

Steering Indian insurance from growth to value in the upcoming ‘techade’



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Introduction

India is a nation of immense scale, boasting the world's fifth-largest economy and a population exceeding 1.4 billion.¹ Its youthful demographic, with a median age below 28, is a catalyst for transformative change.

The country is undergoing a period of rapid financial inclusion and enhanced financial literacy, with more than 75 percent of citizens over age 15² enjoying access to formal financial services on the back of policy initiatives such as the Pradhan Mantri Jan-Dhan Yojana (National Mission for Financial Inclusion) and Pradhan Mantri Fasal Bima Yojana (Crop Insurance Scheme).

In parallel, India's digital landscape is expanding rapidly, with rising numbers of telco subscribers and some 850 million internet users.³ India is embracing the digital age and has entered a decade of technology transformation, or "techade," spurred by the government's 2022 initiative, "Digital India – catalyzing New India's techade."⁴ The digital economy has grown 2.5 times faster than the overall economy since 2016, propelled by a robust digital public infrastructure encompassing Aadhaar, the Account Aggregator framework, Bharat BillPay, DigiLocker, and Unified Payments Interface (UPI).⁵ Additionally, India's micro, small, and medium-size enterprises (MSMEs) now employ more than 110 million people, contribute nearly 30 percent of the country's GDP, and account for close to half of India's total exports.⁶

Meanwhile, the government aspires to an annual GDP growth rate of 8 percent over the next decade, with aims to expand India's GDP to \$19 trillion by 2047.⁷ The country is thus uniquely poised to build on this robust economic foundation to achieve broad-based prosperity by 2047, creating 600 million jobs for its growing workforce while also increasing per capita income sixfold to 1 million Indian rupees (approximately \$12,000).⁸

Achieving these ambitious goals will likely require a sustained and concerted effort from a variety of stakeholders. In particular, the country's financial-services sector—including banking, insurance, pension funds, and mutual funds, among others—will play an indispensable role in improving access to formal finance and improving financial inclusion.

Insurance provides dual benefits, offering financial coverage against exigencies—by providing a safety net for individuals and businesses looking to take calculated risks—and promoting long-term financial security and stability. The sector not only has the ability to bolster India's socioeconomic development but can also channel capital toward developmental projects through the premiums collected.

A significant portion of India's people and insurable assets remain uninsured, increasing the risks of high out-of-pocket expenses, adding to overall economic strain, and placing a considerable burden on public finances. According to McKinsey analysis, the government could potentially save about \$10 billion annually by expanding insurance penetration to encompass these underserved populations and events. It could then redirect these funds to stimulate economic growth. Potential outcomes of such a shift include the following:

¹ "Unleashing India's full potential," McKinsey, December 9, 2023.

² Saniya Ansar, Leora Klapper, and Dorothe Singer, "India country brief," Global Findex Database, World Bank, 2021.

³ *Democratising digital commerce in India: An open network for inclusive, competitive marketplaces*, a joint report from Open Network for Digital Commerce and McKinsey, May 2023.

⁴ "Digital India – catalyzing New India's techade," Government of India, 2022.

⁵ *Democratising digital commerce in India*, May 2023.

⁶ Anya Aftab and Ankita Bhalla, "Small business, big impact: Empowering women SMEs for success," International Finance Corporation, June 27, 2024.

⁷ "What does the future hold for India?," McKinsey, July 3, 2024.

⁸ *India's century: Achieving sustainable, inclusive growth*, FICCI and McKinsey, December 2022.

Robust and affordable private health insurance coverage could reduce the strain on government healthcare.

- Comprehensive life insurance coverage could assist the government in alleviating the burden of providing ex gratia benefits to families affected by the unfortunate loss of life or livelihood due to accidents and other unforeseen events.
- Robust and affordable private health insurance coverage could reduce the strain on government healthcare, potentially freeing government funds to improve India's healthcare infrastructure.
- Enhanced and targeted intervention programs for crop insurance could contribute to minimizing crop losses, pay for crop damages, reduce loan defaults, and improve production yield.
- Creation of natural disaster insurance pools with mandatory coverage for ecologically sensitive areas could minimize the financial losses such catastrophic events cause for small and medium-size enterprises (SMEs) and other businesses.

This report offers a comprehensive analysis of the Indian insurance industry through the lens of core themes shaping the industry's near- and long-term performance, such as boosting the growth trajectory, enhancing profitability, sustaining valuation, and driving innovation. Insights from a detailed McKinsey August 2024 survey of two sets of stakeholders—insurance customers and agents—are also included. The twin surveys asked consumers and agents to identify challenges and solutions for a sustainable insurance industry. Conducted in August 2024, the consumer survey captures respondents' preferences and pain points across topics such as distribution channels, information sharing for personalization, the need for appliance insurance, and preferred health ecosystem features. It includes responses from more than 5,000 insurance customers across life, health, and motor insurance. Respondents come from tier-one, -two, and -three cities in India and represent all age groups, genders, and income levels.

The industry survey, also undertaken in August 2024, captures the views of more than 500 insurance agents of varying tenures across general, life, and health insurance. It focuses on the evolving role of agents, professionalization and sustainability of the agency profession, and the challenges and desires of the insurers.

The report concludes with a proposed road map of strategic interventions for the Indian insurance industry to maximize its potential and grow its value.



Executive summary

As India embraces digital transformation, inclusion, and a new role as a tech leader exemplified by a decade of technology transformation, or “techade,” new opportunities open up for the insurance sector and the wider financial services industry. With strong valuations and a significant growth trajectory, India’s insurance industry is poised for continued success. Accompanying this positive outlook, however, are concerns about profitability and notably slow innovation within the industry in India.

What would it take for the insurance industry in India to make strides toward a robust future and achieve its full potential? This report builds on in-depth McKinsey surveys of insurance consumers and agents to answer this question.⁹ It identifies the industry’s strengths to offer a glass-half-full perspective, outlines the challenges for the glass-half-empty view, and proposes important interventions to help unlock the industry’s potential and contribution to economic growth.

Glass half full: The growth story of India’s insurance industry

Rising costs of healthcare in India, a growing middle class, greater awareness of the need for insurance coverage following the pandemic, and supportive regulations have combined to position the insurance industry at the start of an insurance penetration S-curve, with the potential for rapid growth and profitability.

With a gross written premium (GWP) exceeding \$130 billion and an 11 percent CAGR from fiscal year 2020 to fiscal year 2023,¹⁰ India’s insurance sector has outpaced some Asian peers in terms of premium growth. It has also attained a promising market valuation with robust performance, driving valuation multiples of Indian life insurers to a premium of seven to ten times price-to-book.

Tailwinds in insurance and beyond position the industry well for further growth. The Insurance Regulatory and Development Authority of India (IRDAI) has created regulatory interventions designed to simplify customer journeys and introduce digital innovations. The emergence of private players has transformed operational efficiency, technology, and investment.

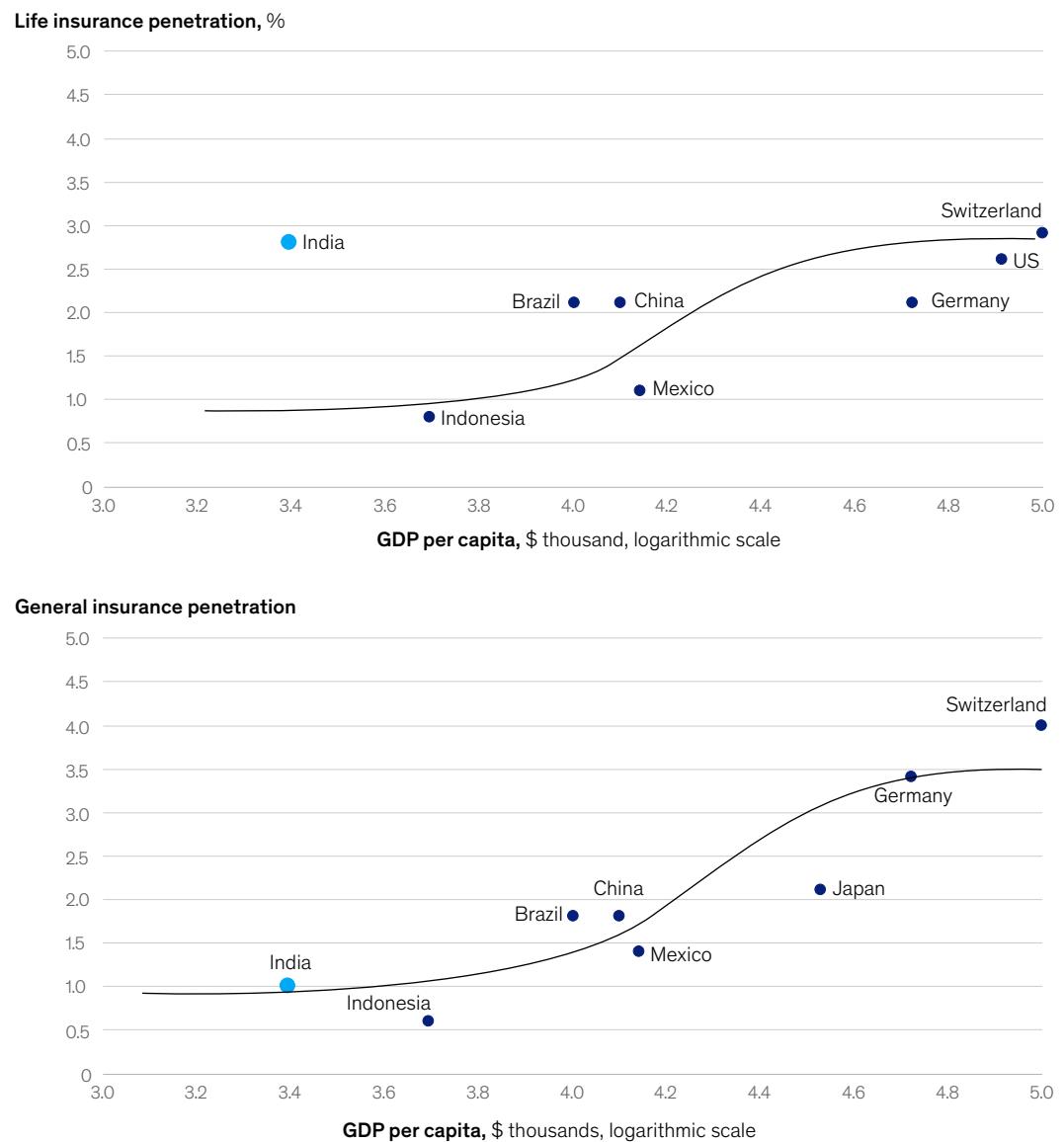
More generally, economic development typically is seen to foster a higher demand for insurance (Exhibit E1). In India, while general insurance penetration closely tracks the trajectory of the S-curve, life insurance penetration sits above the S-curve.

⁹ McKinsey India Insurance Market Survey, August 2024, n = 5,000-plus consumers and 500-plus insurance agents.

¹⁰ “Handbook on Indian insurance statistics 2022-23,” Insurance Regulatory and Development Authority of India (IRDAI), updated February 13, 2024.

Exhibit E1

The S-curve illustrates how economic development creates growing demand for general insurance.



Source: "Handbook on Indian Insurance Statistics 2022-23," Insurance Regulatory and Development Authority of India, updated on Feb 13, 2024; World Bank

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Meanwhile, intense competition is reshaping the insurance landscape. Private players are challenging public sector incumbents to rethink strategies and embrace digital transformations. They are digitizing rapidly and improving employee productivity to create a more dynamic, competitive market. At the same time, substantial investments in innovation and growth have helped to transform the insurance industry.

Glass half empty: Challenges constraining the industry

While insurers are positioned to grow market share, their ability to attract capital and sustain growth is impeded by various challenges (Exhibit E2). Despite the regulator's target of "Insurance for All"

by 2047, the industry's penetration rate slipped from 4.2 percent in 2022 to 4.0 percent in 2023,¹¹ indicating that its progress has not been on par with the country's economic growth.

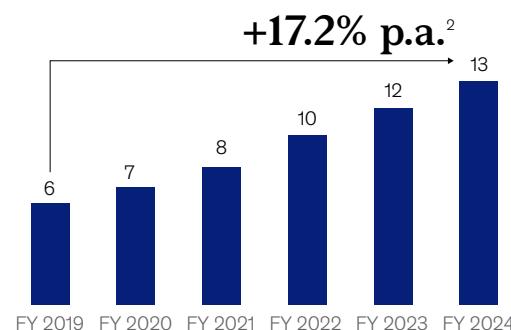
This highlights a critical gap in product innovation, distribution efficiency, and renewal management. Operational inefficiencies, profitability challenges, gaps in coverage, limited regulatory support that deters innovation, and rapidly evolving risks are all headwinds that affect the industry's performance (Exhibit E3). Limited financial literacy and suboptimal advisory services have contributed to concerns around misselling in the market.

Exhibit E2

Despite robust growth in new business premiums, the top five private life insurers have seen only marginal growth in net profit over the past five years.

Top 5 private life players¹

New business premium, \$ billion



Profit after tax, \$ billion



¹Top 5 based on new business premiums in FY 2023.

²Per annum.

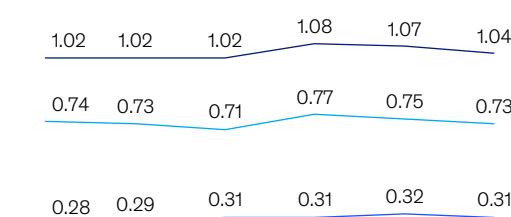
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Exhibit E3

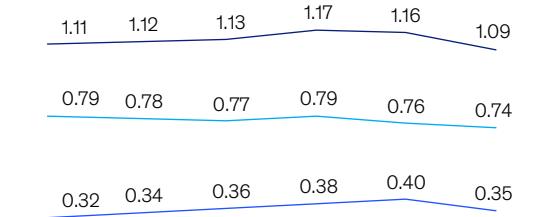
A steady increase in the expense ratio among traditional players has meant that the combined ratio has trended up.

— Combined ratio — Claims ratio — Expense ratio

Top 5 private general insurance insurers



Remaining private general insurance insurers



Source: General Insurance Council; "Handbook on Indian Insurance Statistics 2022-23," Insurance Regulatory and Development Authority of India.

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¹¹ "Growth and overview of the insurance sector in India: A comprehensive study," India Brand Equity Foundation, updated October 2024.

Prioritizing and encouraging innovation is critical for longer-term growth. While current strengths such as rising premiums, robust competition, and capital influx may fuel growth in the near future, for the long haul it will be important to overcome the dearth of innovation in both products and distribution. At the same time, insurers will need to develop robust capabilities to address emerging risks through rapid innovation, while ensuring efficiency and productivity through simplification, standardization, and digitization.

Built to last: The way forward for a future-proof industry

In a risk-fraught world of cyberattacks, climate change, pandemics, and a growing number of intangible assets, insurance coverage is often lacking. The cultural nuances of the Indian population call for tailored solutions to safeguard against emerging risks. The pace of change and evolving regulations have compelled Indian insurance companies to continuously update their product portfolio offerings.

To effectively address emerging risks and truly serve the customer, India's insurers can abandon traditional approaches by embracing agile product development and tailoring products for their diverse customer base.

Today, the Indian insurance industry stands at a crossroads, facing both challenges and opportunities. To build a strong, future-proof ecosystem that endures in a dynamic landscape, companies could focus on four themes: boosting their growth trajectory, enhancing profitability, sustaining valuation, and driving innovation (Exhibit E4). Doing so could help them to build greater resilience, create additional value, and contribute to the nation's economic growth.

Exhibit E4

Five interventions across four core themes can unlock industry potential.

Intervention	Growth	Profitability	Valuation	Innovation
1 Expanding product suite with customer-centric innovations	✓			✓
2 Strengthening and expanding distribution channels	✓	✓		
3 Enhancing customer experience across insurance life cycle	✓			✓
4 Boosting profitability	✓		✓	
5 Adopting new ways of working		✓		✓

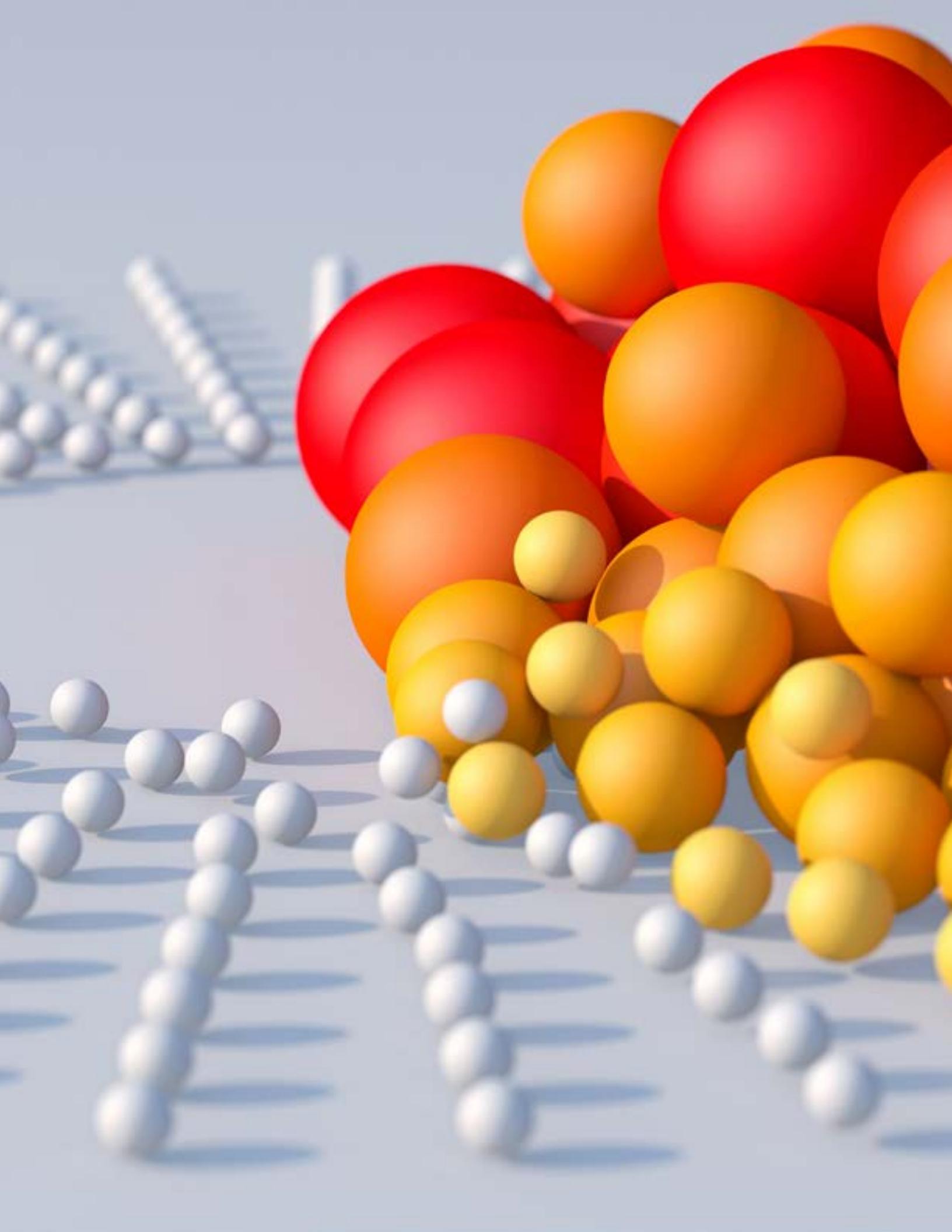
Insurance companies can explore five strategic interventions as they plan ahead:

1. *Expanding the product suite with customer-centric innovations.* To truly serve the customer, India's insurance companies could invest in agile innovation, grasping the opportunity to launch innovative products faster while anticipating customer needs and incorporating agent feedback, mastering pricing finalization, and embedding an agile go-to-market strategy. In addition, with rising life expectancy in India, composite and tailored products could be the key to affordable healthcare for the people. Moreover, given that Indian households frequently include three generations living together, potential product innovations such as multigenerational coverage would enable customers to transfer the benefits of a single coverage across generations.
2. *Strengthening and expanding distribution channels.* Staying competitive in this dynamic environment calls for insurance companies to deliver a unified, frictionless experience. Toward this end, they can make the most of all distribution channels available to them by extracting maximum value from existing channels and embracing novel channels to target a wider audience.
3. *Enhancing customer experience across the insurance life cycle.* In a dynamic, digital landscape, insurance companies need to raise their game across the customer life cycle, from product discovery and onboarding to servicing and claims. They should also explore raising awareness among the Indian population and look to develop ecosystem-based partnerships for enhanced service quality and customer engagement.
4. *Boosting profitability.* Profitability remains a challenge for Indian insurers. They could shift the needle on this by modernizing outdated technology infrastructures to mitigate technical debt,¹² implementing robust systems for accurately tracking and optimizing marketing return on investment, and elevating the risk function to serve as a pivotal value creator. This could improve financial performance, reduce operational costs, and raise profitability.
5. *Adopting new ways of working.* To adapt to changing market dynamics and ensure long-term success and profitability, insurers could adopt innovative operating models. The shift from traditional siloed structures to agile, platform-based models (comprising cross-functional squads working toward a common objective based on customer needs) has the potential to be a game changer, addressing the interplay of changing customer needs, expectations for rapid product innovation, a dynamic channel landscape, and evolving claims and customer service trends.

Data, analytics, and technology are underlying, cross-cutting enablers across all these interventions. In this respect, insurance companies will need to ensure a single source of truth for the data on which they base their analytics. To effectively use, protect, and manage data, they can make efforts to prioritize data democratization and clearly define data ownership, in addition to adhering to data protection standards, so as to comply with the Digital Personal Data Protection Act 2023.

