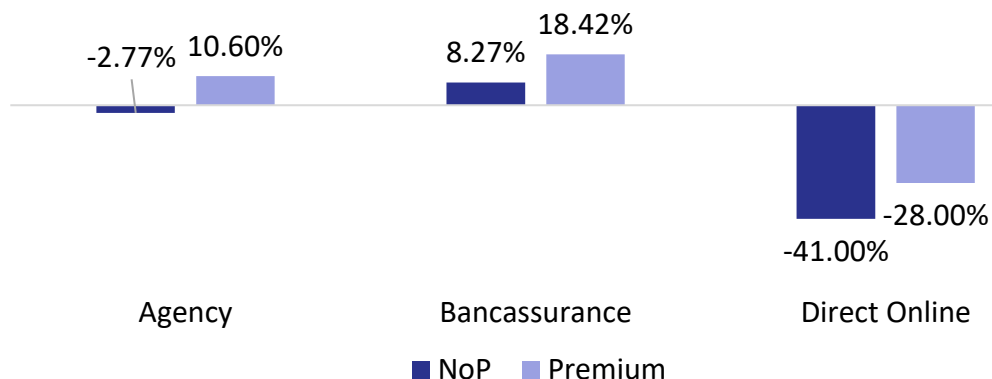


Post pandemic, customers are moving back to physical modes of purchase while buying insurance

- The preferred method of purchasing life insurance among customers is through an agent or banks, primarily due to the in-person interactions
- Customers generally prefer information regarding policies and other features through email, or as app notifications. This is constant across all customer segments

Popular Channels of Purchase

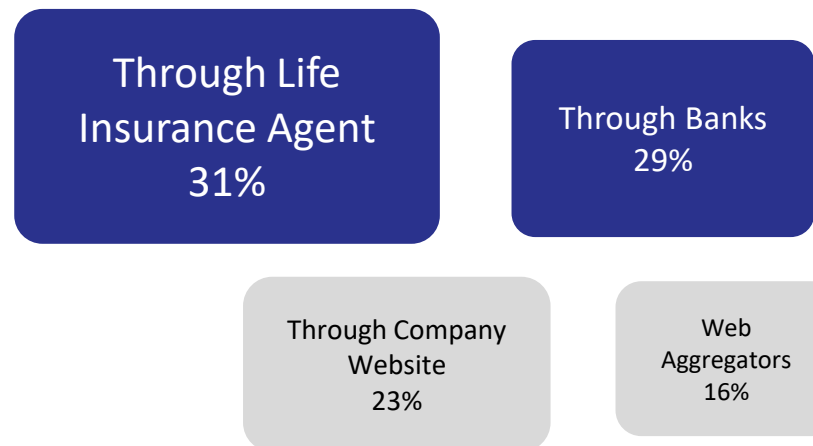
Y-o-Y Sales Channel Growth in FY23



*As per business reported by companies in their disclosures, for individual business

