Omnichannel Distribution to Drive Insurance Penetration

January 28, 2026 | BFSI Research

Synopsis

- India's insurance distribution has evolved from an agent-led model to a broad-based omni-channel framework. Industry total premiums expanded from Rs 4.15 lakh crore in FY15 to Rs 11.93 lakh crore in FY25, reflecting a 11.1% CAGR, driven by rising incomes, deeper household financialisaton, regulatory reforms, product innovation, and expanding distribution reach.
- While agents remain important, incremental growth over the past decade has been driven by bancassurance and alternative channels, particularly in non-life insurance, reflecting rising demand for convenience and transparency. IRDAI's Bima Sugam initiative supports this transition by integrating multiple distribution channels on a unified platform across life and non-life insurance.
- In life insurance, individual agents continue to play a pivotal role in distributing long-term savings and protection products. Still, Banca has emerged as a strong distribution pillar, leveraging banks' customer reach and cross-sell capabilities. Direct and digital channels have expanded rapidly, particularly in group business, where large-ticket institutional policies predominate and intermediaries play a limited role.
- In non-life insurance, brokers dominate distribution in commercial lines and group health due to higher risk complexity and customisation needs. Direct and digital channels have strengthened their presence in retail motor and health, while Banca has become a selective, health-focused retail channel. Alternative channels, though small, are scaling rapidly and improving access in semi-urban and rural markets.
- Aggregate commissions of the industry rose from Rs 0.48 lakh crore in FY21 to Rs 1.08 lakh crore in FY25, driven by strong non-life growth, while life insurance commissions increased steadily. Grievances increased from 1.99 lakh to 2.58 lakh over the same period, led by non-life, though resolution rates remained high at over 98% for life and above 93% for non-life. Insurers continue to focus on reducing mis-selling through stronger controls, especially in bancassurance and broker channels.
- CareEdge expects the insurance industry to grow at 8%–11% in FY26–FY27, with distribution moving towards a more integrated omni-channel model. Physical advisory, assisted digital, and fully digital channels are likely to coexist, supported by data-led, embedded, and platform-based distribution. Regulatory initiatives such as Bima Sugam and ongoing digitisation should enhance reach, efficiency, and transparency.