Tech innovation offers significant potential for an industry facing both opportunities and challenges in a decade of accelerating digital transformation and inclusion. The Indian insurance industry is on an S-curve, with the potential to enhance growth and profitability, sustain valuations, and drive greater innovation. The interventions described in this report offer the opportunity to turn potential into reality.

¹² Implied cost of future rework due to outdated tech infrastructure and prioritizing speed over long-term design.



Glass half full: The growth story of India's insurance industry

Rising costs of healthcare, a growing middle class, greater awareness of the need for insurance, and a supportive regulatory environment have combined to position the insurance industry in India on the verge of a penetration S-curve, with the potential for rapid growth and profitability. With a gross written premium (GWP) exceeding \$130 billion¹ and 11 percent CAGR over fiscal year 2020 to fiscal year 2023, India's insurance industry has outpaced some Asian peers in terms of premium growth.

Tailwinds in insurance and beyond position the industry favorably for further growth. Regulatory interventions from the Insurance Regulatory and Development Authority of India (IRDAI) have simplified customer journeys and introduced digital innovations. The emergence of private players has transformed operational efficiency, technology, and investment.

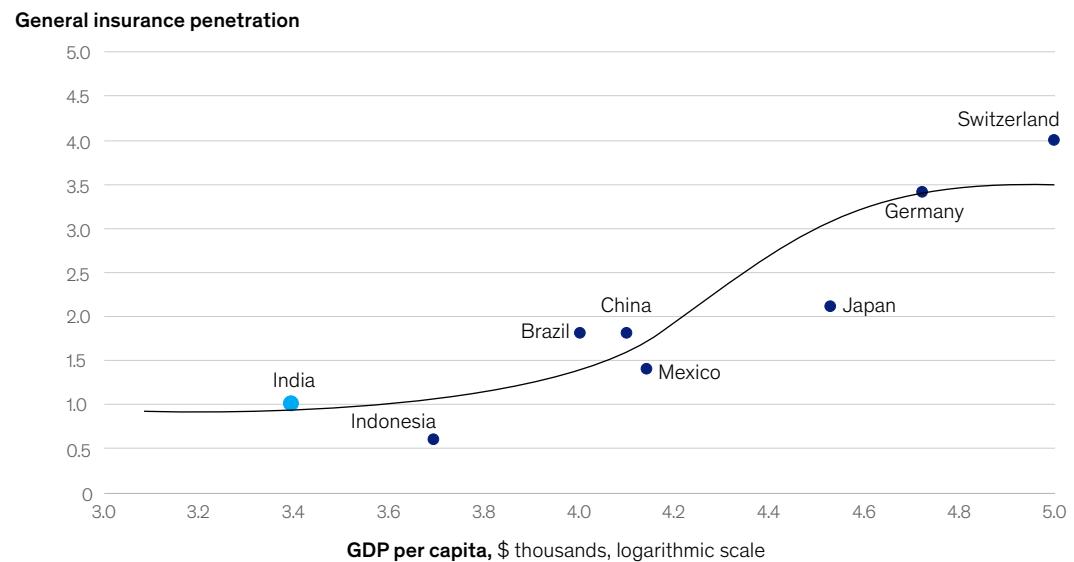
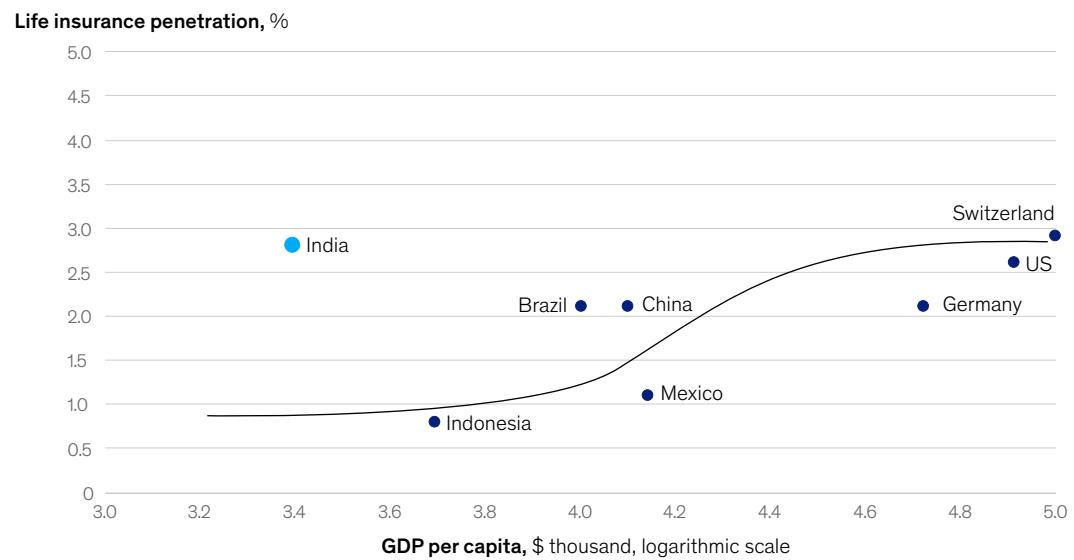
Economic development typically fosters a higher demand for insurance. In India, while general insurance penetration closely tracks the trajectory of the S-curve, life insurance penetration sits above the S-curve (Exhibit 1).

Tailwinds in insurance and beyond position the industry favorably for further growth.

¹ IRDAI (assumed exchange rate from US dollar to Indian rupee of 1:82).

Exhibit 1

The S-curve illustrates how economic development creates growing demand for general insurance.



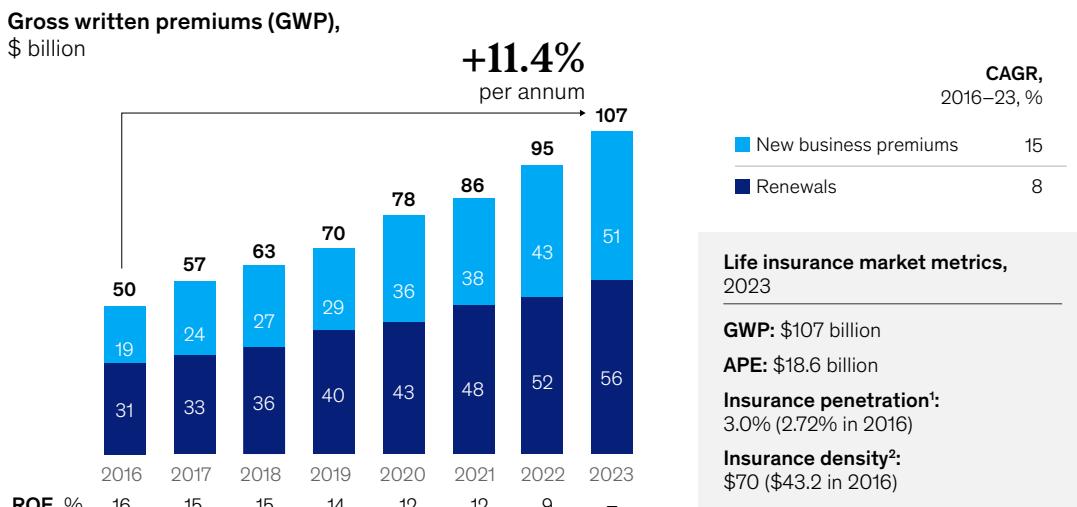
Source: "Handbook on Indian Insurance Statistics 2022-23," Insurance Regulatory and Development Authority of India, updated on Feb 13, 2024; World Bank

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Exhibits 2 and 3 showcase market growth over the past seven years in the life insurance and general insurance segments, respectively.

Exhibit 2

The India life insurance market has experienced a CAGR of 11.4 percent since 2016.



Note: Years are fiscal years.

¹GWP as percentage of GDP.

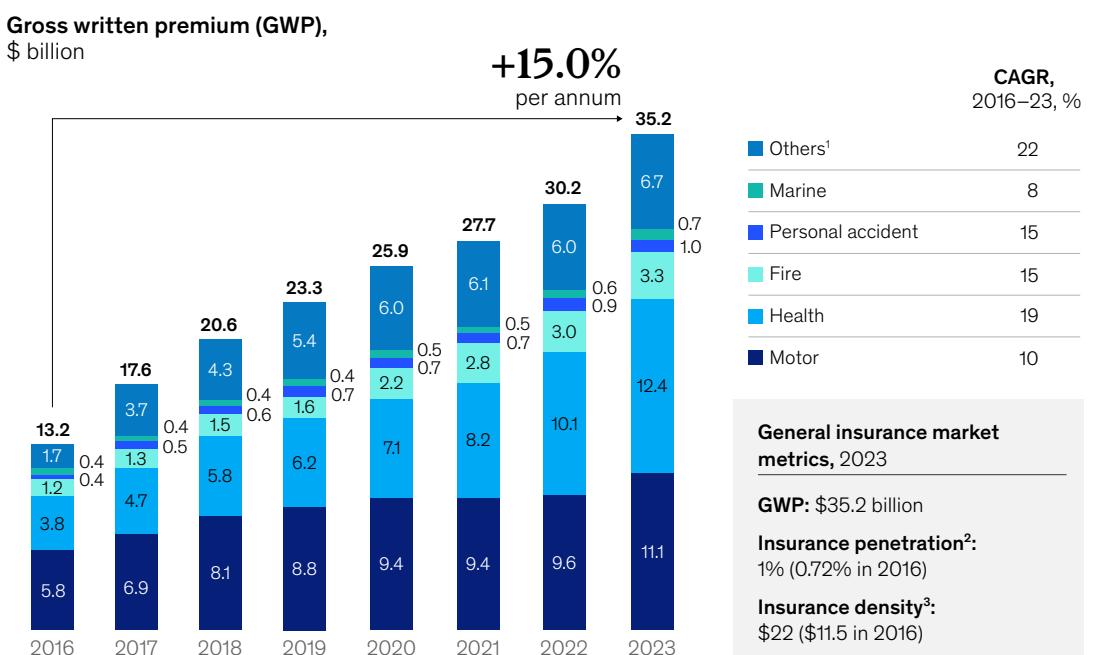
²GWP per capita.

Source: Insurance Regulatory and Development Authority of India; World Bank; public disclosures

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Exhibit 3

An overview of the India general insurance market indicates a 15 percent CAGR over recent years.



Note: Years are fiscal years.

¹Includes engineering, crop, liabilities, aviation, etc.

²GWP as percentage of GDP.

³GWP per capita.

Source: CEIC; expert interviews; Insurance Regulatory and Development Authority of India data; McKinsey analysis

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As the industry matures, supportive industry tailwinds for market expansion inspire a confident, “glass half full” outlook. Additionally, several nationwide trends combine to form a supportive backdrop for the industry.

Higher market valuations compared with global peers

Between fiscal year 2020 and fiscal year 2023, the sector recorded an 11 percent CAGR, with health insurance growing at a remarkable 20 percent CAGR. This was in sharp contrast to peers such as Thailand and China, where growth rates stayed below 5 percent CAGR during the same period.² This robust performance, among other reasons, has allowed Indian life insurers to maintain valuation multiples, price-to-book (P/B), of seven to ten times, compared with just one to two times for regional peers in Asia (Exhibit 4).

This premium in valuation reflects investor confidence in the sector’s growth trajectory, supported by significant growth expectations, strong ROE, an underpenetrated market, promising demographics, and robust distribution networks.

Exhibit 4

Price-to-book ratio comparison between global players shows that Indian life insurers are consistently valued higher.



Source: S&P Capital IQ database

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² National Financial Regulatory Administration, China; Office of Insurance Commission, Thailand.

Regulatory support to achieve 'Insurance for All' vision

The government's goal of "Insurance for All" by 2047³ has shaped a regulatory regime that is supportive of the Indian life insurance sector, unlocking availability, accessibility, and affordability.

IRDAI has developed customer-centric regulations that ease the purchase process, allowing insurance players to innovate faster and cater to larger consumer pools.⁴ The streamlined approval process ("use and file" instead of "file and use") has accelerated the launch of new products, including individual unit-linked products, group unit-linked products, and combination products. Insurers have improved operational efficiency through electronic know your customer (e-KYC) initiatives, dematerialization of policies, and digital processing of claims. Flexible investment rules have attracted capital, fueling growth for both incumbents and new entrants.

IRDAI is enhancing insurance accessibility through initiatives such as Bima Vahak, which sends women agents to rural areas to propose insurance offers, and the Bima Sugam platform, an integrated digital marketplace that could facilitate seamless policy purchase, renewal, and claims management—enhancing customer convenience and operational efficiency for industry stakeholders.⁵ To better serve diverse customer segments, the regulator has issued guidelines for customized medical insurance plans tailored to the specific needs of seniors, children, pregnant women, students, and individuals requiring advanced medical care.⁶

IRDAI is also working to improve insurance affordability. It has mandated lower premiums for sales through direct channels to encourage insurers to cut distribution costs and pass savings to policyholders.⁷ It has liberalized the expense of management limits, giving insurers greater financial flexibility.⁸ The launch of Bima Vistaar, a proposed affordable bundled-insurance product, would expand coverage and accessibility to a wider population.⁹

In addition, the insurance sandbox model developed by IRDAI allows insurers and fintech startups to test innovative offerings such as pay-per-use and sachet insurance that boost accessibility. There is room to further improve profitability and coverage, ensuring the industry's long-term success and its ability to contribute meaningfully to India's economic development.

New entrants and digital attackers intensifying competition

Intense competition is reshaping the insurance landscape. Private players are challenging public sector incumbents to rethink strategies and embrace digital transformations. Over the past six to seven years, private life insurers have captured an additional nine percentage points of market share, while private general and health insurers have gained about 17 percentage points (Exhibit 5). Private general insurers and stand-alone health insurance (SAHI) players collectively held a share of more than 60 percent in fiscal year 2022–23, driving growth for the overall industry. In the life insurance sector, private players' new business is growing at twice the rate of the Life Insurance Corporation of India (LIC).

Insurers are digitizing rapidly and improving employee productivity to create a more dynamic, competitive market. Digital disruptors such as Go Digit and Acko have grown their GWP by more than 60 percent CAGR in the past four years,¹⁰ edging past established competitors through technology-driven customer-centric approaches such as smartphone-enabled inspections, AI- and machine-learning-based fraud detections, instant approvals and easy digital claims, and ecosystem partnerships for strengthened service. IRDAI's plan to issue more than 20 new licenses could further disrupt the competitive landscape.¹¹

³ "Vision Meet on 'Insurance for All' by 2047," IRDAI, August 24, 2024.

⁴ "Use and file procedure for all categories of products under health insurance business," IRDAI, June 1, 2022; *Circular on filing of products/riders for life insurance business*, IRDAI, October 4, 2022.

⁵ "Insurance Regulatory and Development Authority of India (Bima Vahak) guidelines, 2023," IRDAI, October 9, 2023; "IRDAI (Bima Sugam – Insurance Electronic Marketplace) regulations, 2024," IRDAI, February 13, 2024.

⁶ *Master circular on health insurance business*, IRDAI, May 29, 2024.

⁷ "'Insurance for all': IRDAI urges cos to strategize making insurance affordable," *Economic Times*, August 26, 2024.

⁸ "Multicap funds: A diversified approach for new investors," *Economic Times*, October 30, 2024.

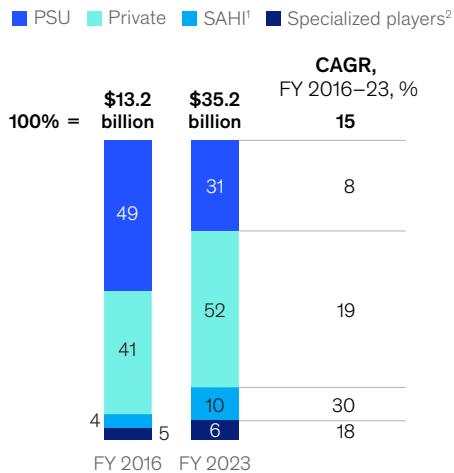
⁹ George Mathew, "All-in-one insurance product: Irdai prices Bima Vistaar at Rs 1,500 per policy," *Indian Express*, April 27, 2024.

¹⁰ "Handbook on Indian insurance statistics," updated February 13, 2024; public disclosures.

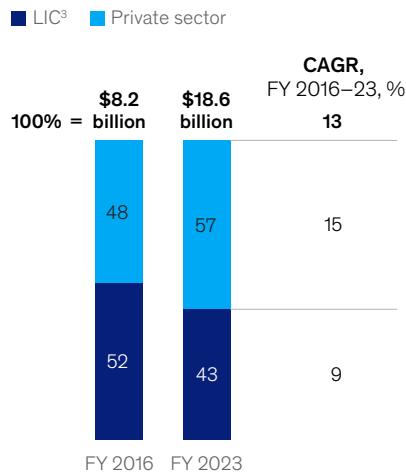
¹¹ "Regulator Irdai looking at 20 more insurance applications, says Chairman Debasish Panda," *Economic Times*, April 12, 2023.

The competitive landscape in the Indian insurance industry is maturing, with the share of private sector players increasing.

General insurance: Private and SAHI¹ players collectively held a share of ~60% in FY23, driving growth for the overall industry
GWP, % market share



Life insurance: Private players' new business is growing ~2x that of LIC,³ increasing share by 9 p.p. over 6–7 years
Annual premium equivalent, % CAGR



Note: Figures may not sum to 100%, because of rounding.

¹Stand-alone health insurance companies.

²State-owned specialized players, for example Export Credit Guarantee Corporation of India and Agriculture Insurance Corporation.

³Life Insurance Corporation of India.

Source: Insurance Regulatory and Development Authority of India; McKinsey analysis

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Capital infusion driving growth and efficiency

Substantial investments in innovation and growth have transformed the insurance industry. Fueled by domestic and foreign private capital, insurers have prioritized enhancing customer experiences through digital channels, optimizing sales strategies, and improving business performance metrics such as policy persistence. Recent regulations, including an increase in the allowable share of foreign direct investment (FDI) to 74 percent in 2021 and the green light for private equity firms to invest in insurers directly, have spurred a trend of rising foreign and private investment in the sector.¹² For example, KKR acquired a 9.9 percent stake in Shriram General Insurance in 2021,¹³ and Warburg Pincus and Premji Invest acquired stakes of 10 percent and 16 percent, respectively, in SBI General Insurance in 2019.¹⁴ In addition, Warburg Pincus acquired a 26 percent stake in IndiaFirst Life in 2019.¹⁵ This foreign investment not only provides financial resources but also imparts valuable global expertise, expected to drive operational efficiency and innovation.

¹² "Circular: Withdrawal of guidelines on Indian owned and controlled," IRDAI, July 30, 2021.

¹³ "KKR invests in Shriram General Insurance," Shriram General Insurance, June 5, 2024; "KKR nearing deal for Shriram Insurance stake ahead of IPO," Bloomberg, December 15, 2021.

¹⁴ Dipen Pradhan, "Premji Invest, Warburg Pincus buy stakes in SBI General from Australia's IAG," *Outlook Business*, October 17, 2019.

¹⁵ "Warburg Pincus to buy Legal & General's stake in IndiaFirst Life," Warburg Pincus, October 2019.

The glass-half-full outlook for India's insurance industry rests on its growth in recent years and the expectation of greater growth ahead.

Nationwide trends benefiting the insurance industry

Beyond internal industry tailwinds, several emerging realities in India also hold out a promise of growth for the insurance industry.

Standardization of healthcare costs. Standardizing healthcare costs across the public and private sectors can help insurers predict and manage expenses, eliminate cost discrepancies, and potentially reduce the claims ratio.

Digitization of healthcare. The National Health Authority of India is digitizing health records through ABHA (Ayushman Bharat Health Account) IDs and expanding remote services such as e-consultations and e-pharmacies.¹⁶ Access to digital medical histories could help insurers cut down on preliminary tests, in-person visits, improve underwriting accuracy, and prevent fraudulent claims. The digitization of health records reduces administrative overhead and cuts claims processing times. A pilot program by the National Health Authority found that digitized claims, when paired with ABHA, were processed 30 percent faster compared with traditional, paper-based claims.¹⁷ For insurance companies, this means quicker settlements, reduced overhead, and an enhanced policyholder experience.

Emergence of new industries that require specialized insurance products. New industries such as semiconductor chips and biotechnology present substantial opportunities for the insurance sector in India. These capital-intensive industries, with their high-value assets, will require specialized insurance products to cover risks related to manufacturing, supply chain disruptions, and intellectual property.

