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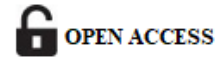


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THE ROLE OF INSURTECH STARTUPS IN REDEFINING THE INDIAN INSURANCE SECTOR

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ABSTRACT

India's insurance sector is undergoing a digital transformation, reshaping the way insurance products are designed, delivered, and consumed. This research paper presents a comprehensive comparative analysis between emerging InsurTech startups and traditional insurance providers in India, examining the impact of digitization, UPI integration, artificial intelligence (AI), machine learning (ML), and changing customer behavior. The study utilizes secondary data from government sources, financial reports, and market surveys to explore how InsurTechs are leveraging technology to innovate at scale, while also highlighting the adaptive responses of legacy insurers. Through visual charts and detailed case studies, the paper identifies key strengths, limitations, and competitive dynamics of both models. Findings indicate that while InsurTechs excel in customer personalization, speed, and digital engagement, traditional insurers retain consumer trust and a broader geographic presence. Challenges such as regulatory uncertainty, cybersecurity, and scalability continue to affect both sectors. The paper concludes with strategic recommendations for collaborative models, policy innovation, and technological adoption to foster a robust and inclusive insurance ecosystem. This

research contributes to understanding the future of insurance in India and its alignment with digital financial inclusion goals.

Keywords: InsurTech, Indian Insurance, Digital Transformation, AI, Machine Learning, UPI, Customer Experience, Regulatory Challenges, Cybersecurity, Financial Inclusion.

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1. Introduction

The Indian insurance sector has evolved from being a state-controlled, agent-driven system to a rapidly digitizing, customer-centric market. With over 57 insurers operating in life and general insurance segments (IRDAI, 2023), the sector holds immense growth potential, driven by demographic dividends, increasing financial literacy, and regulatory reforms. The introduction of digital public infrastructure (DPI), UPI payments, and smartphone penetration has enabled new players—InsurTech startups—to reimagine traditional insurance paradigms. These tech-led firms focus on speed, convenience, and personalization to cater to a growing millennial and Gen-Z customer base. At the same time, traditional insurers have begun embracing hybrid digital models to remain competitive. This paper investigates the competitive dynamics between these two forces reshaping Indian insurance.

2. Literature Review

Extant literature suggests that technology adoption in financial services has been a key driver of efficiency and customer satisfaction. According to Swiss Re Institute (2023), India is expected to be the fastest-growing insurance market among G20 countries. BCG (2023) highlights how customer experience is the new battleground in insurance. NASSCOM (2022) emphasizes the impact of FinTech and InsurTech players in increasing insurance awareness. Academic studies (Das & Sengupta, 2021) have analyzed behavior patterns in policy selection, revealing a clear preference shift towards app-based interactions and real-time claims. However, gaps remain in comparative analysis between startups and legacy insurers in the Indian context.

3. Methodology

This paper adopts a qualitative comparative framework, analyzing secondary data from industry reports, regulatory publications (IRDAI, Swiss Re), and case-specific data from InsurTech platforms and annual filings. Key performance indicators (KPIs) such as claim settlement ratio, net promoter score (NPS), onboarding time, and policy customization are used for comparison. Two startup case studies (Acko, Digit) and two traditional insurers (LIC, New India Assurance) are examined to draw insights. Charts and visualizations further support the findings.