Evolution and Current Dynamics of Insurance Distribution Channels in India

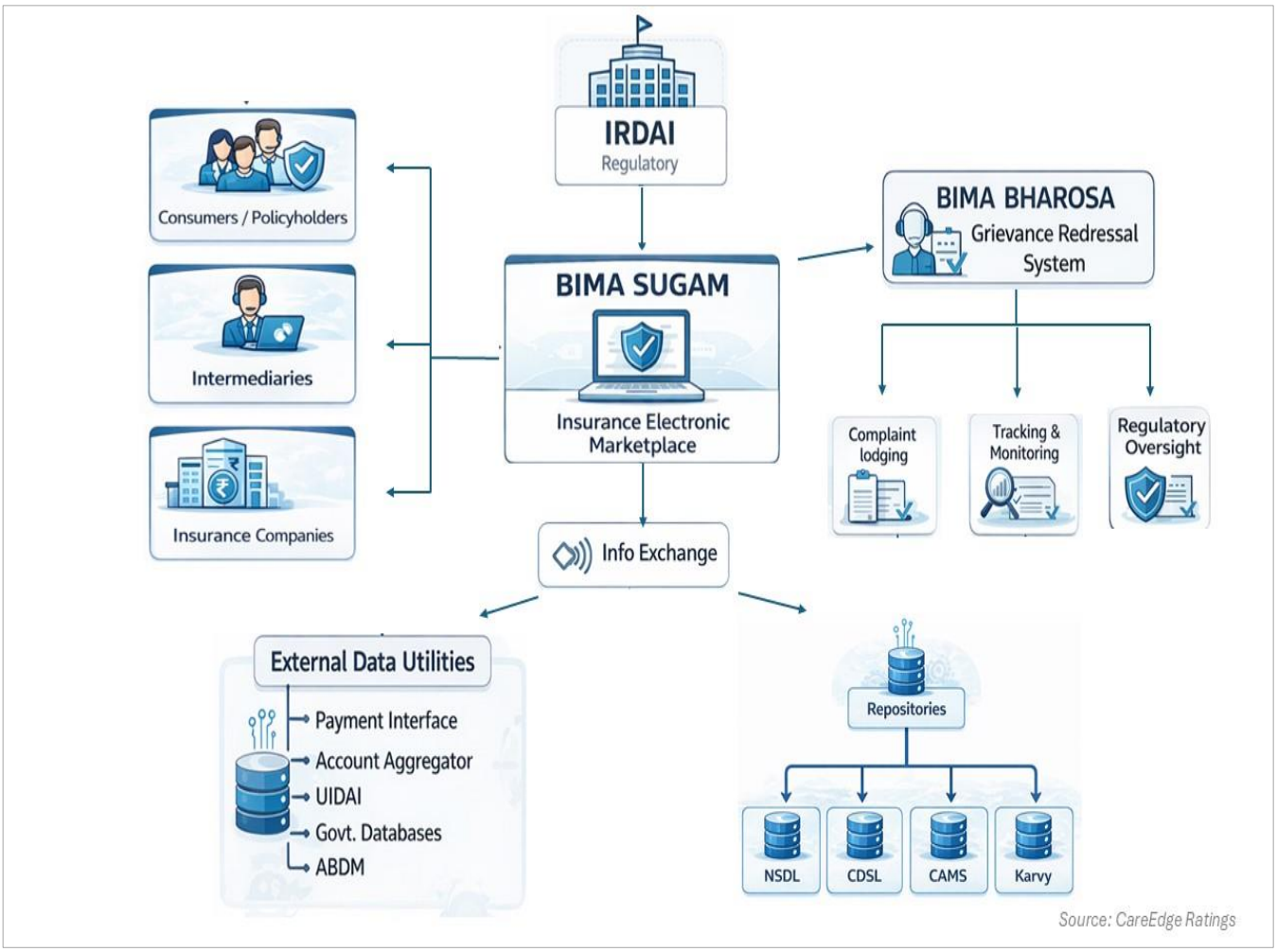
The Indian insurance industry underwent a major shift after the private sector was opened to it in 2001, followed by significant regulatory and structural changes over the next two decades. Aggregate premiums nearly tripled over the last two decades, rising from Rs 1.27 lakh crore in FY06 to Rs 11.93 lakh crore in FY25, reflecting a 13.1% CAGR. Growth was supported by private-sector participation in life insurance, rising household savings and incomes, increased awareness, the expansion of the middle class, tax incentives, product innovation, and the emergence of multiple distribution channels, such as bancassurance.

Insurance distribution remains complex due to long policy tenures, recurring premiums, uncertain claims outcomes, and high switching costs, making distribution a crucial driver of growth, profitability, and customer retention. Over time, the industry has evolved into a multi-layered distribution structure comprising agent-led, bank-led, company-

led, and internet-led channels. Policies are sold directly through insurer sales forces and digital platforms, or indirectly through intermediaries such as agents, corporate agents, brokers, and insurance marketing firms.

IRDAI's Regulatory Initiative to Drive Growth: Enabling Omnichannel Insurance Distribution

Figure 1: BIMA SUGAM – Digital Insurance Platform



Source: IRDAI, BIMA Sugam Website, CareEdge Ratings

Bima Sugam, IRDAI's digital insurance marketplace, brings life, health, and non-life insurance onto a single platform. It connects insurers, intermediaries, and customers, improving access and efficiency across all channels. The platform supports agents, brokers, bancassurance, and digital distribution, allowing insurers to reach more customers and simplify policy issuance and servicing. Non-life insurers benefit from easier policy sales, claims, and customer support across products such as health, motor, travel, and crop. Intermediaries can manage products from multiple insurers through a single interface, while customers can purchase, manage, and file claims for policies online or with assistance. Overall, Bima Sugam strengthens insurance distribution by linking all stakeholders and enabling a consistent, multi-channel experience across life and non-life insurance.

