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## India Taps Banks and Finance Firms to Boost Insurance in Small Towns

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Banks and finance companies are being enlisted to accelerate insurance coverage in India's Tier 2 and Tier 3 towns, according to remarks made by Keki Mistry, chairman of HDFC Life, during the company's 25th annual general meeting.

Mistry noted that the country's life insurance penetration remains low, at just 2.8 percent, leaving a protection gap of 91 percent. To close this gap, insurers are increasingly

leveraging distribution partnerships with banks and microfinance institutions, using their reach to bring insurance products to underinsured markets.

The strategy is aimed at regions where awareness and access have been limited. Partner banks and microfinance lenders serve as trusted local touchpoints, helping insurers introduce life and health policies to previously underserved populations.

Established financial institutions are providing the infrastructure and credibility that insurers need to gain traction. Through these networks, insurance applications can be submitted, verified, and processed more efficiently, reducing barriers that typically exist in smaller cities and rural areas.

Industry observers see significant growth potential. A Swiss Re report cited at the meeting projected India's life insurance market expanding at an annual rate of approximately 7.3 percent from 2025 to 2029, making it the fastest-growing insurance market among G20 economies.

HDFC Life itself achieved a market share of 11.1 percent in individual weighted received premium in fiscal year 2025, supported by steady business margins and a solvency ratio of around 194 percent. The firm serves over 50 million lives and maintains assets under management totaling ₹3.36 lakh crore.

Financial-sector regulators are backing the approach. Insurance Regulatory and Development Authority of India (IRDAI) has encouraged open distribution via corporate agents and insurance marketing firms, and the Finance Ministry has directed public sector insurers to widen reach and improve insurance density.

This unfolding approach is part of a broader financial inclusion effort underway across India. Analysts expect widespread adoption could occur through coordinated campaigns and enrollment drives, often conducted through bank-led events in rural districts.