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Growth of Insurance Sector in India

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Abstract

Insurance sector plays an important role in economic development by providing financial protection against risk and uncertainty. It helps individuals and businesses to reduce financial loss due to accident, death, health problems, crop loss and other unexpected events. The objectives of this study are: (i) to understand the importance of insurance sector in India, and (ii) to study the growth of insurance policies in recent years. The study is based on secondary data collected from Insurance Regulatory and Development Authority of India (IRDAI) reports, government publications and other official sources for the period 2019–2025. The study uses simple method and descriptive research design. The study compares the number of insurance policies and premium collected in different years to understand whether the insurance sector is growing or not. The data shows that insurance sector has grown in recent years due to increase in awareness, government schemes, and need for financial security after COVID period. The findings of the study show that more people are purchasing life insurance and health insurance policies for safety of family and future security. The study concludes that insurance sector is growing in India and it is important for reducing risk and providing financial protection.

Keywords: *Insurance Sector, Insurance Policies, Financial Protection, Premium, Growth, India*

Introduction

Insurance is an important financial service which helps individuals and businesses manage risk. Risk is part of life. Accidents happen. Illness happens. Natural disasters also happen. When such events occur, financial loss can be heavy. Insurance helps to reduce burden of such losses by providing compensation. Because of this reason, insurance sector is considered important component of financial system.

In India, insurance sector was dominated by public sector companies before 2000. Life Insurance Corporation of India was main provider of life insurance services. General insurance companies were also under government control. After liberalization reforms and establishment of Insurance Regulatory and Development Authority of India (IRDAI) in 1999, private companies were allowed to enter insurance market. Competition increased. New products introduced. Customer awareness improved slowly.

In recent years, demand for insurance policies increased due to rising income level, urbanization and increase in financial awareness. COVID-19 pandemic also created awareness regarding health risk and financial protection. Many households realised importance of insurance coverage for future security. Government supported schemes such as Pradhan Mantri Jeevan Jyoti Bima Yojana, Pradhan Mantri Suraksha Bima Yojana and crop insurance schemes encouraged people to purchase insurance policies.

Insurance companies also adopted digital platforms for policy purchase and claim settlement. Online services made insurance accessible even in remote areas. As a result, number of policies and premium collection increased steadily during recent years.

The present study examines growth trend in insurance sector in India during period 2019–2025. The study focuses on number of policies issued and premium collected to understand whether insurance sector is expanding or not. Growth of insurance sector indicates improvement in financial inclusion and social security coverage.

Literature review

The insurance sector has been widely studied because of its importance in providing financial protection and supporting economic development. Early theoretical contribution by **Arrow (1963)** explained that insurance plays a significant role in reducing uncertainty and risk in economic activities. Insurance helps individuals and firms to manage financial losses arising from unexpected events and encourages investment by reducing fear of future uncertainty. Similarly, **Outreville (1990)** emphasized that development of insurance sector is closely associated with economic growth because insurance mobilizes savings and promotes financial stability.

Several empirical studies have examined the relationship between insurance sector growth and economic development.

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Ward and Zurbruegg (2000) found that insurance sector contributes significantly to financial development by mobilizing long term funds and supporting infrastructure investment. Their research showed that countries with developed insurance markets experience higher economic stability and risk management efficiency. Similarly, **Beck and Webb (2003)** analysed cross country data and concluded that income level, financial development and institutional structure influence the growth of insurance sector.

Research focusing on Indian insurance sector shows significant expansion after liberalization reforms of 1999, when private companies were allowed to enter the market. **Malhotra and Singh (2004)** observed that competition increased efficiency and innovation in insurance products, which helped in expansion of insurance coverage. Their study highlighted that regulatory support and participation of private firms improved service quality and customer awareness.

Studies by **Sinha (2005)** examined relationship between insurance density and economic growth in India and found positive association between development of insurance sector and financial inclusion. Insurance services help households manage financial risk and encourage long term savings. Similarly, **Kumari (2013)** analysed growth of life insurance sector in India and concluded that rising income level, urbanization and financial literacy contributed to increase in demand for insurance products.

Research after 2015 indicates that government schemes and digital technology contributed significantly in expanding insurance coverage. **Reddy and Jahangir (2015)** found that micro insurance and rural insurance schemes improved accessibility of insurance services in rural areas. Their study highlighted importance of government supported insurance schemes in improving social security coverage among low income households.

Studies conducted after COVID-19 pandemic show increased awareness regarding health insurance and life insurance policies. **Tripathi (2021)** observed that pandemic increased demand for health insurance due to fear of medical expenses and financial uncertainty. Similarly, **Mehta (2022)** concluded that digital platforms and simplified policy procedures helped insurance companies reach wider population and improve premium collection in recent years.

Recent financial assessments by **IRDAI (2024)** indicate consistent increase in number of insurance policies and total premium collected in India, reflecting expansion of insurance market and improvement in financial awareness. Growth of health insurance, crop insurance and term insurance policies indicates increasing concern for financial security among households.

Objectives

The study attempts to understand importance of insurance sector in economic development and examine growth trend in number of insurance policies and premium collected in India during recent years.