Optimising Distribution Costs and Commissions via Bima Sugam

The Bima Sugam platform is expected to enhance transparency, reduce operational duplication, and facilitate direct engagement among insurers, distributors, and policyholders. Bima Sugam is likely to lower distribution and servicing costs over time, allowing insurers to rationalise commissions while maintaining distribution reach and service

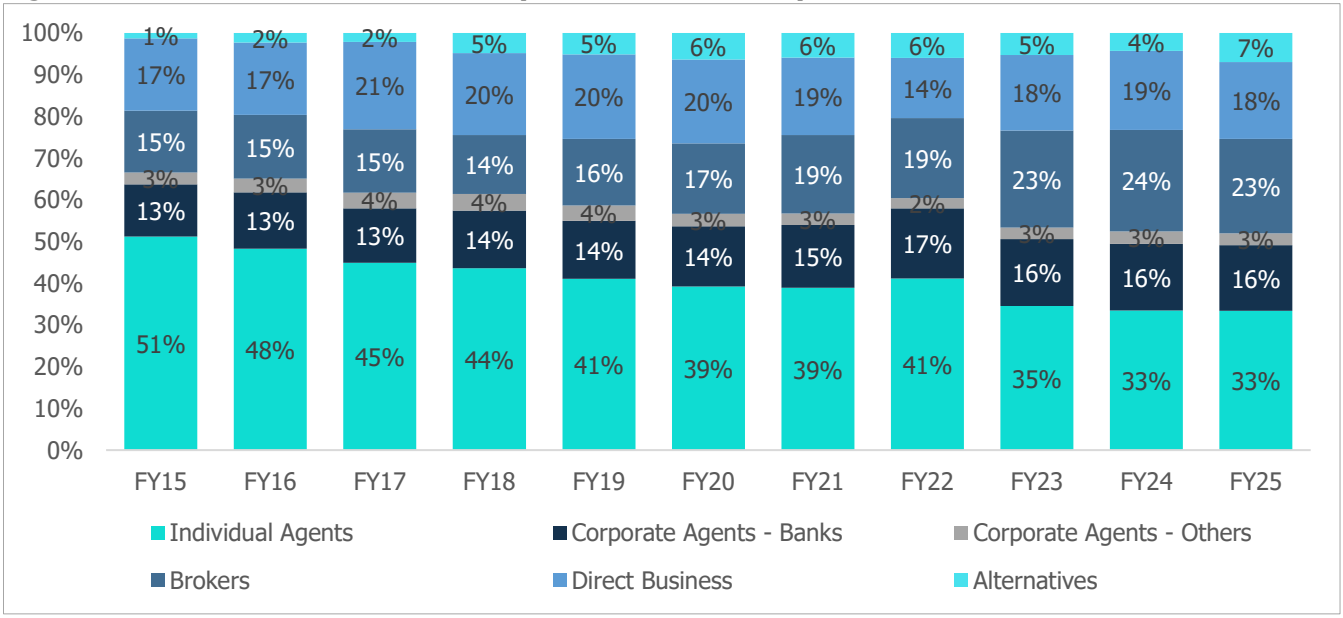
quality. Additionally, IRDAI's move towards a combined limit for operating expenses and commissions is intended to provide insurers with flexibility while enforcing overall cost discipline. Instead of focusing narrowly on commissions, this approach encourages insurers to optimise their entire cost structure, balancing technology investments, distribution payouts, and servicing efficiency within a unified expense framework.

Trend in Channel Mix for the Insurance Industry

Historically, life insurance distribution in India was largely driven by individual agents; however, the agency channel's share of individual and group premiums has declined from 36% in FY15 to 21% in FY25. Direct selling remains the dominant distribution channel, accounting for around 40% of the overall life and non-life insurance. At the same time, bancassurance has grown steadily, increasing its share from 11% to 17% over the same period, supported by banks' wide customer reach, strong relationships, and ability to cross-sell insurance products. This transition reflects the industry's gradual shift toward an omnichannel distribution model, marked by the growth of alternative and digital channels, including common service centres (CSCs), micro agents (MI Agents), insurer websites, web aggregators, and insurance marketing firms (IMFs). Many of these operate on an open-architecture basis, distributing products across multiple insurers.

While agency, direct selling, and bancassurance continue to account for a significant share of life insurance new business and remain important for selling complex, long-term products, alternative and digital channels are steadily gaining traction, particularly among urban and younger customer segments. In the non-life segment, commercial insurance distribution remains largely broker-driven, with brokers contributing around 35% of gross direct premium in FY25, up from 23% in FY15. In addition, alternative distribution channels are emerging as significant growth drivers, particularly in life and health insurance, with a remarkable 70% CAGR over the past decade.