**Direct Online also includes business through web aggregators

Customer's buying preference

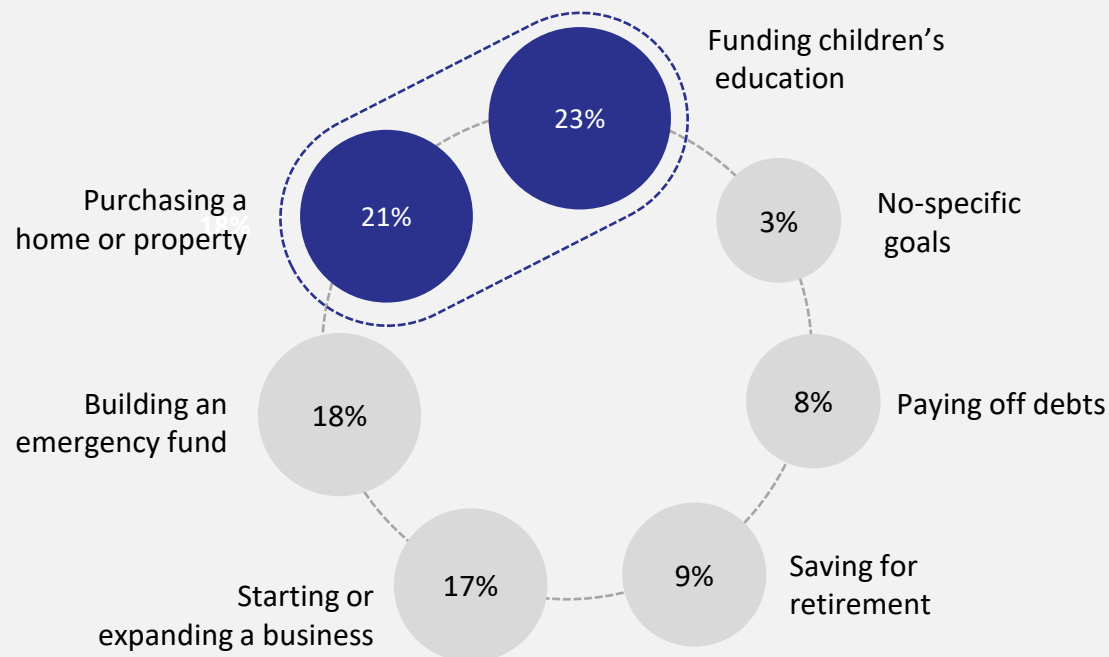


~50% of the respondents prefer reach out through email, and app-like services

Preferences of Tier 2&3 markets indicate the pursuit of financial stability for long-term goals such as education and home ownership

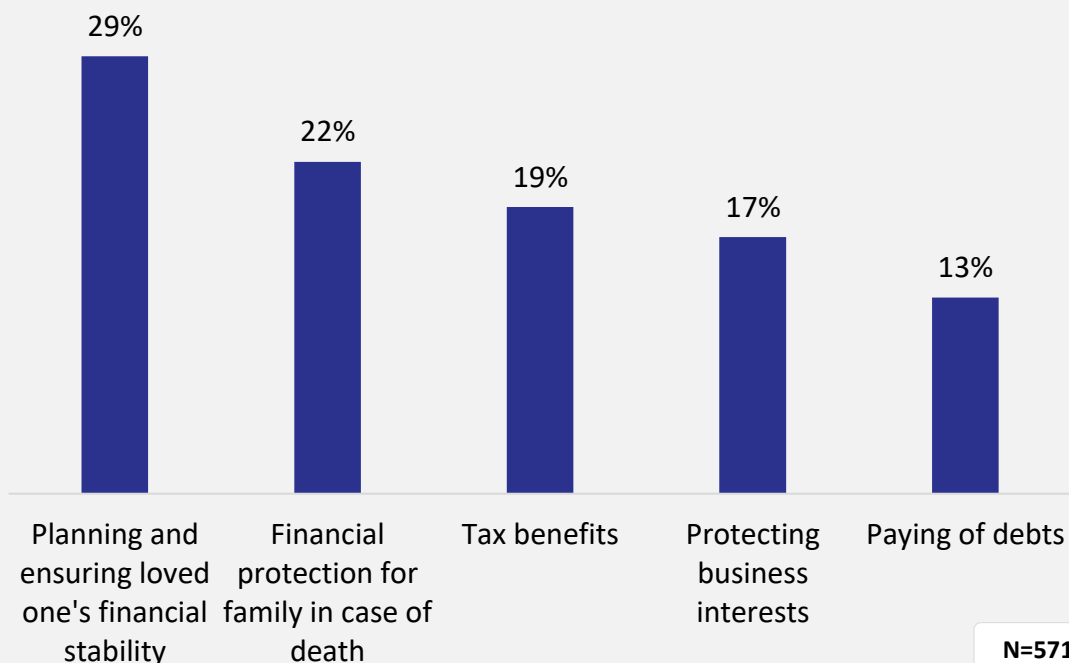
- Customers aged 25-35 prioritize home purchases in early adulthood, whereas those aged 36-60 shift towards long-term financial planning by prioritizing children's education funds
- Customers earning above 20 lakhs per annum majorly purchase insurance as a financial investment or for tax saving purposes, while those earning below 20 lakhs per annum purchase it due to concerns of family's financial stability after death