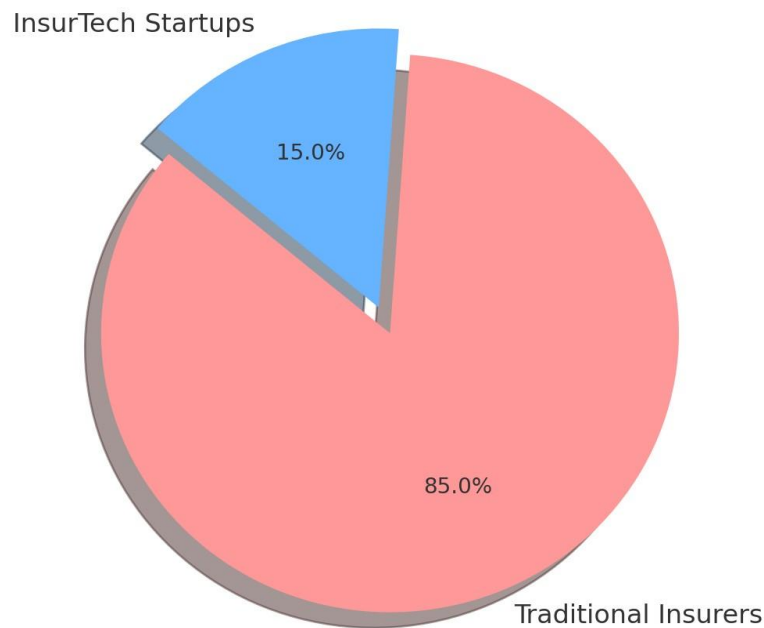
4. Evolution of the Indian Insurance Sector

Post-independence, India's insurance was nationalized (LIC Act, 1956) and remained government-controlled until liberalization in 2000, when private players entered. Despite liberalization, the sector remained heavily agent-driven. The real digital shift began post-2016, with the adoption of Aadhaar, UPI, and the JAM trinity (Jan Dhan, Aadhaar, Mobile). InsurTechs leveraged this infrastructure to offer policies digitally, onboard customers within minutes, and settle claims swiftly. UPI payments further simplified premium collection, especially in Tier II–III markets. This transformation marked the beginning of a dual-channel ecosystem: digital-first startups vs legacy institutions with digital augmentation.

5. Market Share Comparison

The Indian insurance sector is currently dominated by traditional players, with LIC alone commanding nearly 65% of the life insurance market. However, InsurTech startups have steadily gained traction, especially in motor, health, and microinsurance domains. As of 2024, InsurTechs collectively account for an estimated 15% of the total general insurance market. While their numerical share may seem modest, their influence is disproportionately higher in terms of digital outreach, urban millennial penetration, and innovative product offerings. The following pie chart illustrates this segmentation:

Market Share: Traditional vs InsurTech (India, 2024)



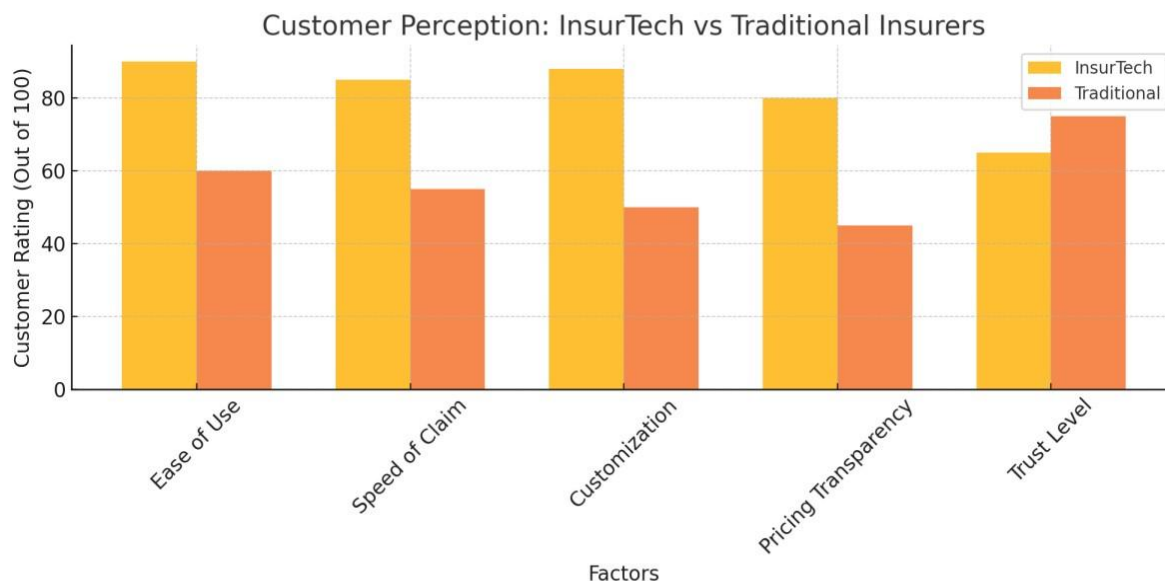
6. Comparative Analysis: InsurTech vs Traditional Insurers