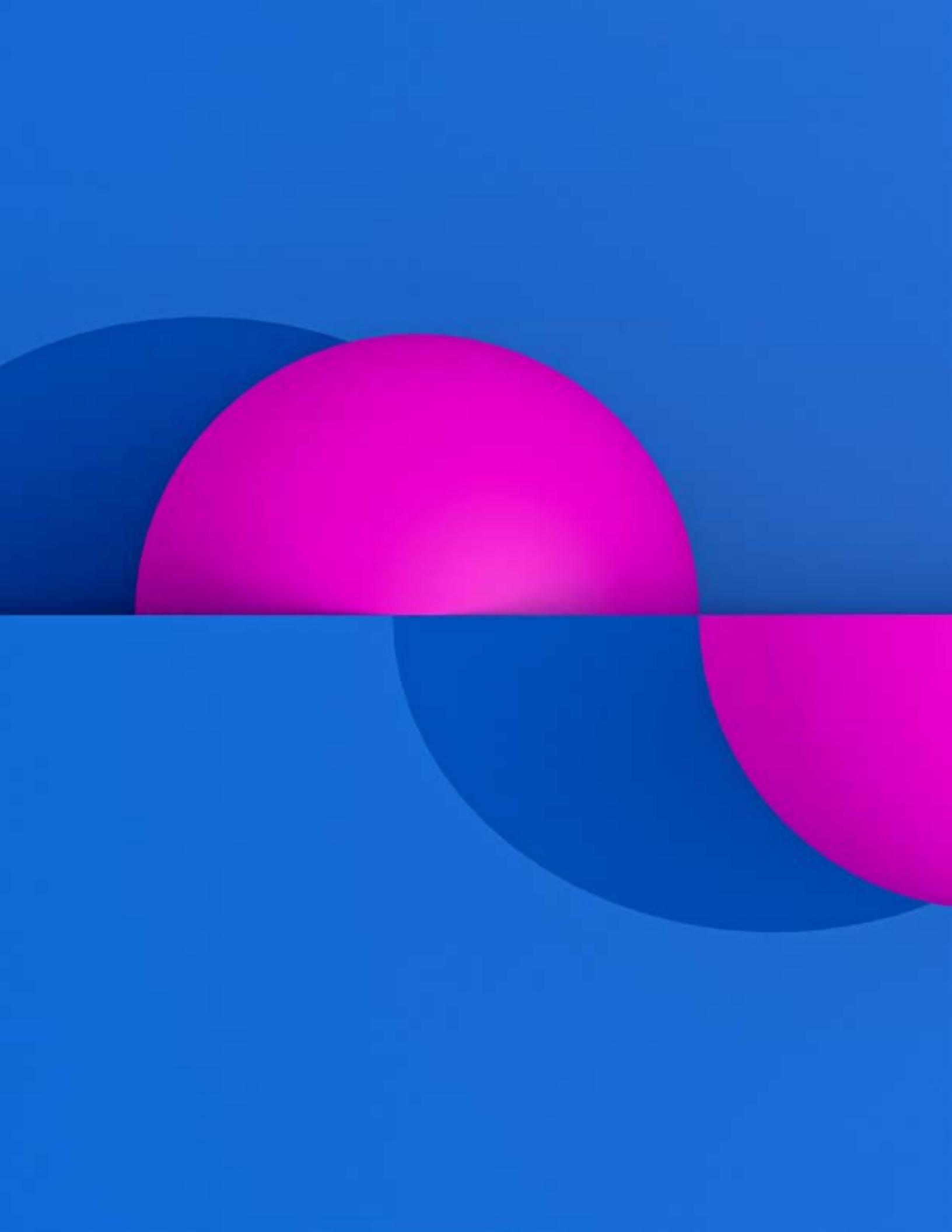
Growth of MSMEs. India is home to about 60 million MSMEs, which collectively employ 110 million people and contribute to 30 percent of GDP and 50 percent of exports.¹⁸ As the segment continues to grow, insurers can focus on developing expertise to assess the unique risks associated with MSMEs and tailor specialized products for this segment.

The glass-half-full outlook for India's insurance industry rests on its growth in recent years and the expectation of greater growth ahead. This perspective would not be complete without a glance at the challenges impeding the sector as well.

¹⁶ "Create Ayushman Bharat Health Account - ABHA Number," National Health Authority, updated July 29, 2023.

¹⁷ McKinsey analysis.

¹⁸ "Small business, big impact," June 27, 2024.



Glass half empty: Challenges constraining the industry

While insurers are positioned to grow market share, their ability to attract capital and sustain growth is held back by various challenges. Despite the regulator's target of "Insurance for All" by 2047, the industry's penetration rate has slipped from 4.2 percent in 2022 to 4.0 percent in 2023,¹⁹ indicating that its progress has not kept pace with the country's economic growth.

This highlights a critical gap in product innovation, distribution efficiency, and renewal management, presenting a "glass half empty" perspective rather than a "glass half full" one. Operational inefficiencies, profitability issues, gaps in coverage, limited regulatory support that stifles innovation, and rapidly evolving risks are all significant challenges that hinder the industry's performance. Additionally, limited financial literacy and suboptimal advisory services have exacerbated concerns about misselling in the market.

Operational inefficiencies

Despite achieving a robust CAGR of more than 17 percent in new business premiums (NBP), the top five private life insurance companies in India have experienced tepid net profit growth of under 2 percent CAGR over the past five years (Exhibit 6). This underscores potential challenges in cost management and operational efficiency and can be attributed primarily to escalating expenses, including increased commissions, operational costs, employee-related expenditures, and marketing expenses, which have risen faster than premium growth (Exhibit 7).

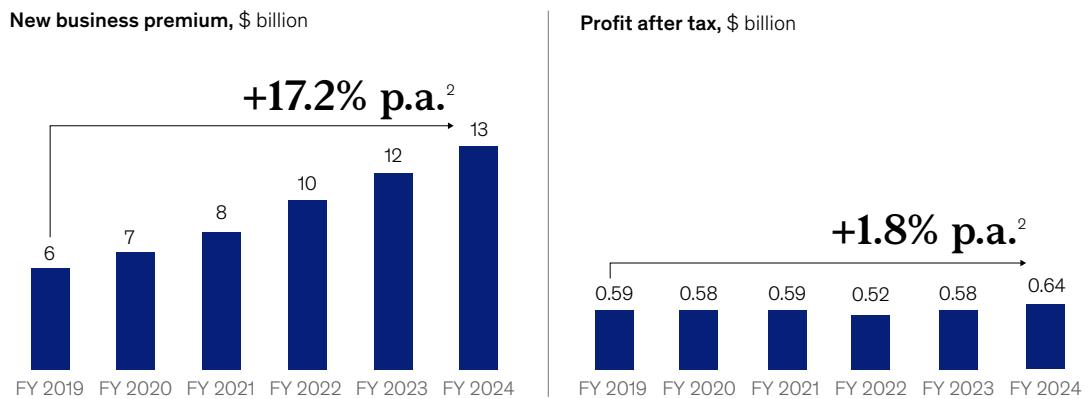
The top five private life insurance companies in India have experienced tepid net profit growth over the past five years.

¹⁹ "Growth and overview," October 2024.

Exhibit 6

Despite robust growth in new business premiums, the top five private life insurers have seen only marginal growth in net profit over the past five years.

Top 5 private life players¹



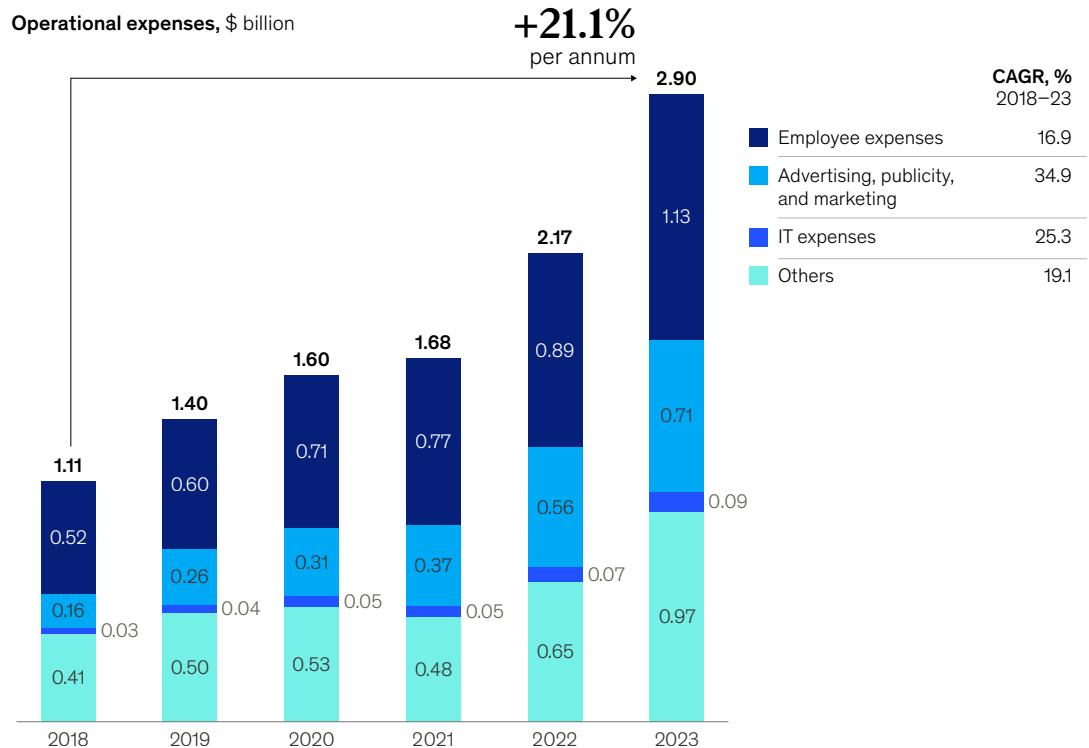
¹Top 5 based on new business premiums in FY 2023.

²Per annum.

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Exhibit 7

India's top five private life insurance players face growing operational costs.



Note: Years are fiscal years (Apr 1–March 31). One US dollar is equivalent to about 84 rupees as of Oct 2024.
Source: Insurance Regulatory and Development Authority of India; McKinsey analysis

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Additionally, the modest growth in investment returns has not kept pace with the growth in premiums, further constraining net profit expansion. The growth in premiums for general insurers has been predominantly driven by increased hiring, with little to no improvement in productivity among top players. As a result, according to McKinsey analysis of companies' annual reports, per-employee productivity (measured as premium per employee) has stagnated at a meager CAGR of just 0.5 percent. In contrast, according to McKinsey analysis, leading players across life insurance, banking, and asset management have successfully expanded their businesses at a pace that outstrips their employee growth (CAGR of 2 to 6 percent), thereby reaping the benefits of enhanced productivity.

Moreover, listed life insurers have been unable to generate sufficient returns to cover their cost of equity in the past two to three years.²⁰ This raises questions about the long-term viability of their business model. The three largest listed private life insurers had return on equity (ROE) minus cost of equity (COE) ranging between -3.9 percent and 1.6 percent.²¹ Although value-of-new-business (VNB) margins for these leading players improved during this period from about 17 percent to more than 25 percent, they remain relatively low compared with MNC players in the Asian market, which boast VNB margins exceeding 50 percent (Exhibit 8).

Exhibit 8

Value-of-new-business margins have increased from about 17 percent to more than 25 percent for top players in the past five years.



¹Value of new business.

²Players include top 3 listed private insurers.

³Multinational corporation players.

Source: Company reports; Insurance Regulatory and Development Authority of India; Milliman reports; yearly disclosures by insurers as per IFRS 17/9; McKinsey analysis

McKinsey & Company

Listed life insurers have been unable to generate sufficient returns to cover their cost of equity in the past two to three years.

²⁰ McKinsey analysis.

²¹ Ibid.

Over the past four to five years until 2023, expense ratios consistently rose in the general insurance industry. This trend can be attributed to escalating employee costs, substantial investments in marketing and IT initiatives, and rising commission expenses. To ensure long-term business sustainability, it is imperative to implement technology-driven operational efficiencies that can reduce expense ratios and improve underwriting profitability. Consequently, the combined ratio has increased in recent years despite the steady claims ratio (Exhibit 9). The top five companies have reported lower expense ratios compared with the rest, highlighting the role of scale in driving operational efficiency.

The improvement in leading productivity metrics, such as operating expenses per life or policy, has also been negligible over the past two to three years for both life and general insurance companies.²² Over the past five years, employee expenses as a percentage of annual premium equivalent (APE) for life insurers have remained steady, indicating no significant change in absolute productivity among the top five players. Similarly, employee expenses as a percentage of net written premiums (NWP) for the top five general insurance (GI) companies have shown an upward trend, according to McKinsey analysis. These trends suggest that insurance companies have faced challenges in achieving efficiency-driven productivity improvements.

Coverage gaps

Considerable protection gaps persist across mortality, health, crop, and other insurance sectors, amounting to more than \$130 billion in 2022.²³ From 2016 to 2022, resilience indexes for life and health insurance improved modestly—to 9.2 percent from 8.6 percent and to 27.0 percent from 22.0 percent, respectively—highlighting a vastly underpenetrated population.²⁴

Exhibit 9

A steady increase in the expense ratio among traditional players has meant that the combined ratio has trended up.



Source: General Insurance Council; "Handbook on Indian Insurance Statistics 2022-23," Insurance Regulatory and Development Authority of India.

McKinsey & Company

²² Data for fiscal year 2024 is not considered because of regulatory changes affecting commission payments.

²³ India's insurance market: growing fast, with ample scope to build resilience, Swiss Re Institute, January 2024.

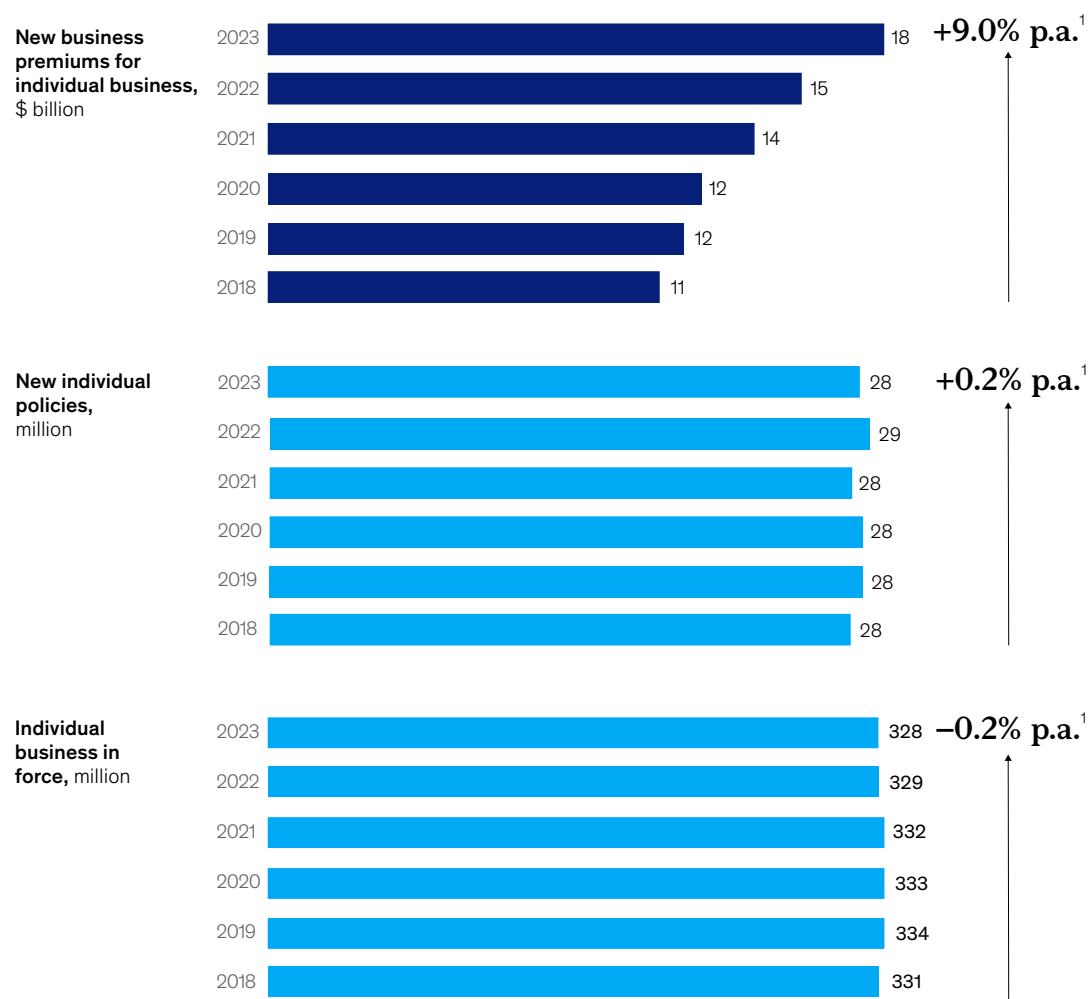
²⁴ Resilience indexes "measure how insurance contributes to maintaining households and businesses financial stability by transferring or absorbing risks to life, health, and property. The protection gap is the uninsured or unprotected portion of the resources needed to fully mitigate risk." See India's insurance market: growing fast, with ample scope to build resilience, Swiss Re Institute, January 2024.

The increase in new business premiums for life insurance has been driven primarily by larger ticket sizes, while the number of new policies has not risen (Exhibit 10). Additionally, there has been a gradual decline in the number of in-force policies over the past six years, indicating that new lives are not being covered sufficiently to close the mortality protection gap.

Health insurers contribute to the protection gap primarily by covering in-patient costs, leaving most outpatient expenses uncovered. Our consumer survey found that approximately 65 percent of health plan holders pay for outpatient department (OPD) costs out of pocket (Exhibit 11). Although the percentage of health plans covering OPD benefits has increased fourfold, to 20 percent from 5 percent, this covers only a fraction of OPD expenditures, which constitute about 60 percent of total medical expenses in India.²⁵

Exhibit 10

Bigger ticket sizes have driven growth in life insurance new business premiums without a significant rise in the number of new policies issued.



Note: Figures are for entire life insurance market in India.

¹Per annum.

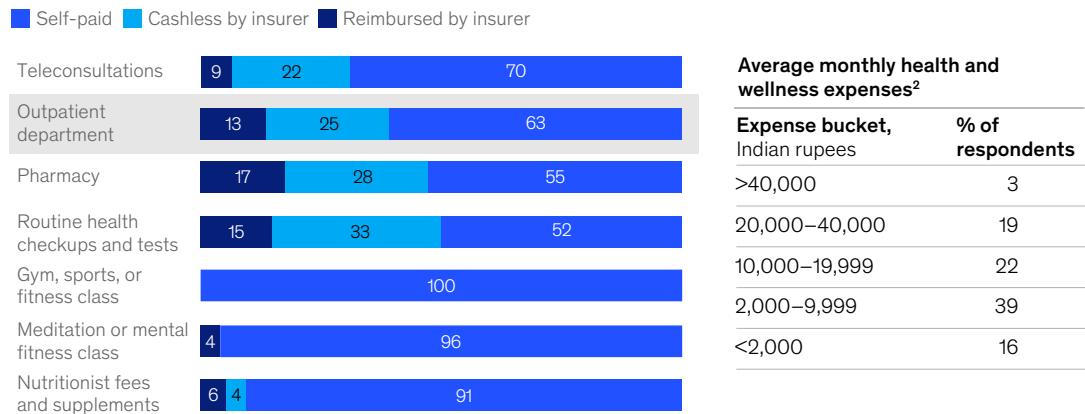
Source: Insurance Regulatory and Development Authority of India Handbook on Indian Insurance Statistics

McKinsey & Company

²⁵ Aathira Varier, "Demand for OPD benefits on rise among health insurance policyholders," Business Standard, June 13, 2024.

More than half of customers pay outpatient department costs out of pocket, and more than 95 percent self-pay for wellness services.

Mode of payment for health and wellness expenses,¹ % of respondents, n = 1,000



Note: Figures may not sum to 100%, because of rounding.

¹Only considering people who use the services.

²Aggregate expenses of respondents for the expense buckets.

Source: McKinsey India insurance market survey, August 2024 (n>5,000 consumers; n>500 insurance agents)

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There is also a need to strategize for the “missing middle”: the nearly 30 percent of residents (around 400 million individuals) who remain uninsured, despite having the resources to pay subsidized premiums for health insurance.²⁶ While private health insurance is unaffordable for this population segment, existing government schemes do not cover them.²⁷

Highlighting the significant gap in pension coverage, only around a quarter of India’s population is enrolled in pension plans, far behind global counterparts like such as Japan and South Korea (Exhibit 12). With life expectancy on the rise, India’s elderly population is expected to grow at an annual rate of 3 percent, reaching 340 million by 2050,²⁸ making it all the more necessary to drive pension coverage.

Finally, crop insurance in India is a mixed bag. While insurance penetration is comparable to or better than in developed countries such as the United States, Germany, and China, the area of insured land remains low.²⁹ The gross cropped-area coverage stands at about 30 percent in 2024, falling short of the target of 50 percent under the Pradhan Mantri Fasal Bima Yojana.³⁰

²⁶ *Health insurance for India’s missing middle*, NITI Aayog, October 2021.

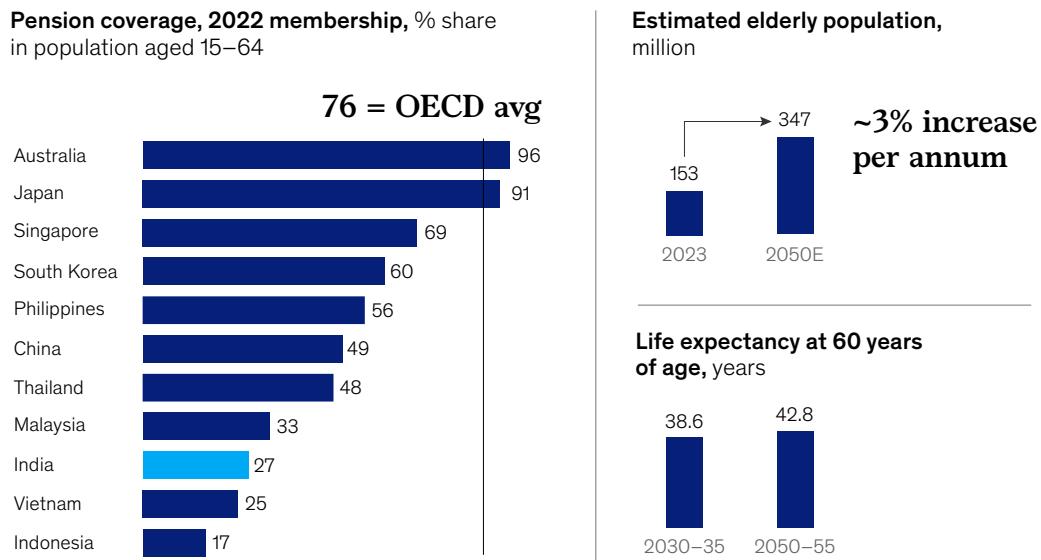
²⁷ Ibid.

²⁸ *Golden opportunities from silver economy: Analysing the future of senior care in India*, CBRE, April 2024.

²⁹ “Make enough financial allocations to make crop insurance schemes attractive for farmers: Parliamentary panel,” *Economic Times*, December 30, 2018.