Primary Financial goals



N=623

Factors influencing customers to buy insurance

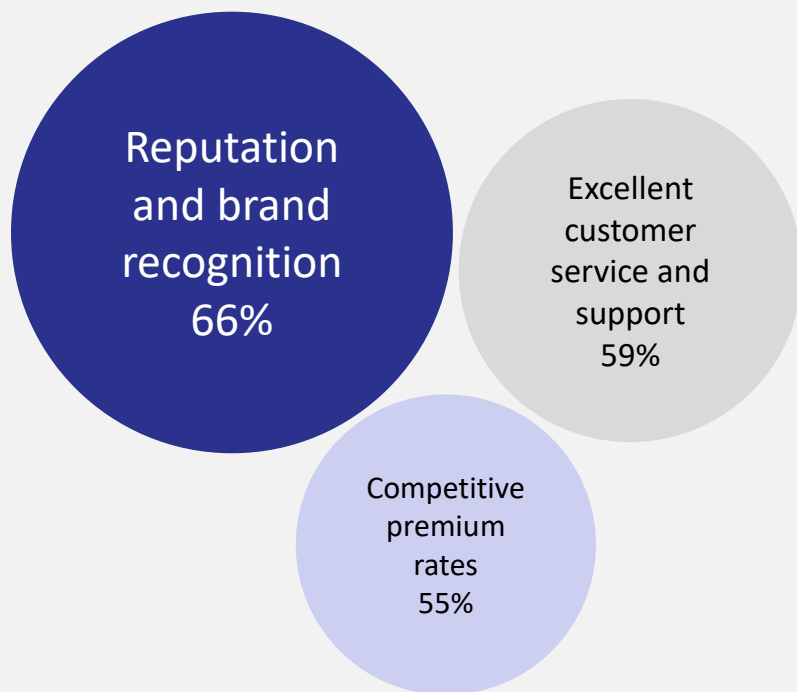


N=571

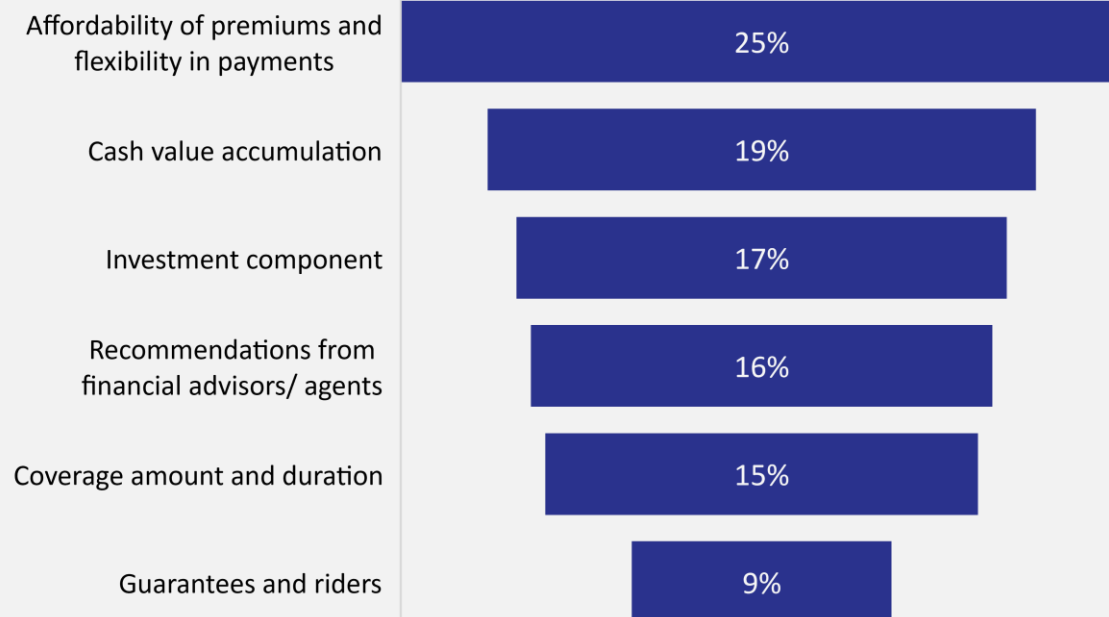
While customers consider brand reputation and recommendations, purchase is driven by competitive rates and flexible premiums

- For customers earning above 15 lakhs per annum, investment options and cash value accumulation from the policy influence their purchase while for those earning below 15 lakhs per annum, affordability of premiums and flexibility in payment are the key deciding factors