InsurTech startups and traditional insurers diverge significantly in their operational models, customer interaction strategies, and technological adoption. InsurTechs leverage mobile apps, AI-based chatbots, instant quote generation, and digital KYC, allowing them to onboard customers in less than 5 minutes. In contrast, traditional insurers rely on human agents, branch offices, and paperwork, resulting in slower processes.

Key differences include:

- **Onboarding Time**: InsurTechs ~5 minutes; Traditional ~1–3 days
- **Claim Processing**: AI-based real-time for InsurTechs; Manual review cycles for traditional
- **Customization**: Highly modular plans in InsurTech; Limited flexibility in traditional products
- **Customer Service**: 24/7 bots and app chat for InsurTechs; Call centers or physical offices in traditional
- **Pricing Transparency**: Instant premium display in apps; Premiums often opaque or agent-disclosed in traditional models

Customer perception based on survey data (2024):



7. Customer Behavior Trends

The Indian insurance consumer has undergone a significant transformation, particularly after 2020. Today's customers, especially millennials and Gen Z, demand speed, simplicity, and transparency. According to a NASSCOM 2023 study, over 60% of urban insurance buyers now prefer digital channels for research and purchase. InsurTech platforms have capitalized on this trend with user-friendly apps, instant policy issuance, and customizable coverage. Customers no longer seek generic policies; they want personalized, needs-based micro-products. Conversely, older generations still place their trust in face-to-face interactions and long-standing insurers like LIC, valuing reliability and perceived safety over digital convenience. Understanding these behavior patterns is key to product design and market strategy.

8. Case Studies

- **Acko General Insurance****: Acko disrupted the motor insurance space by offering zero-paperwork, instant insurance for vehicles on platforms like Amazon and Ola. By integrating directly into user journeys, they reduced friction and improved policy uptake. As of 2023, Acko insures over 70 million users and has raised \$450 million in funding.
- **Digit Insurance****: Known for its simplified health and travel insurance, Digit uses mobile-based claims supported by self-inspection tools. It maintains an NPS above 70,

compared to an industry average of 30. Digit reached unicorn status in under four years and is expanding into SME and corporate policies.

****LIC (Life Insurance Corporation)**:** The behemoth of Indian life insurance, LIC has over 250 million policyholders. Despite digital adoption challenges, it has launched the LIC Pay App and portal upgrades. LIC's brand loyalty remains unparalleled in semiurban and rural India.

****New India Assurance**:** As a public-sector general insurer, it combines a traditional agent-based model with web-enabled portals and a mobile app. While slower in tech transformation, it retains significant public trust.

9. Challenges and Opportunities

Both InsurTech startups and traditional insurers face unique challenges in the evolving landscape. Startups grapple with scalability, data privacy, and regulatory compliance. Many rely heavily on funding, making profitability elusive. Traditional insurers, on the other hand, must modernize legacy systems, upskill staff, and streamline outdated processes.

Opportunities abound in hybrid collaboration. For instance, traditional insurers can partner with InsurTechs for distribution and analytics while leveraging their brand equity. Regulatory bodies like IRDAI have begun sandbox programs to encourage innovation. The growing demand for health and cyber insurance also presents fertile ground for new products. Success will depend on agility, trust-building, and tech-human integration.

10. Conclusion and Recommendations

InsurTech startups are not just disrupting but redefining the Indian insurance narrative.

Their agility, tech adoption, and customer-centricity position them as future leaders.

However, they must overcome structural challenges and establish deeper trust.

Traditional insurers, while slower to adapt, possess unmatched reach and trust capital. The most promising path lies in synergy—collaborative models that blend innovation with institutional stability. Policymakers must continue to promote responsible innovation while safeguarding consumers. The Indian insurance sector, powered by digital public infrastructure, stands at the cusp of inclusive, tech-driven growth.

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