³⁰ *Annual report 2023-24*, Department of Agriculture & Farmers Welfare, July 26, 2024; *Crop feasibility study to recommend appropriate mechanisms for providing farmers with rational compensation on occurrence of crop losses and identifying vulnerable districts for risk coverage under Pradhan Mantri Fasal Bima Yojana (PFMBY)*, Ministry of Agriculture and Farmers Welfare, September 2022.

Low coverage and a growing elderly population with improved life expectancy highlight the need for comprehensive pension coverage.



Source: Pension coverage data from *Pensions at a glance Asia/Pacific 2022*, OECD, December 15, 2022; elderly population from Andrea Wojnar, "India's ageing population: Why it matters more than ever," *Hindustan Times*, December 23, 2023; life expectancy from "Population aging in India: Facts, issues, and options," Institute for the Study of Labor, August 2016

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Limited regulatory support for innovation

While regulatory reforms have prioritized customers, some have inadvertently affected insurer profitability. For instance, the change in surrender value methodology may lead to higher payouts, while the reduction of the minimum premium term from two years to one could drive up costs.³¹ The stagnation of third-party pricing for motor insurance, which has grown less than 2 percent annually since 2019³² (compared with an annual inflation rate of 5 to 6 percent), hampers market competitiveness and discourages product innovation in the motor insurance sector.

The anticipated regulations for composite licenses for life and health insurers remain pending. Although the regulatory initiatives under the Bima trinity—Bima Sugam, Bima Vistaar, and Bima Vahaks—are prescient, they have been delayed. These setbacks may hinder the objective of achieving universal insurance coverage by 2047 and leave critical risks unaddressed.³³

In the absence of a regulation for managing general agents (MGAs) in India, insurers are missing out on the ability to outsource complex underwriting to MGAs, which could drive efficiencies, enable tailored products, and cover new risks. For example, in the United States, 43 percent of the top 100 property and casualty (P&C) insurers have MGA relationships for sourcing new premiums.³⁴ The US P&C MGA market exceeded \$80 billion in premiums in 2023,³⁵ growing by 24 percent, which is faster than overall P&C premium growth. The size of the MGA market has doubled since 2018, with MGA premiums written by US insurers accounting for about 9 percent of total P&C direct premiums.³⁶

³¹ IRDAI regulations; Anulekha Ray, "Life insurance rule change: From October 1, 2024, you will get higher refund when you surrender your life insurance policy," *Economic Times*, October 1, 2024.

³² "Data for calculation of motor TP obligation for FY 2022–24," IRDAI, updated November 22, 2023.

³³ "UPI moment for insurance? Bima trinity may be a gamechanger for the sector in 2024," BSFI, December 27, 2023.

³⁴ Grier Tumas Dienstag, Andrew Reich, Matthew Scally, and Leda Zaharieva, "Insurance MGAs: Opportunities and considerations for investors," McKinsey, August 30, 2022.

³⁵ "U.S. MGA market grows swiftly, exceeds \$85 billion in premium in 2022," Conning, July 24, 2023.

³⁶ "2021: Managing general agents – Rising to the challenge," Conning, 2021.

The IRDAI prioritizes domestic reinsurers in India over foreign reinsurance branches (FRB) and cross-border reinsurers (CBR).³⁷ Additionally, Indian insurers are limited to ceding 20 percent of their total reinsurance premium to CBRs,³⁸ hindering the ability of global reinsurance companies to gain significant market share and drive reinsurance penetration. These restrictions impede the development of capital relief treaties between reinsurance firms and insurers—treaties that could help insurers optimize capital management to bolster their growth.

Prioritizing and encouraging innovation is critical for longer-term growth. While current strengths such as rising premiums, robust competition and capital influx may fuel growth in the near future, for the long haul it will be important to overcome the dearth of innovation in both products and distribution. For instance, parametric insurance, which is particularly useful for diverse climatic conditions and natural disasters in India, has not yet gained traction.

Rapidly evolving risks

Evolving customer expectations and emerging risks such as climate change and geopolitical uncertainty further require insurers to become proactive risk managers. On the one hand, this evolution streamlines risk management by accelerating the implementation of new pricing models and automating financial risk assessments. On the other hand, it also creates new operational challenges, including the need to collect auditable data on counterparties, ensure data security, and mitigate potential third-party data dependencies, while also guarding against potential bias and transparency issues in AI models.

In addition, with rising life expectancy and a growing elderly population, insurers face the challenge of managing underwriting risks tied to increased longevity and addressing the wide pension gap.

Nonfinancial risks have been gaining prominence alongside traditional financial risks. The industry will need to consider and manage risks related to AI, cybersecurity, and third-party interactions. To do this effectively, a clear, quantitative understanding of risk appetite is essential, from the board level to the frontline staff.

Insurers will need to develop robust capabilities to address emerging risks through rapid innovation, while ensuring efficiency and productivity through simplification, standardization, and digitization.

³⁷ "Insurance Regulatory and Development Authority of India (re-insurance) regulations, 2018," IRDAI, November 30, 2018.

³⁸ "Insurance regulatory and development authority of India (re-insurance) (amendment) regulations, 2022," IRDAI, November 25, 2022.



Built to last: The way forward to create a future-proof industry

The Indian insurance industry stands at a crossroads, facing both challenges and opportunities. To build a strong, future-proof ecosystem that endures in a dynamic landscape, companies will need to focus on driving value growth. While current strengths such as rising premiums, robust competition, and capital influx may fuel short-term growth, prioritizing innovation will create opportunities for long-term success.

Organizations that build a culture of innovation and agility, adapt to changing customer needs, invest in talent, form technology partnerships, and focus on sustainability could build greater resilience, create more value, and contribute to the nation's economic growth. Data, analytics, and technology are underlying enablers across all efforts in this direction.

This section proposes five strategic interventions across the four themes of boosting the growth trajectory, enhancing profitability, sustaining valuation, and driving innovation (Exhibit 13):

1. expanding the product suite with customer-centric innovations
2. strengthening and expanding distribution channels
3. enhancing customer experience across the insurance life cycle
4. boosting profitability
5. adopting new ways of working

To build a strong, future-proof ecosystem that endures in a dynamic landscape, companies will need to focus on driving value growth.

Five interventions across four core themes can unlock industry potential.

Intervention	Growth	Profitability	Valuation	Innovation
1 Expanding product suite with customer-centric innovations	✓			✓
2 Strengthening and expanding distribution channels	✓	✓		
3 Enhancing customer experience across insurance life cycle	✓			✓
4 Boosting profitability	✓	✓		
5 Adopting new ways of working	✓		✓	✓

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Intervention 1

Expanding the product suite with customer-centric innovations

In a world fraught with risk—such as cyberattacks, climate change, pandemics, and a growing number of intangible assets—insurance coverage is often lacking. The cultural nuances of the Indian population call for tailored solutions to safeguard against emerging risks. The pace of change and evolving regulations have compelled Indian insurance companies to continuously update their product portfolio offerings.

To effectively address emerging risks and truly serve the customer, India's insurers can abandon traditional approaches by embracing agile product development and tailoring products for the diverse customer base.

Embracing agile product development

To thrive in this dynamic landscape, insurers can adopt a modular product approach. McKinsey analysis has found that Chinese insurers have paved the way with innovative offerings such as shipping return insurance and coverage for cracked phone screens. European insurers similarly provide need-based options, including bicycle theft coverage and window breakage insurance.

A four-stage rapid-innovation cycle can help embed agility across all stages of the product cycle (Exhibit 14), with a modular approach helping to slash product launch timelines by 40 to 50 percent.³⁹

³⁹ Expert interview.

A four-stage rapid-innovation cycle can boost agility and reduce launch timelines.

01

Continuous needs assessment

- Leveraging customer feedback from digital and telephonic interactions
- Engaging partner stakeholders
- Analyzing market insights
- Monitoring peer developments and industry developments

04

Personalized product marketing

Prelaunch preparation

- Customer and product strategy
- Go-to-market operational readiness
- Agile go-to-market execution
- Efficient resourcing and training
- Regular customer engagement and feedback loop

02

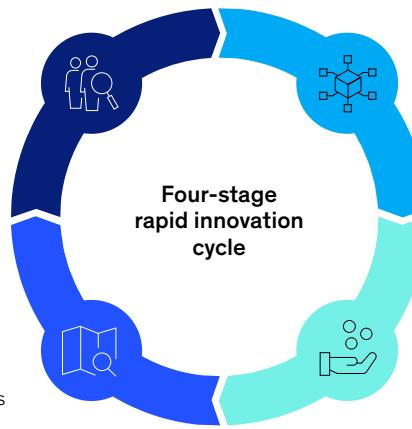
Tailored products through modularization

- Driving insights on needs by using data
- Curating a modular product repository
- Bundling modules to match customer needs

03

Pricing finalization

- Identify risk characteristics related to product and service elements
- Derive pricing for service elements
- Derive overall pricing by factoring interactions between modules



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For example, leading regional peers in Asia have adopted modular core systems, cutting new-product launch time to three to four months, down from six to seven months previously.⁴⁰

1. Continuous needs assessment

As consumer needs evolve constantly, product development must become more efficient and stakeholder-inclusive through a holistic approach that accounts for feedback from consumers and distribution partners while staying abreast of market and industry developments.

Leveraging consumer feedback. Digital data and consumer insights can enable behavior analysis, demographics, and transactional data from various sources to identify new consumer needs.

Generative AI (gen AI) can further analyze unstructured data from customer support conversations across multiple channels to offer sentiment analysis, issue tagging, and theme identification. This comprehensive feedback helps insurers understand what customers really want.

Regular touchpoints with agents. Direct feedback and analysis of agents' consumer interactions can create greater awareness of what the end customer requires. Insights from stakeholders involved in claims verification—doctors, hospitals, car inspection agencies, and administrative personnel—are also crucial to understanding what the consumer needs.

Additionally, insurance companies should validate their understanding of consumer needs through market research and analysis of new products and services launched by peers in India and abroad. Monitoring developments in adjacent industries, such as banking and asset management, can help insurers identify hidden opportunities and predict future consumer demands.

⁴⁰ Ibid.

2. Modular product curation

With the needs assessment in place, advanced data analytics can help insurers curate products and build a modular element repository, which becomes the source for bundled modules. These modules then enable tailored products that match consumer needs.

Generating data-driven insights. To generate insights, data procurement leaders need to collate data from internal and external sources, and data management experts then must organize this data and prepare it for analysis. Subsequently, data scientists can extract insights from this data using advanced analytics and gen AI. Behavioral and design experts can then use the resulting insights to create modular products by identifying necessary risks, coverage areas, services, and benefits.

Updating the product repository. Adjusting the repository in response to continuous needs assessment can help match consumer requirements.

Bundling modules to match consumer needs. First, business teams define product bundles and select a combination of risks, benefits, and services to create innovative products that cover multiple lines of business (Exhibit 15). Technology-driven pricing and profitability analyses ensure the products align with business objectives.

For data-driven insights into product curation, insurance companies could partner with technology solutions companies that offer a modular insurance core system to support the entire insurance value chain and product spectrum. This approach enables insurers to transform their insurance stack, including product management, underwriting, claims operations, and digital engagement. This supports rapid product launches and iterative improvements with minimal coding. Seamless data integration eliminates manual inputs, enhancing customer satisfaction and retention. For example, one successful implementation saw a leading insurer partner with a technology solutions company to create a comprehensive policy administration and distribution platform, facilitating product launches in less than three months across two channels.

Advanced data analytics can help insurers curate products and build a modular element repository, which becomes the source for bundled modules.

A modular breakdown makes it possible to develop tailored products.

Risks 	Customer-facing risks <ul style="list-style-type: none"> • Health risks such as chronic, acute, mental health • Lifestyle risks such as rash driving, health-consciousness • Occupational risks such as frequent travel and exposure to hazardous materials • Geographical risks such as National Capital Region, north, south 			External risks <ul style="list-style-type: none"> • Socioeconomic factors such as accidental job loss, being unemployed • Market factors like recession, bull run • Unpredictable risks such as earthquakes, wars, pandemics 																
Benefits 	Hospitalizations <ul style="list-style-type: none"> • Hospitalization • Nonpayables • Preexisting disease <ul style="list-style-type: none"> • Global cover • Ambulance payment • Day care expenses 																			
Services 	Payment <ul style="list-style-type: none"> • Monthly or quarterly, equated monthly installments • Yearly or on multiyear basis <hr/> Miscellaneous <ul style="list-style-type: none"> • Wellness (gyms, rehab) • International insurance 			Coverages <ul style="list-style-type: none"> • Inpatient, outpatient, day care • Emergency, domiciliary • Maternity, checkup, personal accidents, telehealth services, medicine delivery Claims servicing <ul style="list-style-type: none"> • Cashless • Reimbursement (point of service, health maintenance organization, wallet-based hybrid model) 																
Pricing 	Demographic <ul style="list-style-type: none"> • Age • Gender • Location 	Time parameters <ul style="list-style-type: none"> • Industry vintage 	Plan-related options <ul style="list-style-type: none"> • Plan type (eg, family) • Sum insured • Tenure year 	<ul style="list-style-type: none"> • Outpatient department 																
	Miscellaneous <table> <tr> <td>• Vertical</td> <td>• Loyalty points</td> <td>• Hospital location</td> <td>• Denial reason</td> </tr> <tr> <td>• CIBIL</td> <td>• Occupation</td> <td>• Waiting period</td> <td>• Claim paid</td> </tr> <tr> <td>• No claim bonus</td> <td>• Ailment</td> <td>• Blood type</td> <td></td> </tr> <tr> <td>• Copay</td> <td>• Marital status</td> <td></td> <td></td> </tr> </table>			• Vertical	• Loyalty points	• Hospital location	• Denial reason	• CIBIL	• Occupation	• Waiting period	• Claim paid	• No claim bonus	• Ailment	• Blood type		• Copay	• Marital status			
• Vertical	• Loyalty points	• Hospital location	• Denial reason																	
• CIBIL	• Occupation	• Waiting period	• Claim paid																	
• No claim bonus	• Ailment	• Blood type																		
• Copay	• Marital status																			

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3. Pricing finalization

Effectively pricing product modules in a risk-appropriate manner calls for a sophisticated pricing model that can handle multiple risk characteristics, cover service element pricing, and come up with overall pricing for selected modules.

Importantly, pricing needs to be aligned with specific risk characteristics, including traditional factors such as gender, age, place of residence, and profession. Risk information derived from the selection of insurance and service elements also needs to be considered. However, service element pricing can be more flexible and does not need to be actuarially determined. When determining overall pricing, the overall price for the selected modules is the cumulative sum of the individual module prices, factoring in the interactions among modules.

4. Personalized product marketing

Insurers will need an innovative go-to-market (GTM) strategy founded on agile methodologies and continuous stakeholder engagement. This fast-paced approach requires preparing and operationalizing the strategy in parallel with product development and comprises two key steps. First, insurers should spot the appropriate customer microsegment and create hyper-personalized marketing materials at scale using gen AI and consumer data. By continuously enhancing

personalization, they can find and reach the right people through the most effective marketing and distribution channels. Second, they can operationalize the GTM strategy by finalizing budgets and ensuring proper documentation.

This preparation sets up a fast-paced 14-day GTM planning stage, followed by a fast-tracked, postlaunch execution. Key aspects include the following:

Ensuring efficient resourcing and training for customer acquisition. It is important to set this up in the context of the GTM strategy and to establish benchmarks for measuring success. Insurers should look to define resource requirements, establish KPIs, and set sales incentives to optimally manage resources and drive performance.

Seeking customer engagement and feedback on aligned metrics. This can help insurers monitor impact and track regional performance with business teams. Companies could record targets, conduct feedback surveys, and assess product health by evaluating competition and market reception using AI-enabled monitoring and reporting tools. Additionally, they could identify the most effective follow-up actions, channels, and agents to drive conversions.

Tailoring products for diverse Indian consumers

As insurers innovate, they need to account for the diverse needs of India's population. With life expectancy growing from 62.0 years in 2000 to 70.6 years in 2021,⁴¹ customers will have increasing care needs. Allowing composite licenses and conversion of life insurance products to long-term care (LTC) products can make healthcare more affordable. In our consumer survey, 67 percent of respondents expressed a greater likelihood of purchasing when offered a life-health composite product. In Asia, some life insurers offer high-end retirement centers as part of their life insurance coverage. Life insurance companies in China also offer products that enable customers to convert life insurance to LTC products.⁴²

To make healthcare more accessible and affordable for people at all stages of life, Indian insurers can offer customizable modular health plans that offer individuals a choice based on their specific requirements and risks, such as chronic diseases, hereditary conditions, or lifestyle-based ailments. For example, an insurer in the United Kingdom has launched a modular health plan with no compulsory coverage, allowing customers to choose from four areas: outpatient diagnosis and care, inpatient and day patient care, cancer care, and mental healthcare.

While OPD costs account for more than 60 percent of total health expenditures in India, only a fraction of these are covered by insurance. Our survey also suggests that about 65 percent of respondents have to self-pay OPD expenses. In response, insurers can develop customized products with OPD coverage as the core focus—including common self-paid expenses such as consultations, diagnostic tests, and pharmacy costs. These can include specific consultations and tests based on the customer's risk profile. At the same time, it will also be important to set up effective, analytics-powered mechanisms for fraud detection.

Although approximately 20 percent⁴³ of Indian households have three generations living together, traditional family health plans often cover only two generations—which means multiple policies are required to insure the whole family. Accordingly, insurers have an opportunity to innovate by offering multigenerational health coverage. These products can be tailored to cater to the medical needs of the elderly, preventive and curative needs for middle-aged adults, and pediatric and developmental needs for children within a household. Similarly, multigenerational savings products enable customers to transfer the benefits of a single coverage across generations. For instance, Great Eastern Life offers coverage spanning 70 to 90 years that can be transferred to the next generation after a premium commitment period of ten to 20 years.⁴⁴ This plan also provides customers with the

⁴¹ "World population prospects 2024," UN Department of Economic and Social Affairs.

⁴² Expert interviews.

⁴³ Aseem Hasnain and Abhilasha Srivastava, "Social norms, gender roles and time use: Multigenerational households in India," *Bridgewater Review*, 2018, Volume 37, Number 2.

⁴⁴ "Great Eastern Life Malaysia launches first of-its-kind insurance plan that builds wealth and transfer to multiple generations," Great Eastern, May 2023.

flexibility to receive a regular yearly income stream in the form of an investment booster, a survival benefit, or both. At the end of the policy term, customers can receive a lump-sum maturity benefit.

Intervention 2

Strengthening and expanding distribution channels

Customers increasingly accustomed to the seamless experiences offered by popular commerce and tech giants now expect the same from insurance companies. This means insurers need to deliver a unified and frictionless experience at every touchpoint across channels. Staying competitive in this environment demands that insurance companies drive value from existing distribution channels and embrace novel channels to reach a wider audience.

Driving value from existing channels

Insurers can unlock value from existing distribution channels by focusing on professionalizing agencies, boosting salesforce productivity, leveraging analytics to target banks' affluent customer bases, and expanding and optimizing their reach through the Banca Channel to a wider section of India's population.

Using digital tools and AI for greater agent productivity

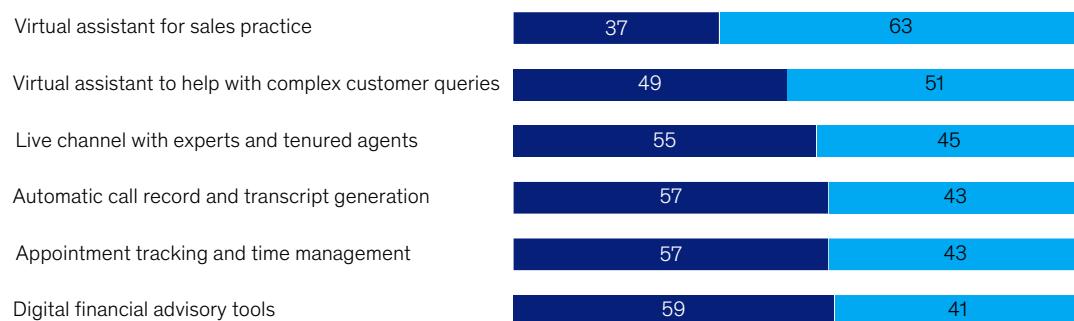
A strategic focus on deploying digital support tools is crucial to driving productivity gains in India's insurance sector. For instance, despite a threefold increase in the number of active life agents over the past four years, the annual premium equivalent (APE) per active agent for life insurance (a productivity indicator) currently sits at less than half the levels observed in peer nations such as China and Indonesia, according to McKinsey analysis. Agents still rely on traditional selling techniques that do not align with customer needs—indeed, our agent survey reveals that 63 percent of respondents would welcome virtual assistants (Exhibit 16).

Exhibit 16

More than 40 percent of agents desire digital tools that provide virtual sales practice, call transcription, and time management and scheduling.

Digital tools that agents desire in order to sell better,¹ % of respondents, n = 500

■ Support provided currently ■ Support desired



¹Question: What digital and marketing support tools will help you sell better?