Factors influencing purchase from a particular insurer

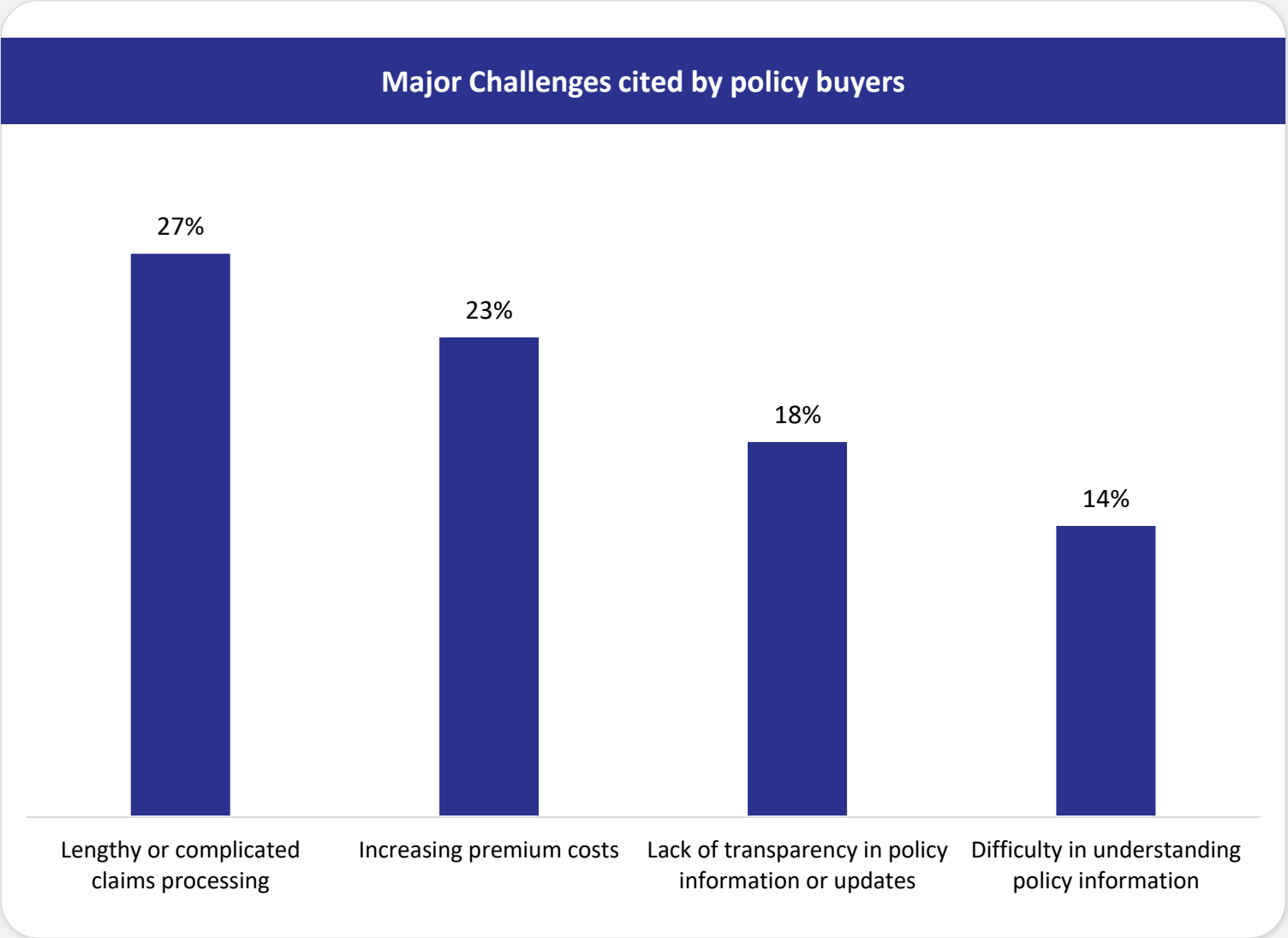
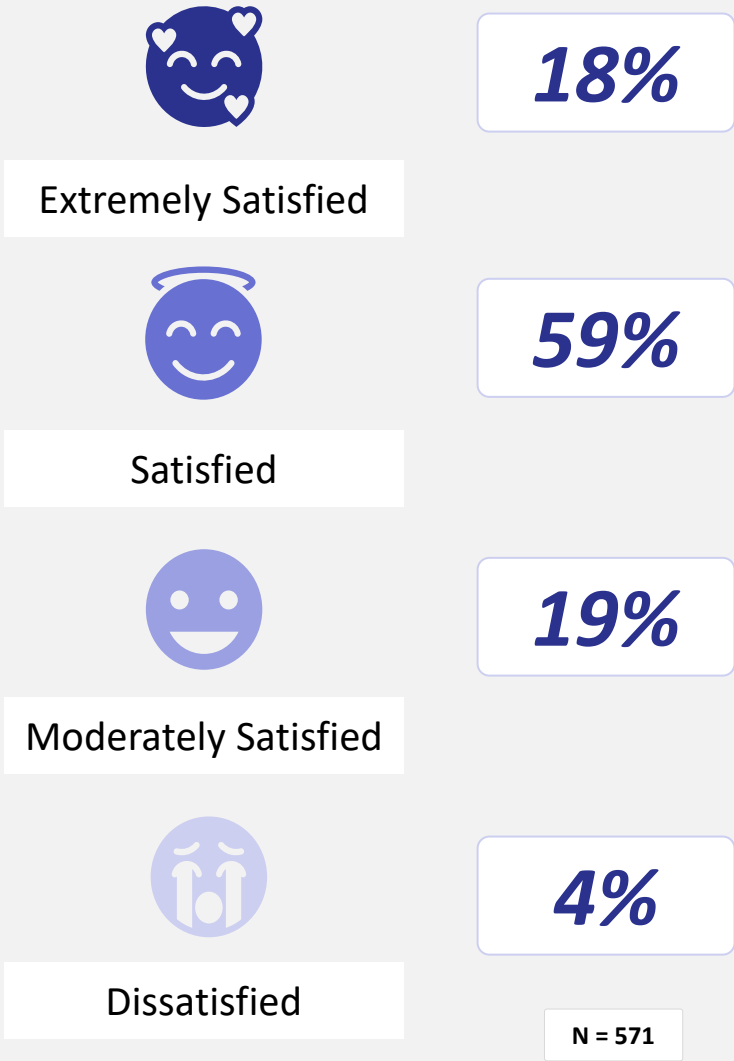


