

MUTUAL FUNDS SPECIAL

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## SURVIVING THE BEAR ATTACK

THE MARKET DOWNTURN HAS LED TO HIGHER SIP CLOSURES. WITH SIGNS OF FIIs RETURNING, WILL THE MUTUAL FUND BOOM GET A FRESH PUSH?

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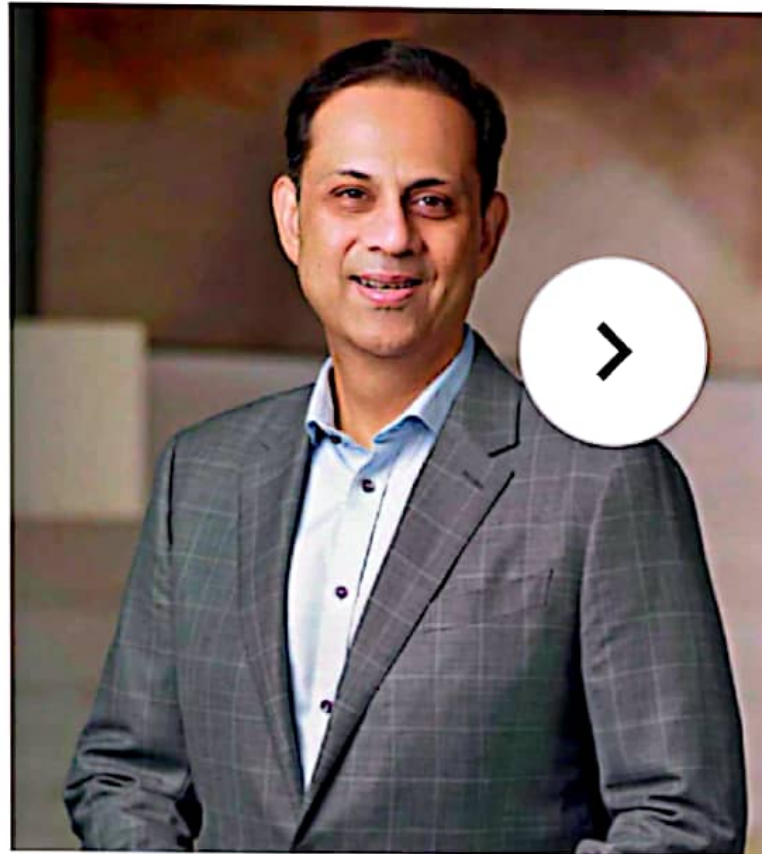
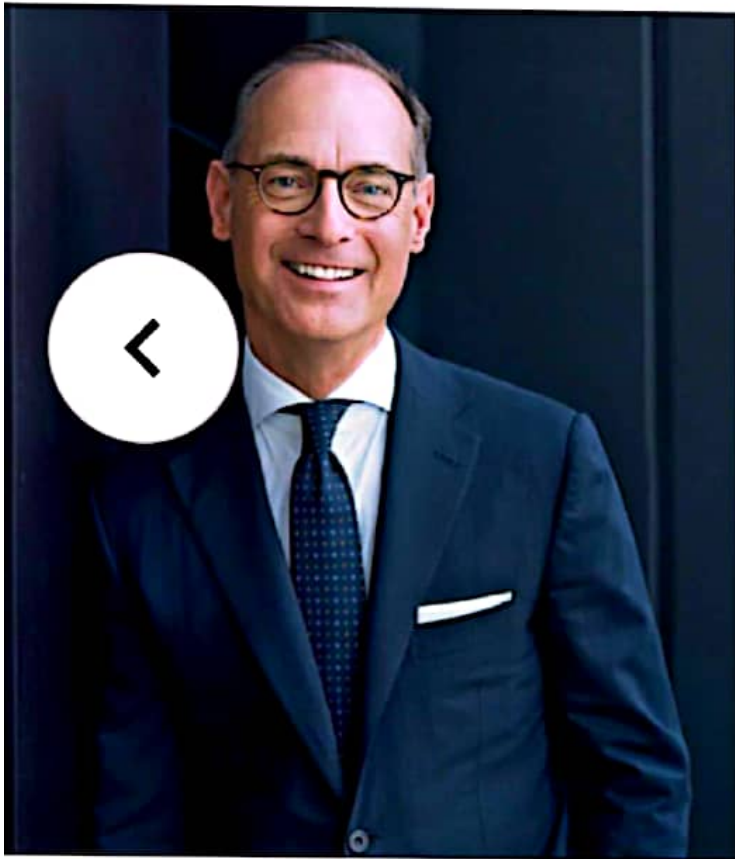
# THE BUZZ

ALLIANZ EXIT

## PIVOTAL MOMENT

The key question for the Indian insurance sector now is whether composite licences will drive consolidation or would 100% FDI attract new entrants

BY TEENA JAIN KAUSHAL



(Left) Oliver Bäte, CEO and chairman of global insurance and asset management company Allianz SE;  
(Right) Sanjiv Bajaj, Chairman and Managing Director, Bajaj Finserv

► **INDIA'S INSURANCE MARKET** is at an inflection point. Germany-based Allianz ended its long-standing partnership, which began in 2001, with Bajaj Life and Bajaj General Insurance companies, selling its 26% stake to Bajaj Finserv

for ₹24,180 crore (EUR 2.6 billion). Shortly after this development, Prudential plc, a UK FTSE 100-listed company, announced its plans to set up a joint venture with Vama Sundari Investments (Delhi) Private Limited, a promoter compa-

ny of the HCL Group, to establish a standalone Indian health insurance business.