Source: McKinsey India insurance market survey, August 2024 (n>5,000 consumers; n>500 insurance agents)

McKinsey & Company

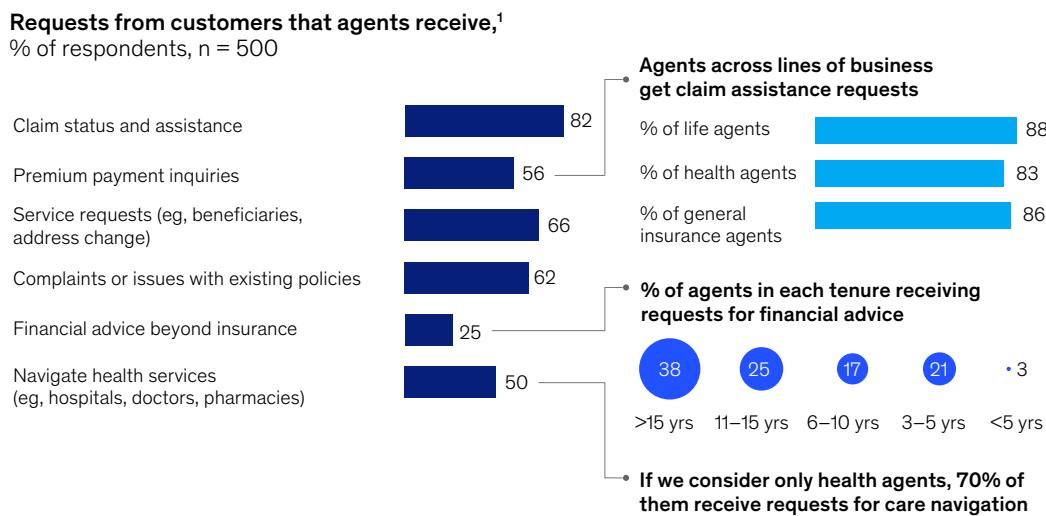
Insurers need to deliver a unified and frictionless experience at every touchpoint across channels.

Comprehensive review and improvements. Agents who are more productive and professionalized can help drive efficiency in operations. Global insurance companies have taken steps to innovate toward this. One leading American insurer conducted a comprehensive review of its agency network to identify areas for improvement. It then aligned agents with specific customer demographics and pursued M&A to consolidate agency operations and deliver consistent, standardized services. According to McKinsey analysis, these measures cut acquisition costs per net earned premium by 1.0 percent and the expense ratio by 0.5 percent while maintaining premium growth rate.

Needs-based selling. Agents remain a preferred channel in the customer's insurance purchase journey. However, our survey shows that customers increasingly expect personalized financial guidance, such as insurance and investment product recommendations. The majority of agents surveyed identified strong customer demand for claims assistance and care navigation (Exhibit 17). Additionally, customers expressed a preference for experienced agents when seeking financial advisory services. To address these evolving needs, agents could transition from product specialization to a customer needs-based approach. This involves offering product bundles tailored to individual requirements, exploring areas beyond traditional insurance, and adopting a more advisory role (Exhibit 18).

Exhibit 17

More than 80 percent of agents receive requests for claims assistance while 70 percent of health agents also receive requests for care navigation.

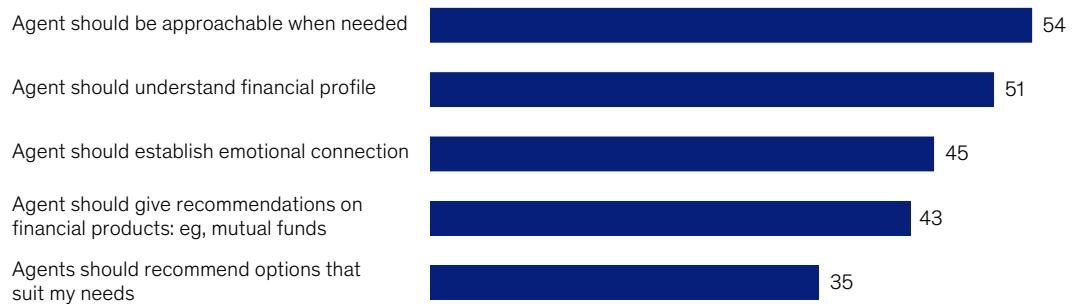


¹Question: What are the most common types of requests that customers contact you about?
Source: McKinsey India insurance market survey, August 2024 (n>5,000 consumers; n>500 insurance agents)

Exhibit 18

More than half of customers want their agents to be more approachable and understand their financial profile to offer products.

Factors that enhance the experience of purchasing insurance from an agent,
% of respondents, n = 730



Source: McKinsey India insurance market survey, August 2024 (n>5,000 consumers; n>500 insurance agents)

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Channel design for optimization. Insurers should carefully select agency archetypes that align with their target market, product focus, and customer needs (Exhibit 19). Additionally, AI-powered geographic footprint optimization can help enhance the distribution of the salesforce.

Exhibit 19

Channel strategy has implications for the choice of agency archetypes.

Advisory focus	Insurance and beyond (needs-based advisory)	Ecosystem agents enabled with all-round customer propositions (products, ecosystem services, and tailored advisory) eg, urban areas: pop-up stores in partner retailers' stores		“Meet and greet” agencies with multidisciplinary agents, with optimized teaming allowing for specialization eg, high-potential urban areas: “living room” agencies (ie, designed stores)
		LOB ¹ focused (eg, P&C)	All LOBs ¹	
	Insurance only	Traditional agencies complemented by digital advisory capabilities for remote sales eg, rural areas: optimization of capacity with fully remote servicing	Hub and spoke agencies potentially with multiple agents, fully equipped for sales in basic coverages across products and supported by remote support for complex products eg, urban outskirts: large hubs	

¹Line of business.

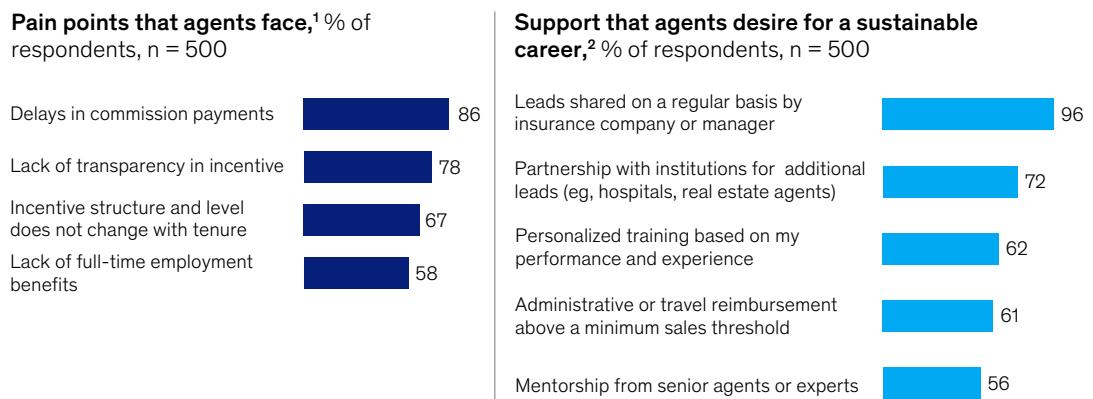
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Insurers are actively exploring digital transformation with gen AI to boost agent productivity and drive personalized customer experiences. Among agents surveyed, 96 percent expressed a desire for additional support in generating leads. Further, as highlighted earlier, agents want digital tools to enhance their sales capabilities and achieve sustainable income (Exhibit 20).

Lead generation. Empowering agents with advanced analytics and gen AI–driven tools can optimize the customer journey from beginning to end, potentially boosting agent productivity by five to ten times. By harnessing AI-powered lead generation and funnel management, agents can identify high-value target segments and craft personalized pitches. Many global insurers also distribute leads to agents based on geographical split and reward high-performing agents with a higher number of leads. This encourages agents to sell more to create more opportunities.

Exhibit 20

Most agents face delays in commission payments and desire assistance with leads from insurers to maintain a sustainable income.



¹Question: Do you face any of the following challenges regarding incentives and commissions offered by the insurers?

²Question: What support do you desire from the insurer and your manager to maintain a sustainable income from selling insurance products?

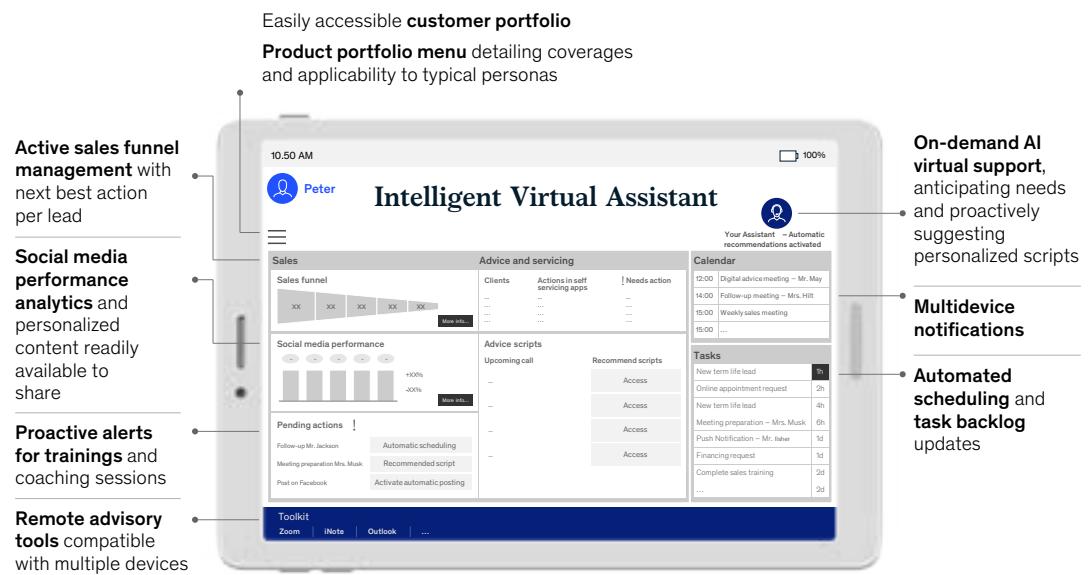
Source: McKinsey India insurance market survey, August 2024 (n>5,000 consumers; n>500 insurance agents)

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Selling opportunities. Gen AI–based tools can further enhance content delivery and optimize pricing by considering customer data such as language, tone, and engagement levels. Throughout the customer life cycle, these tools enable agents to identify cross-selling and renewal opportunities, which helps boost product offerings and maximize customer share of wallet. They can also proactively suggest actionable advice for key life events, strengthening customer relationships. The lead engine can also help agents win back past customers through tailored pitches.

Standardize agent approaches. Insurers are investing in digital tools to standardize agent approaches and enhance their sales effectiveness. These resources include digital marketing support, content creation, social media management, branding and creative services, conversational and live call assistants, and mentorship or community platforms (Exhibit 21). By automating routine tasks such as nominee additions and address changes, insurers can significantly raise agent productivity and allow agents to focus on more complex and value-added activities. Global insurers have increased agent retention by providing digital tools to speed up approvals and commissions.

Intelligent virtual assistants can help integrate processes and anticipate customer and agent needs.



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Professionalizing agencies: Rethinking incentives, recruitment, and training

To fully realize productivity gains, insurers also need to innovate on agent recruitment and development. This involves attracting and retaining top talent, providing targeted training, and implementing incentives that build a customer-centric approach.

Generative AI can help insurers identify recruitment channels with a solid track record and source targeted leads from unstructured data. The agent screening process has already evolved to include digital CV (résumé) scoring, customized assessments, and AI-assisted personal interviews, which may eventually expand to AI-powered bots sourcing profiles in high-demand regions and virtual role-playing scenarios. Agencies are increasingly adopting standardized online training modules, with potential future developments such as tailored role-plays, personalized training recommendations, and ongoing performance coaching. Insurers can use AI-driven automatic call transcription and analysis to evaluate agent performance and generate detailed report cards. AI-based root cause analysis can further help agents identify specific areas for coaching and improvement (Exhibit 22).

As the agent role evolves, compensation models can prioritize high performers, encourage customer-centric behavior, and promote needs-based selling. Incentives may be tied to value creation and contributions to portfolio success. A balanced scorecard, including customer feedback and retention, can guide rewards to encourage needs-based selling. According to McKinsey analysis, Malaysia's experience demonstrates the potential of this approach, leading to around a 13 percent rise in agent productivity between 2018 and 2021 together with reduced misselling. Personalized targets can replace uniform goals, and incentives can be aligned with contributions to each sale or renewal. Team performance and inter-agent support can also influence incentives, and contributions to central resources can be reflected in the compensation model.

Coaching of the future will occur on the job.

Assess all calls against key markers

Call transcripts



AI assessment



Summary against key markers

Transcript	Agent	Issue was resolved?	Demonstrated empathy?	Call difficulty
5	1	No	Yes	High
1	1	Yes	Yes	Low
4	1	Yes	Yes	High
3	2	No	No	Low
6	2	No	No	High
2	2	Yes	Yes	Low

Accelerate root cause analysis and coaching suggestions

Suggest coaching to improve performance

Transcript 3

+ Prompt

We define empathy as politeness along with acknowledging the other person's thoughts and feelings.

In transcript 3, the agent was not as empathetic. What could they have done differently?

Suggestion

The agent should have been empathetic by expressing sympathy for the customer's complaint while using positive language. They could learn from other transcripts to use phrases such as "I'm sorry to hear that you're having trouble" and "I can imagine how frustrating that must be" to show understanding and sympathy.

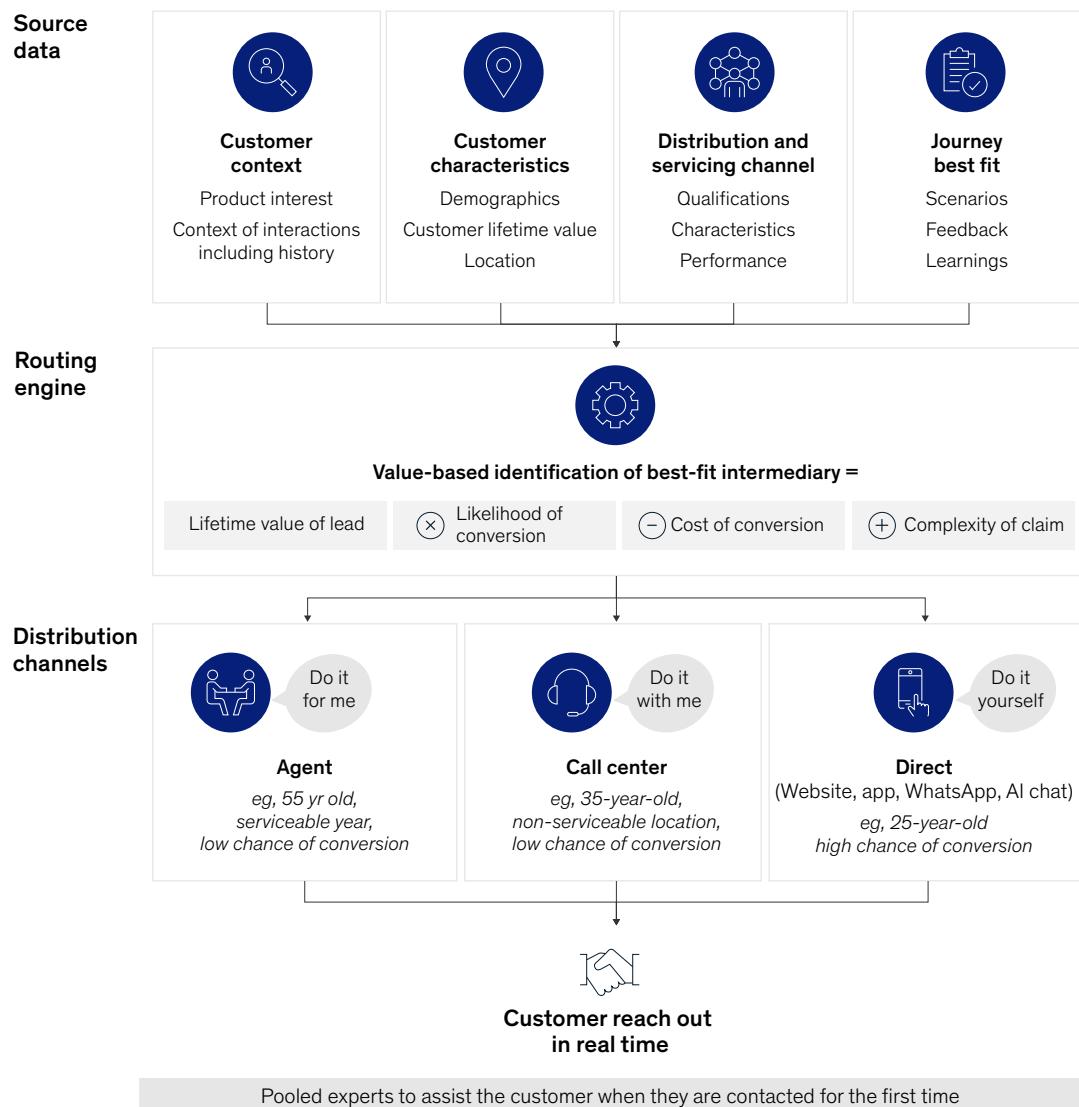
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Remote agencies empowering agents to maximize customer value

Remote agencies—or inside sales teams—can significantly enhance agent productivity by supporting customer retention and acquisition. A leading global insurer's remote-agency model empowers customers to select remote agents from its portal, enabling seamless interactions throughout the customer journey. By leveraging customer data, remote agencies can effectively upsell, cross-sell, and reduce churn. This optimizes revenue, customer satisfaction, and resource allocation.

For new customers, the inside sales team can assist agents, drive conversions from digital inbound leads, run outbound campaigns targeting untapped opportunities, and win back former customers using customer need insights from gen AI and advanced analytics tools. Remote agencies can streamline acquisition processes and reduce resource requirements. To manage acquisition costs, insurers can implement shared commission frameworks, allowing for flexible distribution between agents and inside sales teams based on specific activities or performance. Examples of such shared constructs include agents purchasing leads, or agents receiving commission for renewals, while inside sales teams receive the acquisition (first-year) commission, depending on channel efforts. A well-designed best-fit channel routing engine can guide customers to the most appropriate channel based on their characteristics and preferences (Exhibit 23).

Best-fit channel mapping is based on customer needs and context, while real-time omnichannel support increases conversion.



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Analytics-driven customer acquisition to target bank customers effectively

Insurers can significantly enhance their efficiency across sales, distribution, and underwriting by partnering with banks to target specific customer segments within their vast customer base. The lower acquisition costs associated with the bancassurance channel and the access to a larger customer base make these partnerships particularly attractive.

Enhancing efficiency with bancassurance. By using rich bank data for analytics-enabled identification of distinct customer segments, insurers can curate specialized products for these segments and thus create value. For instance, high-net-worth customers might benefit from integrated offerings combining investment, protection, and wellness services.

Product distribution and adoption. Bundling premiums with equated monthly installment (EMI) payments alongside home, auto, and education loans can provide added convenience, potentially driving higher adoption of insurance products. Expanding distribution through end-to-end journeys on D2C channels and developing preapproved small-ticket products for these channels can boost customer acquisition. For example, one global bank leveraged a leading global life and health reinsurer's analytics capabilities to identify low-risk customers and successfully offered life insurance to approximately 10 percent of its customer base with minimal or no underwriting.

Expand sales and distribution coverage. Insurers can strategically partner with banks to draw on their established networks of business correspondents and relationship managers (RMs), thereby expanding their sales and distribution reach (Exhibit 24). By empowering these channels to source leads and nurture customer relationships, insurers can increase market penetration. Additionally, by equipping RMs with comprehensive digital sales and advisory tools powered by data-driven insights, insurers can enhance their ability to identify customer needs and recommend appropriate products. To further encourage customer-centric selling, insurers and banks can promote performance management practices involving redesigning key KPIs for branch staff, business correspondents, and RMs.

Unlocking salesforce productivity: Reducing costs, maximizing results

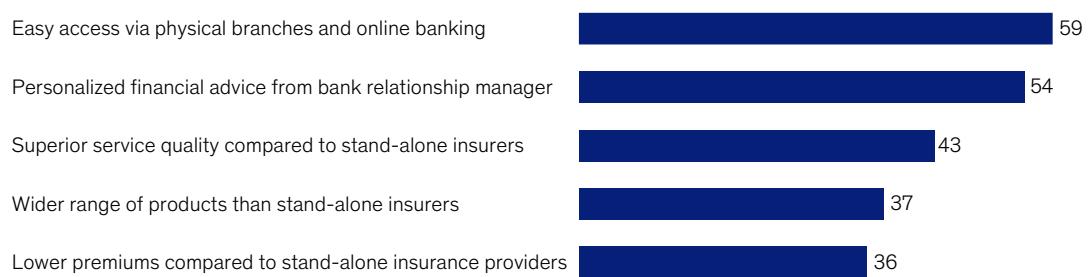
The increasing burden of operational costs weighs heavily on insurers. To increase overall distribution productivity, it is essential to reduce channel expenses and improve the efficiency of sales operations. Insurers often operate within a siloed multichannel structure, which leads to conflicts over customer ownership. This diminishes customer lifetime value and results in complex operations and elevated costs.

Centralizing sales enablement for productivity. The absence of centralized sales enablement platforms hinders insurance organizations from effectively tracking sales productivity. Implementing a digital sales enablement platform can break down silos within the organization and offer an integrated organizational view. This transparency enforces accountability at the front line and encourages decentralized decision making. It also fosters greater coordination among channels and improves customer satisfaction.

Exhibit 24

Customers desire easy access and personalized financial advice to purchase insurance from banks.

Key customer requirements for purchasing insurance from banks,¹ % of respondents, n = 1,000



¹Question: What would make you consider buying insurance from your bank (or any other bank)?
Source: McKinsey India insurance market survey, August 2024 (n>5,000 consumers; n>500 insurance agents)

Key features of digital sales enablement platforms include the following:

- *geographic resource optimization* that efficiently allocates resources based on location and market potential
- *detailed channel analysis* that offers insights into channel performance using geotagging and call transcripts
- *AI-driven partner identification* that helps to identify underperforming partners and address their issues
- *smart appointment scheduler* that boosts productivity by scheduling and following up with partners
- *market intelligence* that can provide real-time data and insights for informed decision making
- *in-depth sales network reviews* that enable firms to analyze local sales network productivity at a granular level

Change management for platform adoption

For a new sales organization, the initial step involves establishing a clear vision, objectives, and success metrics. Subsequently, the sales operations need to be aligned with the organization's structure and vision. This requires a process reengineering effort to optimize sales processes according to the new model. A comprehensive transition plan outlining phase-wise changes for various stakeholders could then be developed. This should be followed by resource preparation, which involves readying resources and agile teams for the revamped model. Finally, the incentive structure needs to be redrawn to align with the new sales operating model.