Factors influencing purchase of a specific product



N=571

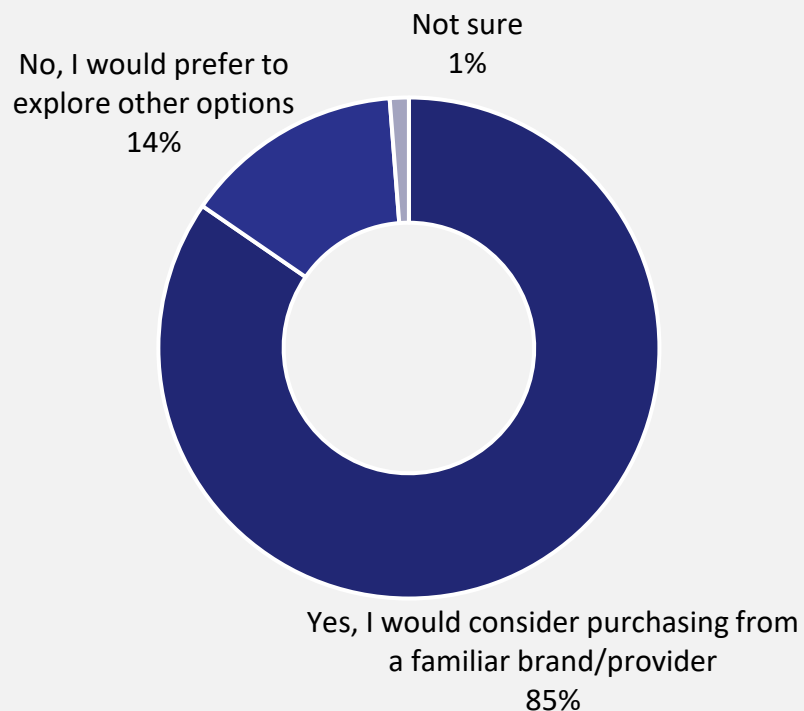
Over 75% of customers express satisfaction with their individual life insurance providers, with the primary challenge identified as the lengthy or complex claims processing