Insurance penetration in India is at just 3.7%, well below the global average. With 100% foreign direct investments (FDI) now allowed,

is the market ripe for global insurers? “We will have to wait and see. Insurance is a long-term business and those with the willingness and capacity to make the required investments and have the patience to play the 15–20-year game can succeed. With so much competition, they (foreign players) will need to bring differentiated propositions rather than buy business at high cost,” says S Sreenivasan, President—Insurance & Special Projects, Bajaj Finserv Ltd.

Insurers are also focusing on strengthening their foundations and ensuring sustainable growth. “Most insurers see India as an

attractive growth market. The focus has shifted towards profitability and improving operational efficiency. Exits will be limited,” says Shruti Ladwa, Partner and Insurance Leader, EY India. The overall sentiment remains optimistic about the long-term prospects of the insurance industry in India. “We see positive sentiment in the market. There is no broad-based exit or cash-out trend. Based on our discussions with international players, we see only optimism, given India’s demographics, low penetra-

tion, and business potential,” says Kailash Mittal, Head – Insurance & Actuarial at KPMG India

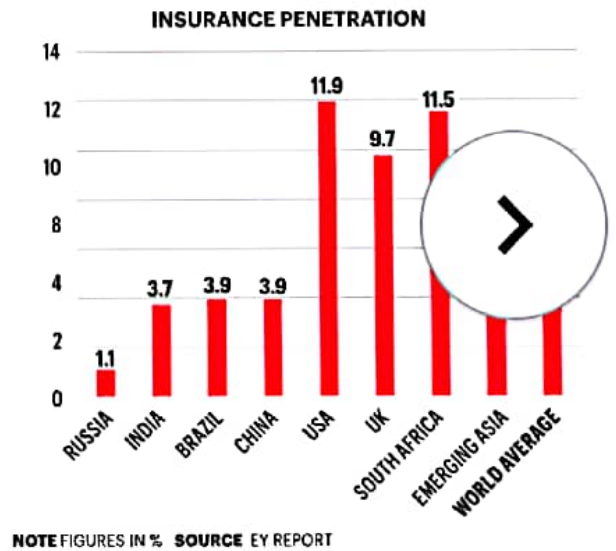
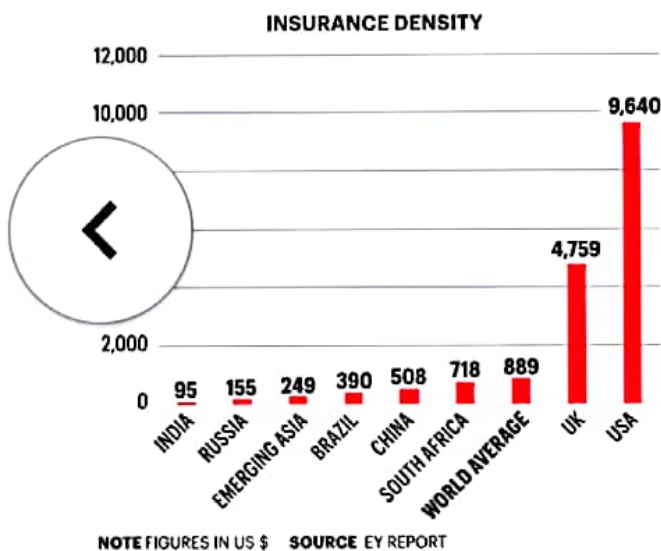
Interestingly, Allianz isn’t leaving India entirely. In its statement, the company emphasised: “Allianz will explore new opportunities that strengthen its market position, not only as an investor but also as an operator.” Leading insurers are looking to expand their presence in Tier-III and Tier-IV cities to tap into emerging markets and increase coverage. “With a growing economy, an expanding middle class, and rising insurance awareness, India offers significant opportunities—especially in health, savings, protection,

and acquisitions. At the same time, new players will continue to enter the market. Globally, life and health insurance often go hand in hand, providing comprehensive coverage.”

As insurance penetration in India is significantly low compared to the global average of 7%, there remains a substantial coverage gap. This presents a major opportunity for insurers to expand their presence, particularly in Tier-II and Tier-III cities. **BT**

Insurance (Amendment) Bill aims to introduce composite licences, allowing insurers to offer both life and non-life products under a single entity. This could encourage companies to merge their life and general insurance operations for greater efficiency.

“Consolidation is a possibility. At some point, the availability of capital will determine whether the pace of consolidation will increase,” says S Sreenivasan. Ladwa believes both consolidation and new entrants entering the market would unfold simultaneously. “On the one hand, we will see consolidation in life and health insurance through mergers



and retirement. Our goal is to enhance healthcare access and increase insurance penetration,” Anil Wadhvani, CEO of Prudential plc, says.

The 100% foreign direct investment (FDI) marks a pivotal moment for the insurance industry. This move announced in the recent budget follows a hike in the limit to 49% in 2015, then to 74% in 2021. This suggests that foreign players prefer partnering with domestic firms, given India’s complex and evolving market. Additionally, the

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