Effective change management is critical for seamless and successful transition. It begins with aligning teams and providing role-specific training to facilitate collaborative change management. This could be coupled with maintaining clear, two-way communication and a robust feedback mechanism ensuring concerns are addressed. To make the process more effective, periodic reviews with leadership could be set up to track progress and ensure strategic alignment across the organization.

Embracing novel distribution channels

Global insurers have expanded their reach through innovative distribution channels, including the marketplace models that facilitate comparison of policies from various insurers or through leveraging ecosystems for extended service. This section focuses on how insurers also embed products in customer journeys to sell insurance in conjunction with other core products, such as travel health coverage in ticket-booking journeys.

Embedding insurance in customer journeys

Embedded insurance seamlessly integrates insurance products into core offerings, providing a convenient and accessible experience for customers directly within digital customer journeys. This approach enhances accessibility for customers and reduces distribution costs. McKinsey analysis estimates that by 2040, 14 percent of global property and casualty insurance premiums—reaching \$600 billion—will come through embedded insurance.

The increase in penetration will be driven by countries such as China, Italy, Germany, and the United Kingdom. This growth is attributed to the expansion of embedded insurance, particularly in the realm of warranty insurance sales (with a 15 percent CAGR in China from 2020 to 2040) and a strong penetration of car dealerships in motor insurance sales at 33 percent.⁴⁵ Embedded insurance presents significant opportunities for Indian insurers. By leveraging government-enabled Open Network for Digital Commerce (ONDC) portals, insurers can seamlessly integrate innovative insurance products into customer purchase journeys, establishing a powerful connection within the ONDC framework.

⁴⁵ China Banking and Insurance Regulatory Commission; China Insurance Yearbook 2021; Insurance Association of China; McKinsey analysis.

Global insurers have adopted three core strategies to embed insurance products in customer journeys:

1. **Adjacent placement.** In this strategy, insurance is available as a “related” offering complementing the core product, but the insurance sales journey is separate from the core product sales journey. For example, Carro’s car ownership ecosystem offers motor insurance in its marketplace.⁴⁶
2. **Add-on proposition.** Insurance is an add-on to the core product available before the point of sale in the core product’s sales journey. For example, Grab offers ride coverage to passengers as an add-on while booking the trip.⁴⁷
3. **Bundled offerings.** Insurance is bundled with the core offerings at the point of sale, enhancing the value proposition for customers. Example: Airbnb hosts are automatically covered by AirCover insurance once they list their properties.⁴⁸

Insurtechs have innovated to embed insurance across customer journeys on multiple platforms, demonstrating that insurers can effectively partner with them to achieve this integration, as evidenced by many global players (Exhibit 25).

Exhibit 25

Embedded insurance is disrupting the way life, health, and property and casualty insurance is served.

Examples	
Life insurance 	Health and wellness Betterfly is an employee benefits program that rewards healthy behavior with life insurance coverage and charitable donations
Health insurance 	Workforce management Betterplace provides B2B workforce solutions for payroll and time management, embedding employee group insurance in its online marketplace
	Health and wellness Ping An Health is a digital health ecosystem connecting patients with healthcare providers and payers, allowing Ping An to access customer data and offer targeted health insurance
Property and casualty insurance 	E-commerce Acko insurance offers warranty protection for electronic gadgets recommended by Amazon during purchase
	Automotive Carro, a leading Asian car marketplace, partnered with NTUC Income to launch Covered, a usage-based insurance for Singapore vehicle owners
	Financial services GCash, a digital wallet in the Philippines, offers insurance for income losses and dengue expenses under GInsure
	Travel and mobility Grab offers passengers the option to add on ride cover while booking trips on the platform

Source: McKinsey analysis of company websites

McKinsey & Company

⁴⁶ “Compare and find the best car insurance,” Carro, accessed November 7, 2024.

⁴⁷ “Upsize your protection with Ride Cover,” Grab, accessed November 7, 2024.

⁴⁸ “How AirCover for hosts works,” Airbnb, May 11, 2022.

Leveraging telecom channels for scalable insurance distribution

India's insurance industry needs to adopt innovative distribution channels to reach the country's vast and diverse population, especially those in remote areas. While banks have a strong presence due to government policies, exploring alternative and innovative approaches is crucial to ensure that the entire population has access to essential protection against various risks.

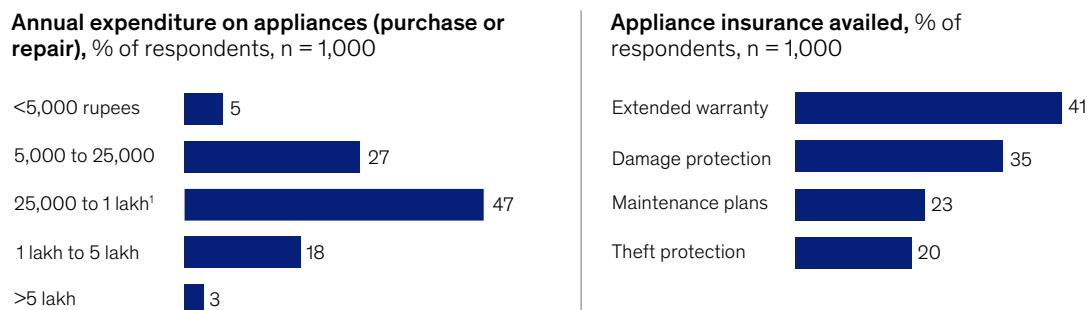
Widespread penetration of telecom services in India (currently about 85 percent)⁴⁹ makes telecom companies a promising channel for insurance distribution. Insurers can partner with telecom providers to embed relevant products, such as extended warranties, roaming, and travel insurance bundles, into their offerings (Exhibit 26). Additionally, telecom data can be leveraged to target customers effectively. For instance, location data can be used to offer travel insurance, while rich customer data can enable personalized product recommendations.

Insurers can adopt a phased approach to embedded insurance, piloting with small-ticket products and then gradually embedding traditional products such as health and life insurance. Insurers could approach this innovation collaboratively, ensuring that telecom companies also benefit through exclusive offers or discounts for their customers. A successful example of this is Chubb's partnership with a telecom provider in Europe, where travel insurance is offered as a pay-as-you-roam option.⁵⁰ Chubb Studio further facilitates the seamless integration of insurance products, such as travel insurance and device protection, into telecom customer journeys via the app or website. By leveraging operator data, Chubb Studio can deliver personalized insurance recommendations to customers. Strategically harnessing these opportunities can enable insurers to expand their reach, enhance customer engagement, and drive sustainable growth.

In addition to embedding insurance, insurers can also leverage ecosystems to extend service to their customers and cross-sell other products. More details are provided in the Intervention 3 section below.

Exhibit 26

More than 70 percent of respondents spend over 25,000 rupees annually on appliances; only 40 percent are covered by insurance.



¹1 US dollar is equivalent to about 84 rupees as of October 2024; 1 lakh equals 100,000 rupees.

Source: McKinsey India insurance market survey, August 2024 (n>5,000 consumers; n>500 insurance agents)

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⁴⁹ "7.3 crore internet subscribers and 7.7 crore broadband subscribers added in last one year," Ministry of Communications, August 20, 2024.

⁵⁰ "Travel insurance made easy: Yettel Bulgaria's," Chubb, accessed November 7, 2024.

Intervention 3

Enhancing customer experience across the insurance life cycle

The insurance sector has seen a shift toward digital channels and a surge in access to customer data. This requires them to craft seamless customer journeys throughout the whole life cycle—covering product discovery, onboarding, servicing, and claims. Additionally, insurers can work toward developing ecosystem-based partnerships to improve service quality and customer engagement.

Omnichannel engagement. The insurance industry typically sees fewer customer touchpoints (two to four per year) compared with sectors such as banking, in which interactions can exceed 750 per year, according to McKinsey analysis. Our customer survey reveals that 72 percent of users engage with their insurance apps less than once a month. While customers in India have started using digital channels for certain parts of insurance journeys, such as product discovery, they still rely on offline channels to make the purchase (Exhibit 27). There is thus a need for omnichannel engagement with context continuity and consistent experiences across channels. Exhibit 28 illustrates various engagement strategies at each stage of the customer journey that can enhance overall customer experience, retention, share of wallet, and lifetime value.

Global insurers are implementing various strategies to boost customer interactions and build loyalty. Lemonade, a US-based insurer, employs AI-driven chatbots to provide personalized messages and expedite processes during purchases and claims.⁵¹ Its unique approach of donating unclaimed money to a charity chosen by the customer adds to a positive experience and contributes to a low customer acquisition cost.⁵² Similarly, AXA's customer loyalty program, AXA Plus, drives engagement through exclusive discounts on stays, experiences, and events.

Exhibit 27

Customers switch between online and offline channels for different stages of their insurance journey.

Channel shifts from product discovery to purchase,¹ % of respondents, n = 400

Product discovery	Product purchase		
	Offline: Agent and bancassurance	Online: Digital and social	Total
Offline: Agent and bancassurance	96%	4%	100%
Online: Digital and social	36%	64%	100%

Channel shifts from product purchase to service and claims,¹ % of respondents, n = 400

Product purchase	Claims and service		
	Offline: Agent and bancassurance	Online: Digital and social	Total
Offline: Agent and bancassurance	74%	26%	100%
Online: Digital and social	35%	65%	100%

¹Digital channels include website, mobile application, email support, call center support; social channels include word of mouth and WhatsApp. Source: McKinsey India insurance market survey, August 2024 (n>5,000 consumers; n>500 insurance agents)

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⁵¹ Jim Hageman, "The empathetic bot: Tales from the underinsured," Lemonade, accessed November 7, 2024.

⁵² "Giveback," Lemonade, accessed November 7, 2024; Tom Hammond, "Lowering costs of customer acquisition," Insurance Thought Leadership, June 25, 2019; Kaenan Hertz, "Lemonade's 2Q2020 results unpacked: The good and the bad," Coverager, August 13, 2020.

Insurers are developing engagement drivers in each part of the customer journey.

Engagement drivers

■ Online ■ Offline

Product discovery	Policy issuance and onboarding	Postpurchase engagement and servicing	Claims management
Financial planning tool	Transparent underwriting tool	Fitness community with activity (fitness, sleep, etc) trackers to offer discounts	Hospital locator and appointment tool
Product comparison tool	Personalized welcome messages and videos	Community for social good	Roadside assistance tool
Agent or adviser selection portal	Chatbot for onboarding	Expense track and pay tools	Chatbot-based claims processing
Chatbot-based advisory	Coverage adjustment tools	Personalized nudges (premium or bill payments, vehicle service, etc)	Media upload-based claim filing
Gamification-based discounts	Referral tool offering discounts	Health camps for customers	Dedicated SPOC ¹ in hospitals for care navigation
Workshops and seminars	Policy camp with application process support	Access to events, concerts, etc	
Advisory camps in events			

¹Single point of contact.

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Unlocking customer value

To maximize customer lifetime value, insurers must integrate advanced analytics and gen AI at various stages of the customer journey. According to McKinsey analysis, AI can drive 5 to 10 percent GWP growth and 1 to 2 percent combined ratio improvement. Key strategies include deploying next-best-action models to optimize engagement, prioritizing high-value customers for efficient acquisition, assessing family-based risks for tailored product offerings, and pricing for households rather than individual customers. Insurers can also significantly increase their share of wallet by making the most of insights into critical life stages—such as new employment, marriage, childbirth, or car purchase—to strategically upsell and cross-sell relevant products.

Insurers can retain more customers by developing sophisticated retention segmentation models. This process begins with identifying trigger events—such as pricing changes, claims, and renewals—and assessing their likelihood of causing churn or value generation among customers. Insurers could then also focus on high-risk, high-value customers by taking targeted measures for retention while also providing value-added services to low-risk, high-value customers. Such targeted engagement strategies combine proactive measures, including personalized calls and value-added services such as discounts or coverage improvements, with reactive measures such as soliciting feedback on pain points and offering tailored solutions.

A. Product discovery

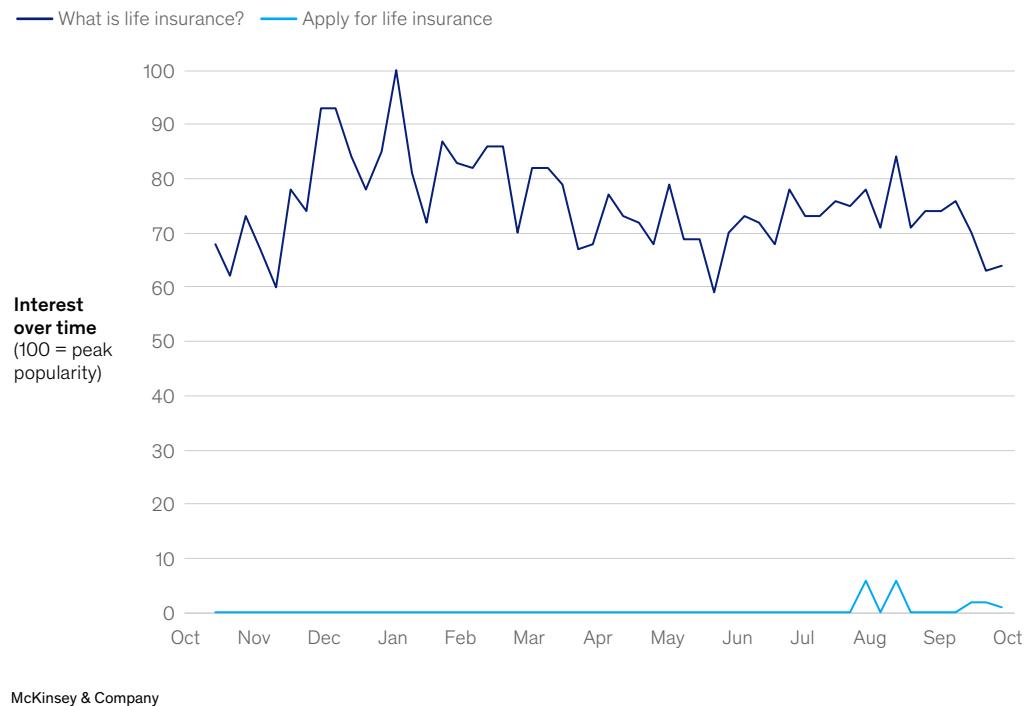
Marketers can use partnerships and content marketing to increase insurance awareness

Insurance marketers need to expand their engagement with potential customers to earlier stages of the product discovery cycle. Content marketing and strategic partnerships can effectively build a base of potential customers by increasing awareness and providing education about the need for insurance.

Content marketing through videos, blogs, and podcasts can capture potential customers before they enter the product discovery phase. As illustrated in Exhibit 29, the search volume for phrases related to understanding life insurance products dwarfs the number of searches about actually purchasing life insurance. Despite this, insurers typically allocate a larger portion of their search engine advertising budget to the latter. Insurers need to prioritize the development of educational content

Exhibit 29

Search volume for phrases related to understanding life insurance products significantly exceeds phrases related to purchasing life insurance.



to enhance their search engine optimization. Additionally, they could direct their search engine marketing spend toward keywords associated with understanding insurance.

An Ireland-based insurer has focused on educational short videos bringing out the need for insurance without technical jargon.⁵³ Progressive created a blog, *Life Lanes*, with “how to”-style informational content on navigating challenges around the house or while traveling.⁵⁴

Marketers can also leverage generative AI to supercharge SEO optimization for informational content, driving more organic traffic to their websites. Gen AI models can analyze large unstructured data sets to generate high-potential keywords instantly, and even assist in integrating these keywords into optimized content. With the increasing use of voice search, generative AI can optimize content to be more conversational and aligned with natural language queries, improving its chances of ranking in voice search results.

Industry-wide stakeholders can increase awareness by taking inspiration from bodies such as the Securities and Exchange Board of India (SEBI) and the Association of Mutual Funds in India (AMFI). SEBI requires mutual funds to set aside two basis points of their assets under management for investor education, half of which AMFI has dedicated to a nationwide investor awareness campaign known as Mutual Funds Sahi Hai.⁵⁵ This features clear advertising messaging in various regional languages to increase awareness about mutual funds, helping to demystify the asset class. Similarly, the industry can create awareness among individuals and small businesses about various protection products.

⁵³ See Zurich Ireland YouTube channel.

⁵⁴ “Life Lanes by Progressive,” Progressive, accessed November 7, 2024.

⁵⁵ “AMFI launches ‘Sahi Hai’ campaign for mutual fund awareness,” *Economic Times*, March 15, 2017.

Leveraging gen AI to drive efficiencies in marketing and customer engagement

To build a stronger foundation of unified customer data, organizations can use generative AI to make use of structured and unstructured data. According to McKinsey analysis, gen AI-supported marketing efforts can result in cost savings of 10 to 15 percent. While players in the banking sector have been quick to adopt gen AI technologies, the efforts made by insurers have been relatively slower and less mature. For instance, Axis Bank has begun working with Microsoft to deploy gen AI-driven processes to boost contact center productivity and improve customer interactions.⁵⁶

Generative AI can transform marketing efforts by streamlining content creation. AI-powered “content factories” allow for the efficient creation of product brochures, campaign creatives, and product filings. Generative AI can also optimize iteration and variation of content at scale and speed, potentially saving 50 to 70 percent of the time typically spent on drafting marketing materials, according to McKinsey analysis. Additionally, AI-enabled campaign management tools can facilitate A/B testing of copy variations through persona-based audiences. Because risk management and regulatory compliance are crucial in the industry, guardrails can be implemented (around brand, legal, risk, and ethics) to ensure that personalized content meets a “risk score” determined with the help of technology.⁵⁷ A hybrid human–AI approach can accelerate and improve the initial stages of the content creation value chain, while upholding quality and control standards.

Generative AI can help address infrastructural and operational challenges of the existing contact center–driven digital conversion model. AI-driven chatbots can provide instant product information, guided customer journeys, and personalized sales experiences. Lemonade’s high customer satisfaction scores (often above 70) show how chatbot-led engagement models can be effective—even for complex tasks such as personalized insurance plan creation and streamlined claims processing.⁵⁸

A leading commercial bank in Canada achieved a 30 percent reduction in cost per action by using a combination of gen AI tools from the Adobe Experience Suite to test the performance of marketing strategies. The digital marketing team automated personalized content creation, dynamic testing of images and written content, and conversion funnel optimization, resulting in increased conversion rates.⁵⁹

B. Policy issuance and onboarding

Streamlining the onboarding process can enhance customer experience

A simplified onboarding process is crucial for attracting customers. Our customer survey also indicates that between 30 and 40 percent of users perceive the application process to be lengthy and confusing across channels. Employing clear and concise language to explain products can significantly enhance customer understanding of policy terms and conditions. For example, MetLife revamped its policy documents to eliminate jargon and included easy-to-understand infographics, making coverage details more accessible.⁶⁰ This approach helped build trust and empowered customers to make informed decisions without being overwhelmed by complex terminology.

Streamlining the application process through prefilled information from various channels and minimizing the need for additional customer input can further address complexities. Additionally, engagement tools such as chatbots and helplines can provide timely assistance to users throughout the application process. Continuous monitoring and analysis of customer interactions enables insurers to identify and address pain points, improving the overall onboarding experience.

Digital tools can streamline the onboarding process, helping agents capture customer data and preferences accurately and consistently across touchpoints.

⁵⁶ Beena Parmar and Annapurna Roy, “Banking on genAI: The artificially intelligent future of finance,” *Economic Times*, July 16, 2024.

⁵⁷ Ibid.

⁵⁸ Shai Wininger, “We suck, sometimes: The highs and lows of Lemonade’s first half of 2018,” Lemonade, accessed November 7, 2024.

⁵⁹ “Customer-first digital transactions,” Adobe, 2018.

⁶⁰ Expert interviews.

Effective use of data

Consumers are increasingly using digital channels during their insurance journey: 55 percent of survey respondents indicated they use digital channels for product discovery, while approximately 40 percent said they engaged with digital channels for both purchasing and service-related activities. Insurers are also forging ecosystem-based partnerships, which focus on engaging customers through digital health and wellness platforms and encourage customers to use the app by offering fitness goal-based rewards.⁶¹ These shifts are leading to a proliferation of data points available to marketers, including app usage behavior, financial data, wellness data, and search and click stream data. These data points offer insurers an unprecedented opportunity to enhance marketing and distribution strategies, thereby driving value through improved productivity and highly personalized solutions. Our consumer survey revealed that more than 50 percent of respondents were willing to share data across categories such as occupation, annual income, and educational qualification in exchange for personalized products. Further, more than 50 percent of respondents were willing to share these details if they were offered premium discounts based on the details shared.

A comprehensive repository of customer data, spanning the entire journey from discovery to purchase, empowers insurers to deliver a more integrated experience. Given the limited number of touchpoints in the insurance customer journey, optimizing each interaction through personalized relevant information is critical. A leading US-based insurer synchronized customer data and interaction history across channels to offer a seamless user experience across different engagement points, both digital and in person. Marketing teams can effectively equip agents and advisers with the latest information about leads and customers' previous interactions, enabling them to offer more personalized services. By applying next-best-action models on digital consumer data, insurers can tailor product recommendations and predict optimal engagement channels at every stage of the customer life cycle.

Core marketing technology components such as customer data platforms (CDP) can make sense of the rich customer and ecosystem data available to insurers. By integrating marketing technology, advertising technology, customer relationship management (CRM) tools, content, and other sources into a single unified source of truth, insurers can begin to truly activate the power of data to drive value-based use cases.