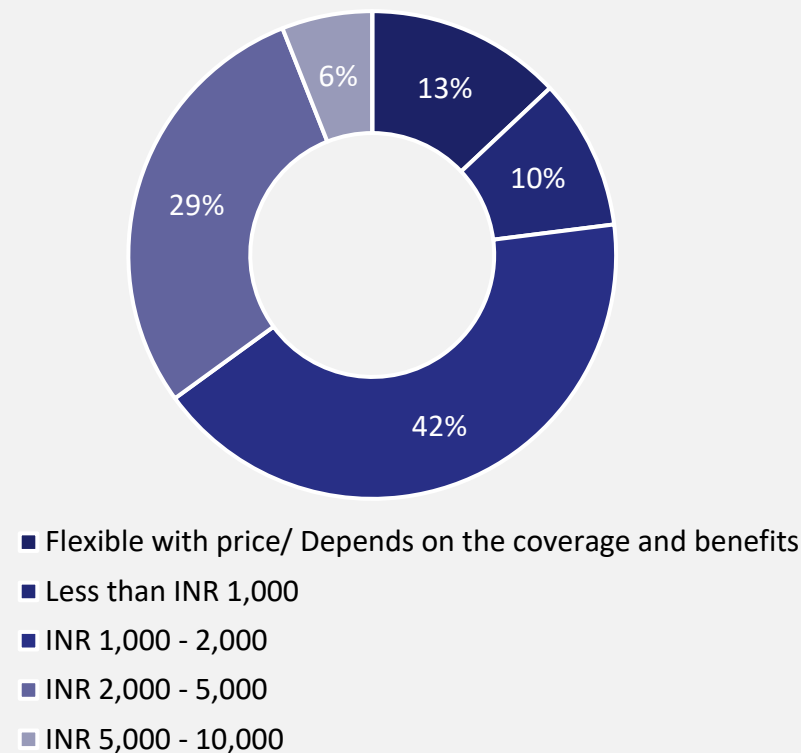
Customers usually consider purchasing a life insurance policy from a brand/provider they are aware of and prefer to pay premium between INR 1,000 - 2,000 monthly

- Of respondents who do not own any policy (N=52), 73% are open to purchasing one in future, given their concerns are met; and among them 87% would purchase it from a brand they are aware of
- While a significant section of Tier 1 respondents are willing to pay INR 2,000 - 5,000 as premium per month and are mostly flexible with price, majority of Tier 2 and Tier 3 respondents are only willing to pay INR 1,000 - 2,000 as premium per month and are extremely price sensitive.