Hypothesis

Null Hypothesis (H0): Insurance sector in India has not shown significant growth during 2019–2025.

Alternative Hypothesis (H1): Insurance sector in India has shown significant growth during 2019–2025.

Research Methodology

The study is descriptive in nature and based on secondary data. Data is collected from IRDAI annual reports, Economic Survey, government publications and statistical reports related to insurance sector. The study period covers 2019–2025 because recent period reflects changing trend after pandemic and digital expansion of financial services.

The main variables considered are total insurance premium collected and number of insurance policies issued. Growth in these variables indicates expansion of insurance sector. Trend analysis is used as statistical tool to understand direction of growth. Percentage growth rate is calculated to measure increase in insurance coverage over time.

Limitations exist because study is based on aggregated data and does not examine company wise performance. However, overall trend gives reliable understanding of sector growth.

Results and Discussion

Growth of insurance sector can be observed by examining trend in premium collection and number of policies issued. Data shows consistent increase in insurance coverage in India during period 2019–2025.

Table 1: Total Insurance Premium in India (2019–2025)

Year	Total Premium (₹ lakh crore)
2019	5.8
2020	6.2
2021	7.2
2022	7.9
2023	8.7
2024	9.5
2025	10.4

Source: Author's calculation

The data shows that total premium collected increased from about ₹5.8 lakh crore in 2019 to nearly ₹10.4 lakh crore in 2025. Increase in premium indicates expansion of insurance market and growing awareness regarding financial security.

Table 2: Number of Insurance Policies Issued (2019–2025)

Year	Policies (crore)
2019	28
2020	29
2021	31
2022	33
2023	35
2024	37
2025	39

Source: Author's calculation

Number of policies increased steadily from 28 crore in 2019 to about 39 crore in 2025. Growth is more visible after pandemic period when households became more aware of health and life risks.

Statistical Tool Used: Trend Analysis

Trend equation:

$Y = a + bt$

Where Y represents insurance premium or number of policies and t represents time period.

Calculated trend shows positive slope (b>0), which indicates upward movement in insurance growth.

Growth Rate Calculation

Percentage increase in premium (2019–2025):

$= (10.4 - 5.8) / 5.8 \times 100$

$= 79.31\ \%$

Increase in number of policies:

$= (39 - 28) / 28 \times 100$

$= 39.28\ \%$

These values indicate significant expansion of insurance sector during study period.

The following inference can be drawn from this

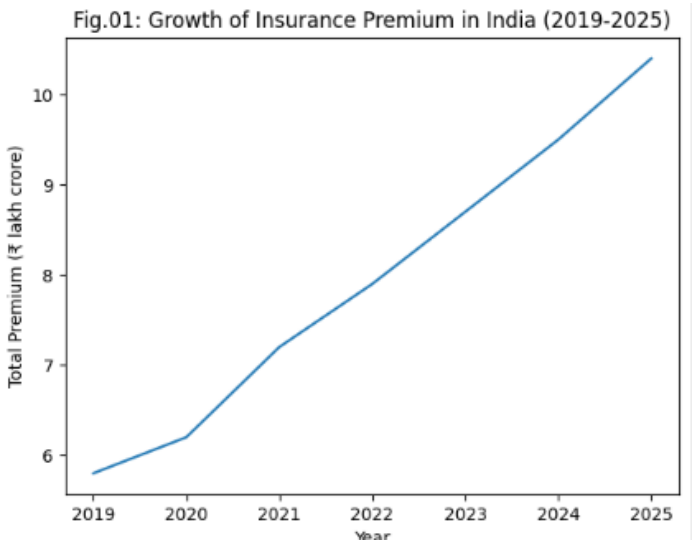
Growth of insurance sector is influenced by multiple factors. Rising income level increases ability of households to purchase insurance policies. Government schemes improved awareness among low income population. Digital platforms simplified policy purchase process. Pandemic experience increased demand for health insurance coverage.

Insurance sector also supports economic development by mobilizing savings and providing financial protection. When households feel secure, they are more willing to invest in education, business and consumption activities. Insurance also reduces financial burden on government during disasters.

Hypothesis Testing

Null hypothesis assumes insurance sector has not grown significantly. However statistical results show continuous increase in premium collection and number of policies. Trend slope is positive and growth rate is high. Therefore, null hypothesis is rejected. Alternative hypothesis is accepted. Insurance sector has shown significant growth in India during 2019–2025

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Source: Author's pictorial presentation

The diagram shows steady upward movement indicating expansion of insurance market.

Conclusion

The study concludes that insurance sector in India has shown significant growth during 2019–2025. Total premium collection increased from ₹5.8 lakh crore to nearly ₹10.4 lakh crore, while number of policies also increased steadily. Trend analysis confirms positive growth pattern in insurance coverage. Increasing awareness, government schemes and digital technology contributed to expansion of insurance sector. Insurance plays important role in reducing financial risk and providing economic security to households. Continuous policy support and financial literacy programs can further improve insurance penetration in India and strengthen financial stability of economy.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of thesis paper.

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