A leading global insurer used FirstHive's CDP to orchestrate multiple journeys and help call-center employees prioritize high-quality leads, eliminating 70 percent of invalid leads. The CDP solution provided employees with data on previous interactions with RMs, existing products, and even drop-off from online journeys. This allowed the insurer to deploy highly targeted channel-specific strategies to increase conversion of the leads.⁶²

Safeco Insurance (a Liberty Mutual Company) employed Sitecore's Experience Platform (a type of CDP) to consolidate data from various sources into a single data lake shared across sales, marketing, and customer-experience (CX) management applications. This aligned communications across email, web, and social media channels with dynamic and personalized content scaled to more than 100,000 agents, lifting engagement 33 percent above the previous best-ever month.⁶³

An Australian health insurer leveraged Tealium's CDP and CX suite to track more than 100 million events and increased marketable leads by 175 percent. The suite helped deliver personalized content to customers across online channels, by consolidating data, managing tags, and transforming data into intelligent customer cohorts.

C. Post-purchase engagement and servicing

Evolving ecosystem play to increase engagement

Limited customer interaction makes it difficult for insurers to understand and adapt to their shifting needs. An additional cause of concern for insurers is the competition from digital attackers and

⁶¹ "AIA and Discovery launch 'AIA Vitality' in Asia-Pacific," Vitality, January 3, 2014.

⁶² "Customer journey orchestration for lead qualification," FirstHive, accessed November 7, 2024.

⁶³ "Transforming agent engagement & awareness: Safeco integrates Sitecore and Salesforce to grow revenue and reduce costs," Sitecore, May 2020.

aggregators, which are gaining market share. The increasing burden of claims, which constitute a significant portion of operation costs, further erodes profitability.

To address these challenges, insurers globally are rethinking their business models to move beyond pure protection and include prevention and service. This shift can enhance customer relationships by increasing the frequency of meaningful interactions, enabling insurers to gain a deeper understanding of customer needs and foster loyalty. Moreover, insurers can integrate new services such as fitness services and smart home systems within ecosystems to reduce overall claims frequency in the long term.

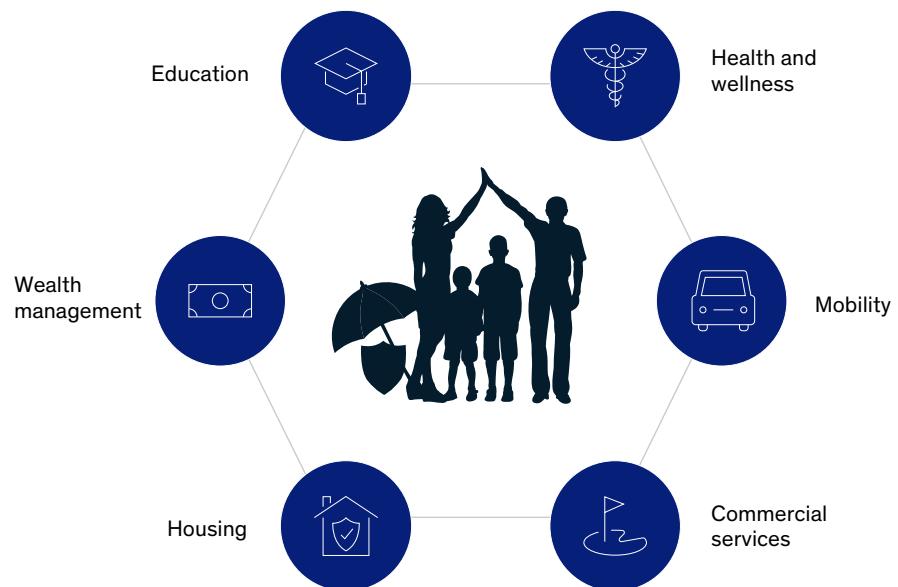
To build an ecosystem play, insurers need to follow four key steps:

- Identify customer needs by developing a needs assessment process, as highlighted in the product innovation cycle.
- Decide how to generate value across the insurance value chain, defining benefits for each step, such as sales, distribution, and underwriting. For example, some ecosystems may enhance sales and distribution by embedding products in customer journeys.
- Curate additional offerings that fit within ecosystem journeys.
- Develop ecosystem solutions by building or buying them or by collaborating with ecosystem partners.

Globally, leading life and P&C insurers have strategically invested in developing ecosystems across key sectors, including health and wellness, mobility, housing, wealth management, education, and commercial services (Exhibit 30). Among these sectors, insurers have notably excelled in creating robust, value-driving ecosystems across health and wellness, mobility, and housing, effectively leveraging them to drive growth and customer engagement.

Exhibit 30

Insurers can enhance customer engagement by participating across different ecosystems.



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A health and wellness ecosystem includes services that address all of customers' health and wellness needs:

- *Prevention and diagnosis.* This includes real-age calculators, symptom checkers, preventive checkups, teleconsultation, doctor or hospital discovery, and appointment booking.
- *Treatment.* These services include health wearables, home-based medical devices, medicine marketplace, delivery, emergency medical assistance, and treatment cost calculators.
- *Fitness.* Smartwatches, at-home fitness, gyms and fitness centers, and habit cessation programs promote fitness.
- *Mindfulness.* Counseling and therapy, sleep monitoring, meditation classes, and emotional well-being classes encourage good health.
- *Nutrition.* Customers can improve their health through calorie or diet trackers, meal replacements, diet programs, supplements, and dietitian services.

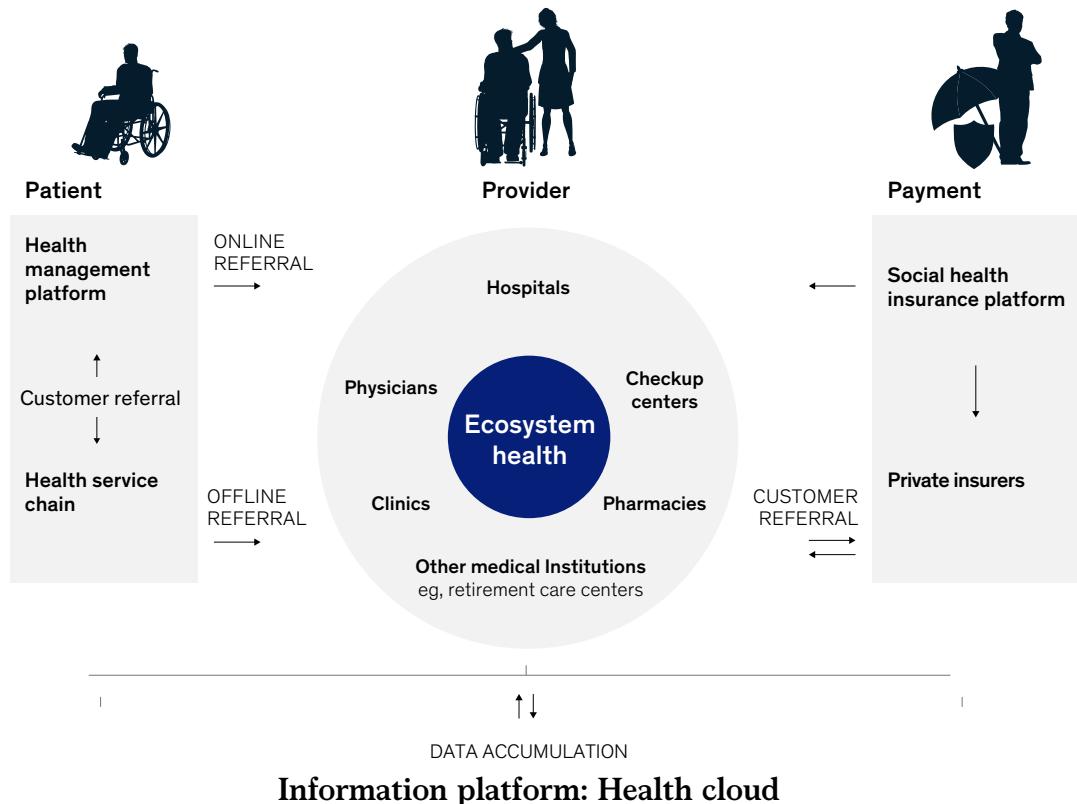
Beyond these core health and wellness offerings, insurers need to implement engagement drivers to attract, retain, and monetize customers. For example:

- *Health and wellness tracking.* This includes monitoring of important health indicators such as sleep cycle and body mass index (BMI), as well as curation of a health and fitness score for users to identify and take lifestyle improvement measures.
- *Rewards and gamification.* This involves monitoring (for example, daily step goals, calorie tracking), non-monitoring (such as challenges and competitions), and recognition-based (for instance, achievement badges) incentives to encourage customers to actively participate in fitness or wellness initiatives and develop habits.
- *Community building.* This may include forums for customers to share their achievements and connect with people going through similar journeys. They are supported by expert content and courses to enhance health and well-being.

In our customer survey, 50 percent of respondents highlighted that fitness and nutritional counseling programs would appeal to them as a part of their health plan. Many insurers have started partnering with health services platforms and engaging customers in health and wellness ecosystems (Exhibit 31).

Many insurers have started partnering with health services platforms and engaging customers in health and wellness ecosystems.

A leading Asian insurer has set up an integrated health ecosystem to engage with customers throughout the customer journey.



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A mobility ecosystem enables insurers to collaborate with entities across the mobility journey, including car purchase and rentals, car financing, telematics services, damage and repair services, parking, toll-payment platforms (FASTag), and challan (traffic penalty ticket) tracking and payment to identify and capture insurance needs. This strategic approach enables insurers to upsell or cross-sell relevant products, thus increasing their share of customer wallet. Such partnerships can drive significant growth and market penetration. An example of a mobility ecosystem is illustrated in Exhibit 32.

P&C insurers can tap into a housing ecosystem—including property rental and purchase platforms, furniture and appliance rentals, smart-home devices, utility services, and home maintenance platforms—to gain deeper insights into customer needs and to mitigate potential risks. For example, Hippo in the United States partnered with a home security provider to offer insurance to users within the housing ecosystem, while also providing discounts based on customer data (for example, CO₂ levels, smoke levels, and leakage data) derived from smart systems in the home (Exhibit 33).

Exhibit 32

Leading European insurers aim to cover the entire mobility journey via their own ventures and through partnerships.

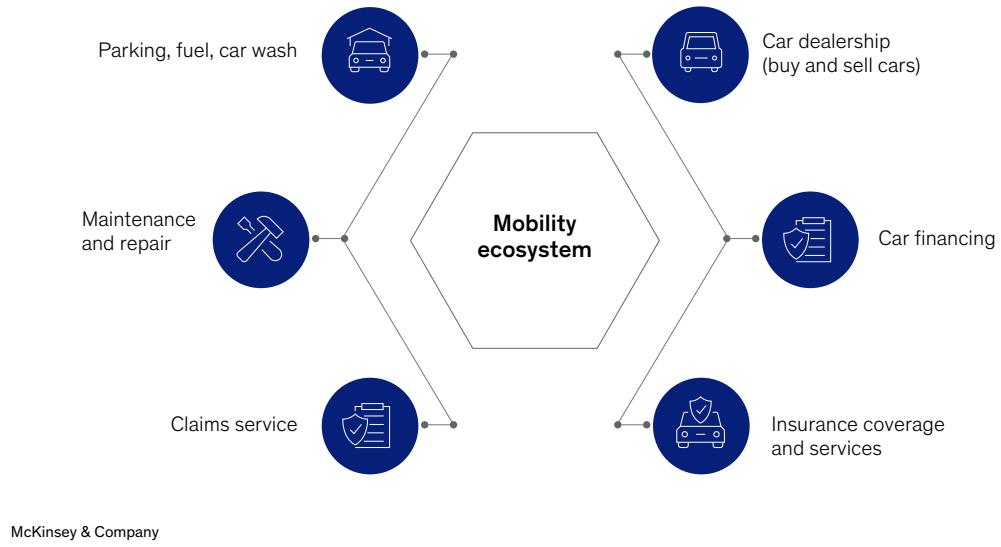
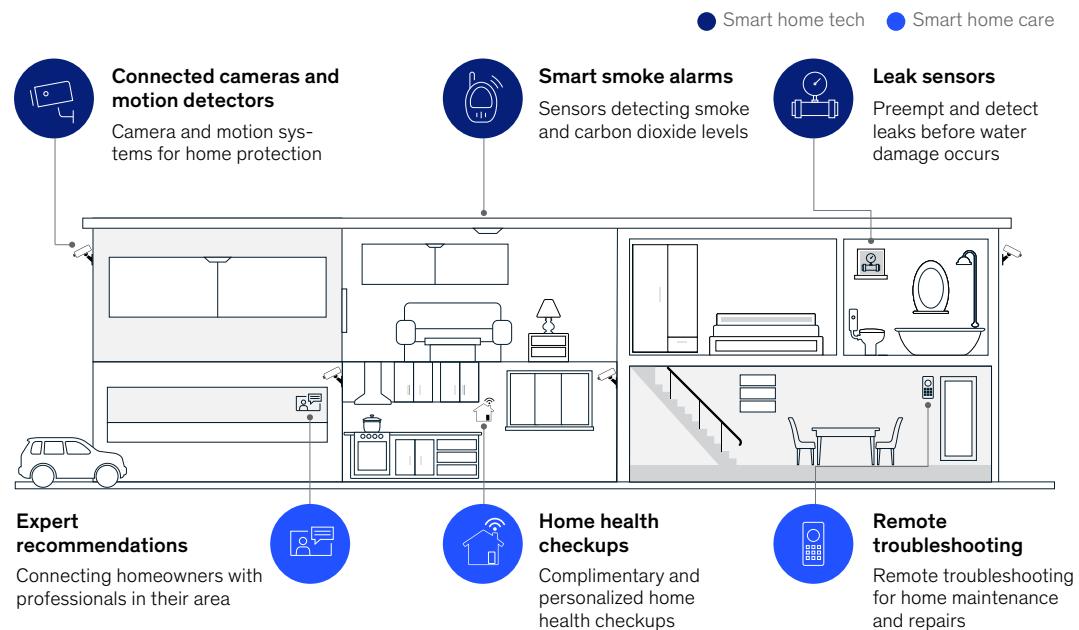


Exhibit 33

Hippo is expanding its offering throughout the home ecosystem.



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D. Claims management

Digital claims and automated processes can offer better customer experience

Global insurers are digitally transforming their claims processes, harnessing automation to achieve substantial cost reductions through proactive claims prevention and enhanced customer experiences. By integrating advanced analytics and partnering with customer ecosystems (such as health, motor, and home), insurers are improving the long-term risk profiles of customers.

Digital transformation in motor insurance. Global motor insurers have made significant strides in fully digitizing claims experiences. OEMs' integration of telematics devices into vehicles enables insurers to provide real-time feedback to customers on driving behavior and vehicle health, proactively mitigating potential claims.

Insurers have also facilitated automated first notification of loss through telematics devices; roadside assistance; real-time claims tracking; remote damage assessment via AI using video, photo, or telematics sensor data; and automated invoice payments to garages. Insurtech companies offer end-to-end claims digitization solutions for insurers. Digitization can potentially lead to a 35 percent efficiency gain in claims handling and a 5 percent improvement in accuracy of indemnity payments for motor insurers.⁶⁴

Case studies demonstrate the tangible benefits of digital transformation in claims handling. A leading German P&C insurer piloted a fully digitized claims journey, achieving a 15-percentage-point improvement in customer satisfaction score while also reducing costs by 20 to 25 percent. Similarly, a leading Spanish insurer's end-to-end digital transformation yielded a 16 percent increase in claims satisfaction scores and a 30 percent decline in cost per claim.

Power of analytics and digitization. Health insurers can revolutionize the claims process by implementing real-time settlement, tapping into advanced analytics and digitization to deliver a seamless customer experience. A fully cashless system, even for non-network providers, can be achieved by allowing customers to use an insurer-provided credit card in place of a security deposit. The customer can then upload all necessary documents for insurers to approve and settle credit card charges. By automating preauthorization for common diseases and simplifying digital forms, insurers can expedite claims processing.

Advanced fraud detection models. Fraud detection models incorporating standard tariffs, video-based sentiment analysis, and identity verification can help reduce claim costs. To ensure a smooth discharge process, insurers could proactively approve expenses before discharge, allowing hassle-free exits.

The National Health Claims Exchange will further enhance this by enabling information exchange and centralized claim tracking, streamlining the process for both insurers and customers.

Intervention 4

Boosting profitability

To maintain a competitive edge and generate sustainable value, Indian insurers need to address their profitability challenges with strategic focus. Key initiatives include modernizing outdated technology infrastructures to mitigate technical debt, implementing robust systems for accurately tracking and optimizing marketing return on investment (MROI), and elevating the risk function to serve as a pivotal value creator. These actions can reduce operational costs, enhance financial performance, and ultimately drive increased profitability.

Overcoming technical debt through modernization

Indian insurers have lagged behind peers in modernizing IT infrastructure, relying heavily on legacy systems for their operations. This persistence with outdated technologies has led to a significant accumulation of technical debt, which is hindering IT productivity and eroding business value.

⁶⁴ McKinsey analysis.

Modern IT infrastructure can create substantial business value for insurers (Exhibit 34). However, technical debt leads to lost opportunities and excess costs resulting from technology inefficiencies that stem from past decisions. Insurers burdened by high levels of technical debt often experience increased operational costs, IT change costs, and a higher frequency of IT problems. Moreover, technical debt can reduce business value by delaying product launches and deteriorating customer experience as a consequence of increased system downtime.

Indian insurers need to address their technical debt issues and modernize IT infrastructure to remain competitive and unlock the full potential of their businesses.

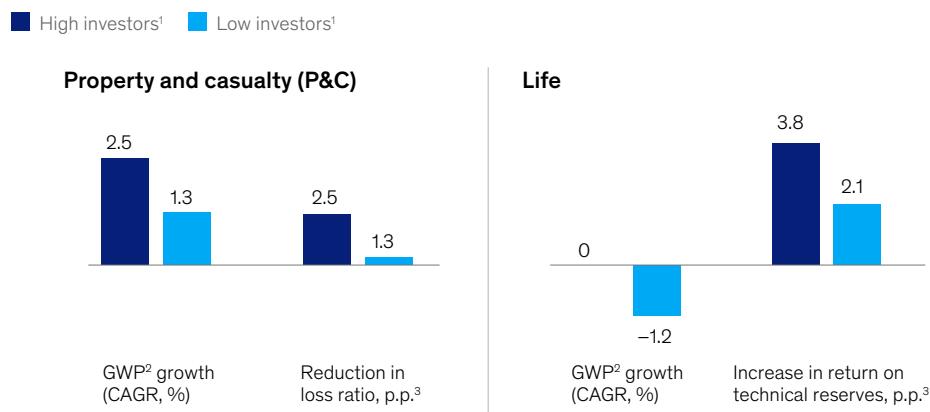
Technical debt in insurance tech architecture affects many aspects of insurance, including the following:

1. **Customer services and sales.** Numerous applications and portals with individual integrations lead to data debt from scattered, inconsistent sources together with maintenance debt from outdated tech stacks.
2. **Integration and supporting services.** Multiple core systems with overlapping functionalities cause high code debt from hard-coded products, lack of documentation, and unsupported databases.
3. **Data and advanced analytics.** Redundancy results from multiple data warehouses and complex, multilayered operational data stores (ODS).
4. **Support functions.** Insurers need to consider maintenance debt from outdated software and tools, as well as code debt from complex customizations.

Insurers that invest in rigorous tech debt management practices can significantly enhance IT value contribution (Exhibit 35). Benefits include improvements in technology and processes, leading to increased enterprise value, higher engineer productivity, reduced tech debt remediation efforts, cost savings, and significantly lower IT risks.

Exhibit 34

IT creates business value for insurers.



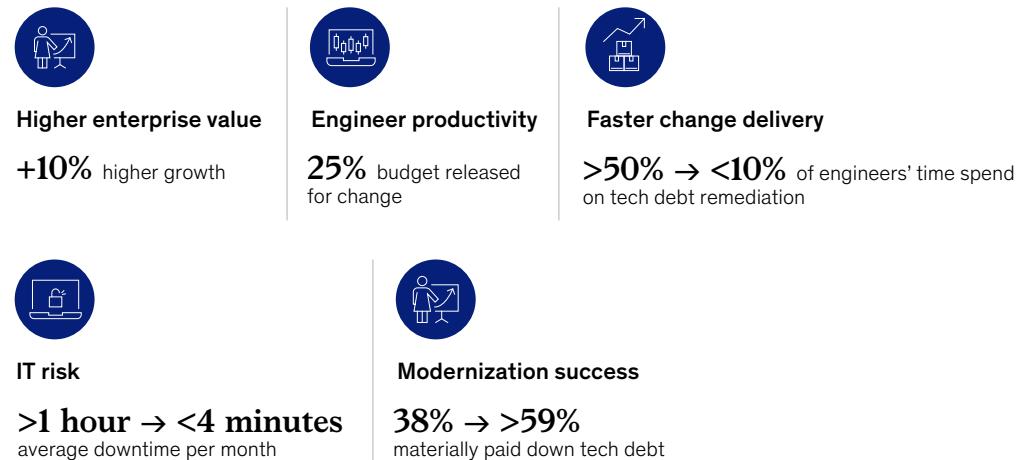
¹High investors have an average IT application development and maintenance (ADM) spend per gross written premium (2012–14) above peer group median (0.9% in life, 1.8% in P&C) and low investors have IT ADM spend below peer group median.

²Gross written premium.

³Percentage points.

Source: McKinsey Insurance 360; McKinsey Tech Debt Service Line

Tackling technical debt has a significant impact on business performance.



Source: McKinsey Tech Debt Score 2022 (dataset of 220 chief information officer [CIO] responses across 5 geographies and 7 industries); McKinsey Technical Debt Survey among CIOs (n=50), July 2020

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To effectively eliminate technical debt, insurers need to systematically optimize both the interest (cost of lost productivity) and principal (negative impact on enterprise value). They can choose from one of the four transformation archetypes—rebuild the core, renovate above the core, remediate across estate and runoff to carve out, or greenfield—to modernize their IT infrastructure and address tech debt as illustrated in Exhibit 36.