Consideration while purchasing a policy



Comfortable price range for making a purchase in future



N = 609

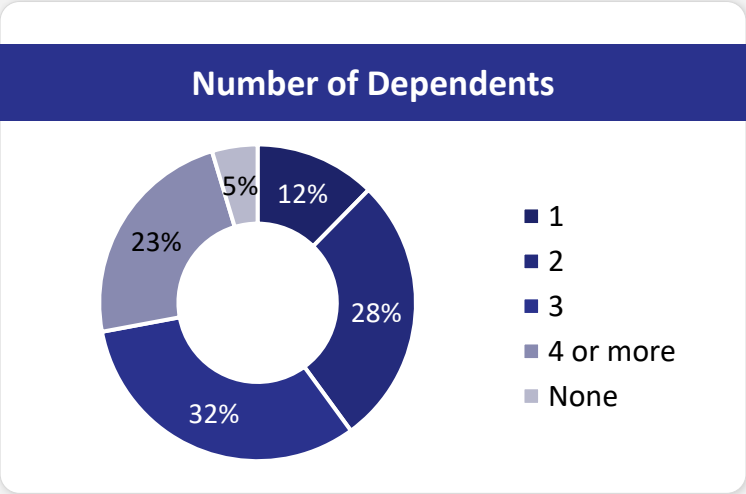
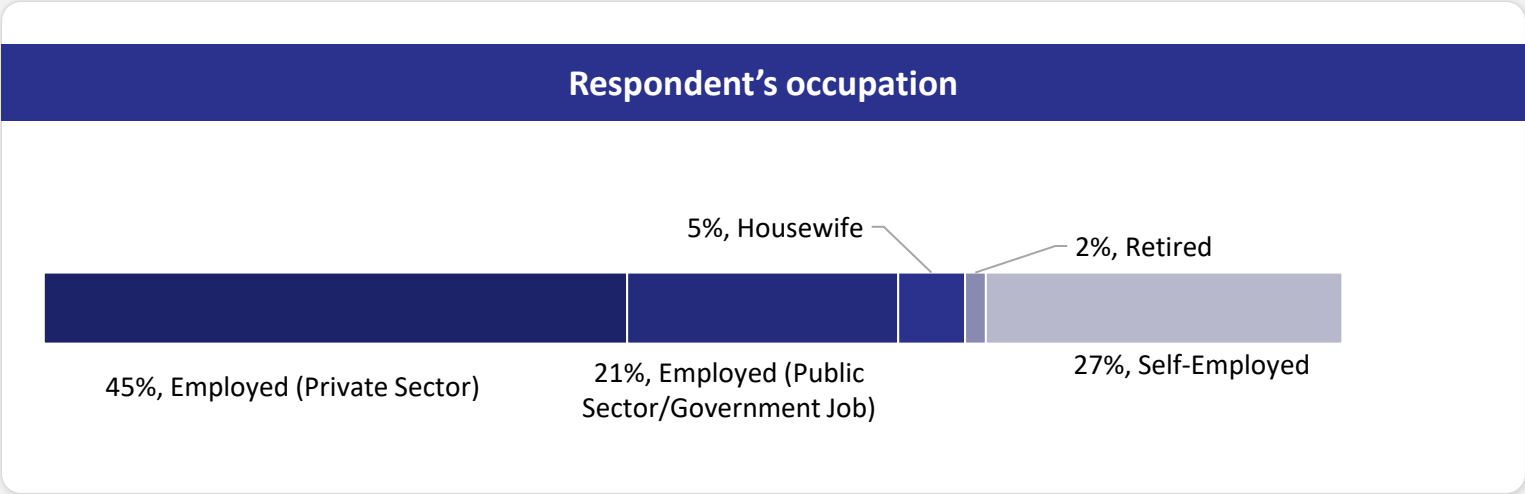
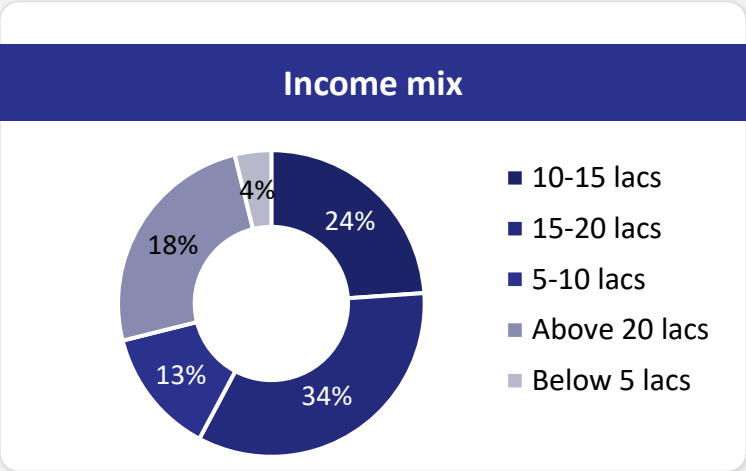
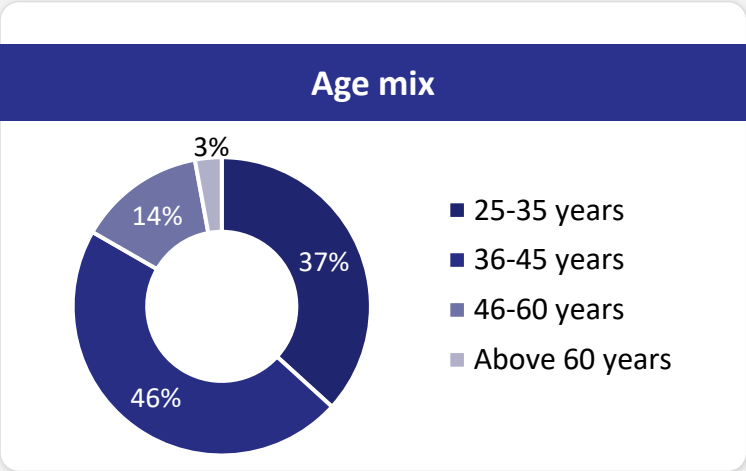
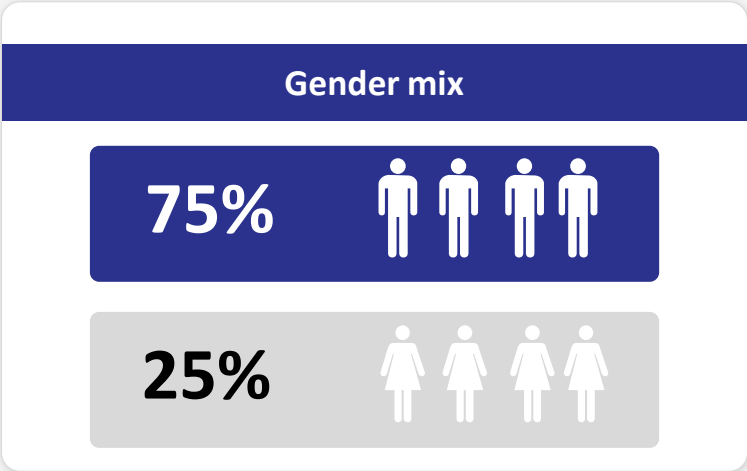
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Appendix

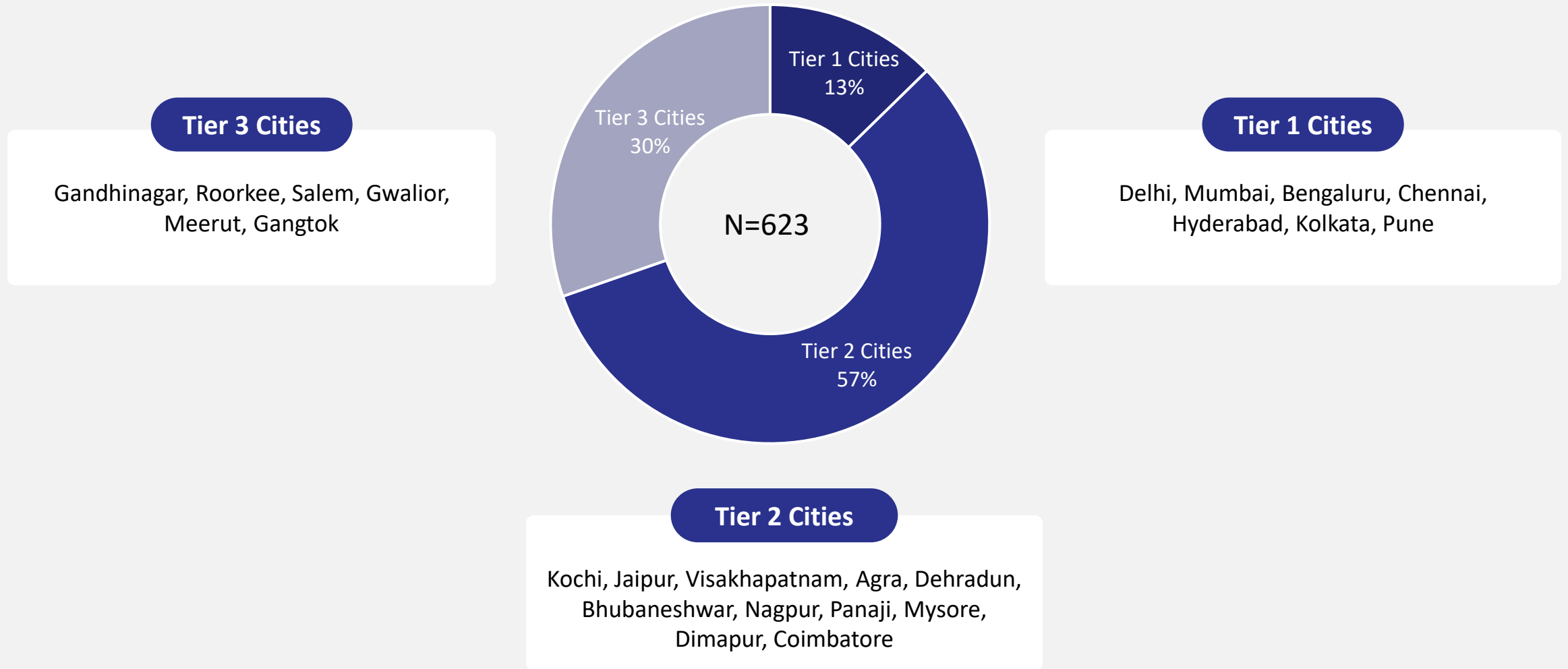
Demographics

The customer sentiment analysis survey mainly focused on the Tier 2 and 3 market.

Total Number of Respondents: 623



Region-wise Distribution



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