Across all archetypes, insurers can take strategic steps to remediate tech debt effectively:

1. **Systematic tech debt valuation.** This involves identifying and sizing remediation opportunities and prioritizing them based on the value they can release. Insurers need to assess technical debt across business units and compare the cost of lost productivity against the investment required. Prioritization could focus on products with the highest cost of productivity.
2. **Gain organizational buy-in.** This requires a dedicated change management approach and tailored communications to highlight the importance of tech debt removal. The technology team can work with the business team to create an integrated business case showing the value and rationale for remediation action and to establish a steering and incentive process. The tech team could also collaborate with the business team to create a joint understanding of resource allocation and work to streamline and simplify the product portfolio.
3. **Well-defined tech debt budget.** This budget could be guided by the respective contributions to the operating profit target, ensuring that tech debt remediation efforts are both financially supported and linked to business value creation.
4. **Clear governance structure.** Establish dedicated decommissioning teams for all business units. Allocate dedicated capacity for tech debt remediation within product teams or specialized teams. Foster a developer-centric culture that emphasizes active code quality and uses tools and test automation to mitigate technical debt.

Insurers have a choice of four transformation archetypes to address technical debt by modernizing their IT infrastructure.

Option	Rebuild the core	Renovate above core	Remediate across estate	Runoff to carveout (or greenfield)
Architecture				
Description	<p>Transformation driven by phases of core systems replacement Enhancement of core systems with additional capabilities (buy or build)</p>	<p>New front-end technology and integration patterns Decoupled backends with data layers and rehosted core systems to enable front ends, low-code workflows and analytics</p>	<p>Systematic reduction through modernizing, decommissioning, or rebuilding systems; new business logic built iteratively as modular microservices (and selectively “hollowed out” from existing systems)</p>	<p>Shift the business to a standardized insurance-as-a-service platform used across carriers or business units (might include full sale of business)</p>
Risk profile	High	Low	Low	High
Speed	Low	Medium	High	Medium
Investment	High	Medium	Low	Medium
When to use	Low tech debt in channels, front ends, and portals; tech debt is mostly code and documentation debt in core	Tech debt is concentrated in data or integrations and due to redundancy, while applications themselves have low code or maintenance debt	Tech debt is spread across architecture (eg, integration debt, data debt) and in different pockets within applications (eg, high-maintenance debt)	No business case for tech debt removal (high principal vs interest) and unfavorable business outlook (or strategic shift in business model)
Trend	Historically the default option, but difficult to execute	Increasingly popular option, often coupled with systematic tech enablement of business	Increasingly popular option	Increasingly popular option, especially for large insurers, typically combined with bold shifts in the business model

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5. *Transparent tracking, monitoring, and measurement.* Implement a transparent approach to guide remediation, with metrics reported regularly to the board. Teams can introduce a tech debt dashboard showing up-to-date principal and interest for each application to establish a mindset shift and better prioritize tech debt. By maintaining continuous measurement and monitoring and integrating with IT funding and quarterly business review (QBR) processes, the tech function can ensure dynamic funding for technical debt initiatives to adapt to evolving needs.

As an example of this type of remediation journey, a global insurance carrier grappling with decades of tech debt embarked on a holistic transformation. By focusing on data-driven decision making, the organization implemented a systematic and programmatic remediation strategy. This led to significant improvements, including a shift in the change/run ratio from 20/80 to 40/60, up to a 75 percent reduction in the number of applications across different business units, and the allocation of 10 percent of the change budget capacity to ongoing technical debt remediation. Moreover, increased IT service charging was implemented to encourage behavioral change in business units, with the additional funds reinvested into tech debt remediation.

Public cloud for scalability, agility, and innovation

The adoption of public cloud infrastructure by insurance companies has been instrumental in enabling scalability, operational agility, and cost efficiency. Public cloud platforms offer flexible storage and computing power, which is essential for handling the large data sets required for modern insurance analytics and AI models.

Insurers using public cloud infrastructure saw IT costs decrease by 15 to 20 percent while improving their ability to launch new products faster, according to McKinsey analysis. The cloud also supports real-time data processing and the integration of advanced analytics, allowing insurers to better assess risks, optimize pricing, and improve fraud detection.

Moving to a public cloud infrastructure allows insurers to cut operational costs and reduce policy approval times by 30 percent, according to McKinsey analysis. Furthermore, cloud solutions facilitate collaboration between insurers and insurtechs, allowing them to easily integrate new technologies and experiment with innovative business models.

Accurate tracking of MROI

Accurately measuring MROI remains a central challenge for insurance chief marketing officers (CMOs) striving to make data-driven decisions. While digital tools provide robust capabilities for tracking the effectiveness of performance marketing channels, reliable tools for measuring the impact of brand marketing are fewer. Compounding this challenge is the complexity of optimizing MROI itself, which involves striking the right balance between short-term sales gains and long-term brand building, as well as optimizing budget allocations across different channels, geographies, and growth priorities.

Intelligent CMO dashboards provide a comprehensive view of all marketing activities, using gen AI-powered analytics to forecast the potential outcomes of various marketing strategies. The advent of gen AI enables the creation of synthetic data sets to better train and improve marketing mix modeling. According to McKinsey analysis, a comprehensive dashboard covers metrics across three categories—business health (for example, channel split of new premiums, traffic by digital channel), customer health (for instance, app or website usage, retention of customers, reengagement of existing customers), and marketing effectiveness—for example, click-through ratio (CTR), customer acquisition cost (CAC), marketing spend by channel, and ROI of performance marketing.

A key component of optimizing MROI hinges on more rationalized spend on human capital: the presence of strong, agile marketing teams dedicated to focusing on the right KPIs. Leading global insurers are increasingly emulating the operational methods of large technology firms, establishing agile marketing squads that traverse business lines to enhance operational efficiencies. These squads not only foster a culture of data-driven decision making but also expedite the decision-making process, thereby promoting a more responsive and adaptive marketing strategy. These methods are elaborated on in the “platform operating model” section below (see Intervention 5).

A strong data-driven feedback loop with underwriting, claims, and distribution can help improve marketing teams’ abilities to allocate marketing spend. For instance, leveraging micromarket-level insights on claims can guide insurers to optimize performance marketing investments by identifying geographies that historically yield lower-value customers.

Evolution of the risk function for value creation

The risk function within insurance companies is evolving beyond its traditional roles of monitoring, compliance, and protection toward a more strategic position focused on value creation. Instead of merely identifying potential issues and challenging established practices, the risk function must now contribute core value to strategic and operational decisions, becoming a sought-after thought partner for the business. This shift will enable management to make informed decisions based on a deep understanding of risk/return implications and potential trade-offs.

To achieve this transformation, the risk function needs to redefine leadership roles and acquire a new talent mix, encouraging significant rotation between risk and business functions to enhance value creation. A robust operating model, with clearly defined risk touchpoints and ownership for the first and second lines of defense across processes, is essential. Optimizing operations through large-

scale automation and integrating advanced risk analytics into key business processes are crucial steps. Capital optimization has also become essential, with the global implementation of economic-capital regimes such as Solvency II, pushing risk management functions to integrate risk metrics into key processes to optimize capital. Insurers can conduct a regular top risk and capital diagnostic by understanding the top five business processes and growth initiatives that create the most value and applying a transparent risk lens to these value sources. It is also important to identify the avenues where capital is engaged and develop a clear view on capital optimization. At the same time, insurers need to eradicate sources of conservativeness such as assumptions on default rates and lapse rates that can add bias to pricing and lead to lower profitability.

Transforming organizational productivity

Transforming organizational productivity across all levels could help insurers improve efficiency, drive faster decision making, and build a customer-centric enterprise. Several levers for productivity-led organizational transformation are outlined below.

Streamlining spans and layers. When benchmarking and driving individual productivity, insurers need to streamline spans and layers through a dual approach: benchmarking based on the capacity needed for each managerial archetype, and peer-level benchmarking coupled with subfunction-level organizational mapping. Establishing both average and best-in-class benchmarks across key focus areas enables insurers to optimize their organizational structure.

Process improvement and digitization. Using next-gen technology, such as automation, digitization, and machine learning/artificial intelligence (ML/AI) use cases, to redesign processes could streamline operations, reduce manual errors, and enable strategic decision making. This efficiency could in turn shape a more agile, responsive organization.

Addressing role duplication and shadow functions. To streamline operations and improve productivity, it is important to identify and rectify role duplication (in which overlapping responsibilities exist between teams) and shadow functions (in which central functions are mirrored by individual full-time employees across business units such as strategy and analytics).

Addressing title inflation. Title inflation often has an impact on role clarity and hierarchies. Insurers could preempt title inflation by reviewing corporate designations across layers for a more transparent, effective structure. They could look at the layers in the organization and address reporting inconsistencies or ambiguities (such as when managers and the employees who report to them hold the same corporate designation). They could also assess job evaluation reports to verify that roles are appropriately defined and aligned.

Intervention 5

Adopting new ways of working

Insurers frequently encounter challenges in establishing structured feedback mechanism spanning multiple departments, which impedes cross-functional collaboration and data-driven decision making. This feedback loop is critical to ensure that actions are informed by the most recent intelligence and external market dynamics. Even when areas interact with each other, product, sales, claims, and underwriting teams often speak different “languages” and have distinctive incentives because of functional structures. This creates silos and makes it easier for the functions to focus inward, hindering effective cross-functional collaboration.

To adapt to changing market dynamics and ensure long-term success and profitability, insurers must embrace innovative operating models that foster collaboration. The shift from traditional siloed structures to agile, platform-based models can be a game-changer in addressing the interplay of changing customer needs, expectations for rapid product innovation, a dynamic channel landscape, and evolving claims and customer service trends.

This innovative way of working consists of a “platform” comprising cross-functional teams (known as “squads”). These squads each work toward a single, overarching objective, ensuring alignment and collaboration among members from multiple functions. As such, they have end-to-end responsibility to define work and make business decisions. This approach breaks down traditional silos, fostering a collaborative environment where the axis of association shifts from that of a matrix organization.

Successfully navigating the complexities of the new operating model requires a critical shift in mindset.

Agile squads are empowered to make independent decisions with guidance from platform leaders, enabling faster and more effective responses to market changes. One such platform comprising cross-functional squads focused on group-SME segment for a health insurer is illustrated in Exhibit 37.

Chapters or Centers of Excellence (CoEs)—which comprise functional experts including underwriting, design, and technology—provide strategic guidance and facilitate the adoption of best practices. The model is distinctly nonhierarchical; more than 95 percent of participants are active contributors.⁶⁵ Radical transparency is a cornerstone of this approach, ensuring consistent and clear insight into the platform's performance. The “two in a box” leadership model (platform leader and squad leader) fosters joint accountability, ensuring shared responsibility and collaborative goal achievement.

Successfully navigating the complexities of the new operating model requires a critical shift in mindset. Decentralized decision making empowers individuals to make decisions without upward delegation and fosters a sense of autonomy and accountability. At the same time, embracing experimentation cultivates a culture of innovation and adaptability. It is also crucial to prioritize efforts from a strategic and a long-term perspective in order to maximize impact. Finally, individuals can demonstrate versatility and proficiency by developing their ability to handle diverse roles and responsibilities.

In this illustrative segment platform for Group-SME segment, the objective is to promote customer lifetime value growth and retention, build value propositions, and unlock new market segments.

⁶⁵ Ibid.

In the platform operating model, illustrated below, cross-functional teams work toward an overarching objective.

Objectives	CLTV ¹ growth for the segment, retention strategy	Value propositions for the segment incl. cross-sell strategy, eg, bundling	Acquisition of new group SME customers	Product launch and proposition strategy for the group SME segment
Chapters	CLTV ¹ and retention	Proposition market research, VAS ²	SME acquisition	Go to market
Dedicated within platform, # of full-time employees (FTEs)				
Product owner	1	1	1	1
Business intelligence unit expert	2		2	1
Underwriter	1	1	2	1
Actuarial	1		1	1
Research analyst	2	1	2	1
Customer experience	1	3		1
Claims	1		1	1
Dedicated outside platform, # of FTEs				
Sales leaders	2		3	1
Product	1	2	1	1
Finance	1	1		1
Flow-to-work model, # of FTEs				
HR		1		
Legal		1		
Finance		1		
Total (30 FTEs)	11	07	06	06
Squad size				

Note: SMEs are small and medium-size enterprises.

¹Customer lifetime value proposition.

²Value-added services.

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A leading European direct insurer brought together experts from pricing, technology, data, and claims to set up an agile squad focused on pricing transformation. This approach enabled the insurer to reduce its pricing update turnaround from 18 months to just three. Similarly, a large Asian bank embarked on a multiyear operating model transformation across functions in phases, achieving significant improvements across efficiency, productivity, and customer satisfaction metrics.

Effectively using data as an underlying enabler

Data is a cross-cutting enabler of the insights and analytics necessary across all these interventions. To effectively use, protect, and manage data, insurers could prioritize data democratization and data

ownership, in addition to adhering to data protection standards such as the Digital Personal Data Protection Act 2023.

Create data products to enable data democratization

Insurers face the challenge of leveraging their vast data to drive business value. This involves addressing issues with data engineering, quality, outdated work methods, and governance. Despite strategic investments in analytics, more than one-third of insurers report limited accuracy in maintaining a single source of truth.⁶⁶

To enhance business agility and data-driven decision making, insurers need to build data as a consumable and reusable product that spans organizational silos and focuses on end-user satisfaction. The evolving technology landscape (data mesh, data lakes, cloud-native) necessitates unifying data sources in a self-service platform that supports ingestion, governance, visualization, and model management across hybrid or multicloud environments.

A key focus is data democratization, which enables end users to make data-driven decisions without relying on specialized data teams. Creating “data products”—curated data sets or services—can meet specific business needs. These products provide user-friendly interfaces and relevant analytics to transform complex data into actionable insights. Examples of such data products are highlighted in Exhibit 38.

Redefine data ownership for efficient operations

Insurers need to take a more advanced and agile approach in organizing their data teams. The legacy approach has led to a “data culture” in which a few individuals or teams are the “guardians of data,” causing inefficiencies. Data exists in multiple silos, with inconsistent metric definitions across business teams. This results in slowed operations because of multiple handovers among various teams (for example, data governance, data modeling, data engineering, data architecture) and significant duplication of work.

To address these issues, insurers can rearchitect existing systems into microservices, fostering a “you build it, you own it” mentality that promotes continuous improvement. Additionally, adopting a platform operating model can embed resources such as data engineers, scientists, and visualizers within cross-functional teams, using analytics as an enabler.

Invest in advanced privacy-enhancing technologies

Protecting consumer data and building trust, especially in light of the Digital Personal Data Protection Act 2023 (DPDP), needs to be a key priority for insurance companies. A McKinsey survey on DPDP readiness at Indian companies found the following⁶⁷:

- More than 70 percent of organizations see compliance as a strategic issue that requires significant technology integration beyond mere legal obligations.
- Nearly 40 percent of organizations have identified the tech capabilities they require but have not yet begun implementation; 80 percent lack fully implemented granular consent capture,⁶⁸ highlighting the need for robust data governance.
- Seventy percent of organizations estimate it will take them six to 18 months to implement scalable solutions, with 80 percent expressing a preference for third-party support.

⁶⁶ Erwann Michel-Kerjan and Lorenzo Serino, “Navigating shifting risks in the insurance industry,” McKinsey, July 1, 2024.

⁶⁷ Insights from the McKinsey Digital Personal and Data Protection (DPDP) Survey.

⁶⁸ Granular consent includes consent capture with preselected options by default, ability for users to view previously captured consent and notices, and an integrated consent management platform (for viewing, modifying, and withdrawing consent).

Insurers can develop a variety of data products to generate actionable insights across the business.

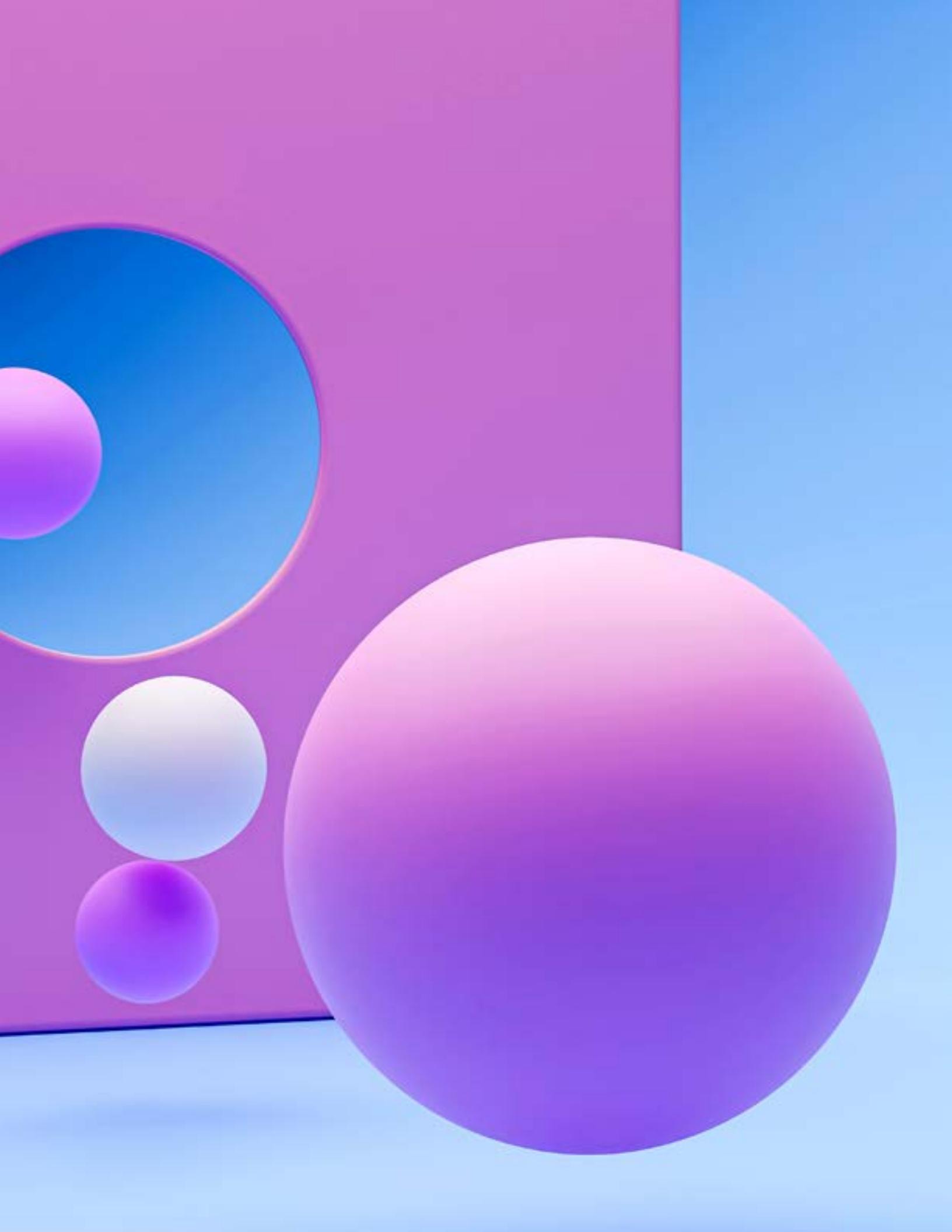
Data product	Description (nonexhaustive)	
	Customer 360	A detailed, comprehensive source of truth for customer information, from prospective customers to loyal, high-value customers
	Digital channel twin	To track customer interactions with digital channels, such as mobile apps, and social media, providing insights into customer behavior, adoption rates, and engagement metrics
	Risk scoring matrix	To generate comprehensive risk scores for products across different lines of business
	Competitive intelligence	A source of truth for external market data including competitor information, market share, and growth
	Fraud twin	Aggregates transaction data, customer profiles, and external sources to identify suspicious activity and predict potential fraud attempts
	Growth and retention insights	Analyzes premium trends, identifies valuable customer segments, and recommends strategies to attract new customers and retain existing ones
	Marketing attribution tower	View for the effectiveness of marketing campaigns across various channels, allowing the bank to optimize advertising spend and measure ROI
	Customer lifetime value view	Predicted value for the long-term value of individual customers, enabling targeted marketing campaigns and personalized product recommendations

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- Empowering customers with integrated tools to view, modify, and erase personal data and consent aligns with the broader goal of enhancing transparency and customer control over their data. Additionally, automating data governance processes, particularly in data deletion and archival, is crucial for maintaining data integrity and regulatory compliance.

A strong data breach response strategy could underpin these measures, supported by formalized roles, such as dedicated data privacy officers, and continuous employee training to build organizational resilience.

Finally, reinforcing data-sharing agreements with third parties through enhanced contractual details and regular compliance checks ensures that all external interactions align with the organization's data protection policies. While the DPDP Act will undoubtedly herald significant changes to ways of working, insurers could use this opportunity to build best-in-class solutions for data privacy and protection, even leveraging this as a strength to build consumer relationships and trust.



Conclusion

Inspired by the Government of India's vision of financial inclusion and strong emphasis on accelerating reforms, IRDAI has committed to achieving "Insurance for All" by 2047—both to support citizens and to make the Indian insurance sector globally attractive. The regulator is seeking to foster a conducive and competitive environment leading to wider choice, accessibility, and affordability for policyholders within a progressive, supportive, facilitative, and forward-looking regulatory architecture.

All stakeholders must come together to achieve this ambitious goal. The financial-services sector—encompassing banking, insurance, pension funds, and mutual funds—holds the key to expanding financial access and inclusion. Insurance, in particular, will be pivotal in driving inclusive growth. The strategic decisions that insurance companies make, informed by the interventions outlined in this report, have the power to forge a resilient and transformative insurance industry. This industry will not only secure the future but also make an unparalleled contribution to India's growth and development.

By offering both financial cover for exigencies and the scope for wealth creation, the insurance industry could direct the capital it attracts to India's development. Greater insurance coverage could therefore bridge the gaps in insurance coverage that persist in India, ease the burden on public finances, and stimulate necessary economic growth. It is time to make this potential a reality.

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