Figure 2: Business Channel Premiums (% Life and Non-Life)



Source: IRDAI, Company filings; Note: Life – New Business Premium (Individual), Non-life- Gross Domestic Premium excl. Travel and Personal Accident; Alternative channels include micro agents, IMFs, CSCs, web aggregators and point of sales

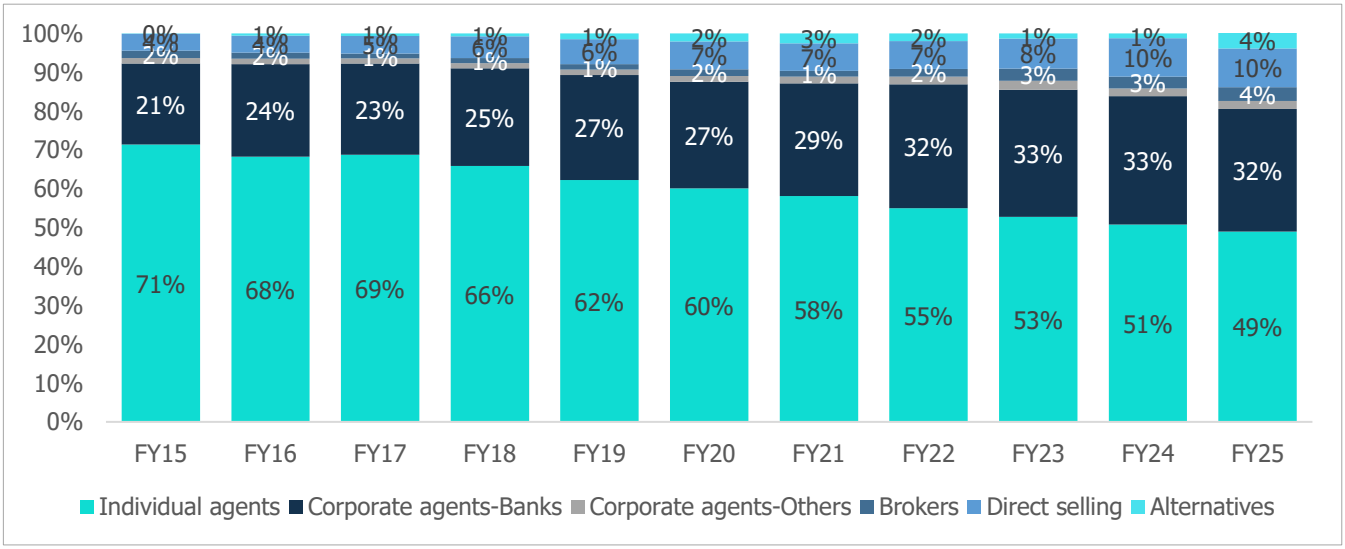
Total new business premium of life (individual) and non-life insurance increased from about Rs 1.37 lakh crore in FY15 to nearly Rs 4.63 lakh crore in FY25, implying a steady growth of around 13% CAGR. Individual agents

remained the largest channel by premium value, growing at an 8.2% CAGR over the period, while their share of the overall mix gradually declined despite absolute volumes increasing. In contrast, Banca recorded a CAGR of around 15.5%, steadily gaining market share and emerging as a key distribution pillar. Brokers also expanded around 17.8% CAGR, with their share rising consistently, reflecting growing preference for comparison and advisory-led sales. Direct selling grew at a healthy 13.6% CAGR and increased its share, supported by digital and institutional distribution, though its share fluctuated over time. The alternative segment, despite its small base, grew the fastest, with a CAGR of approximately 33.5%, driven by niche channels and platform-based partnerships that scaled rapidly. Overall, the channel mix is shifting towards banks, brokers, direct and alternative channels, while agents continue to grow in absolute terms but with a declining share.

Life Insurance Analysis of Distribution Channels

Over FY15–FY25, life insurance new business premiums expanded significantly from about Rs 1.13 lakh crore to Rs 3.97 lakh crore. This growth was largely driven by the group segment, whose premiums rose to over Rs 2.30 lakh crore and consistently accounted for the largest share of new business. Group business has continued to strengthen since FY20, accounting for around 60% of total new premiums in recent years. Individual businesses also showed steady expansion in value, but their share stayed below 50% for most of the period. While individual life insurance accounts for most of the new business premium overall, group life policies tend to involve larger sum assured amounts per contract, especially in employer-sponsored and single-premium cases. As a result, group business appears large in terms of total coverage value, but individual policies still contribute the bulk of total premiums collected in the life insurance industry.

Figure 3: New Business Premium - Individual Channel (in %)



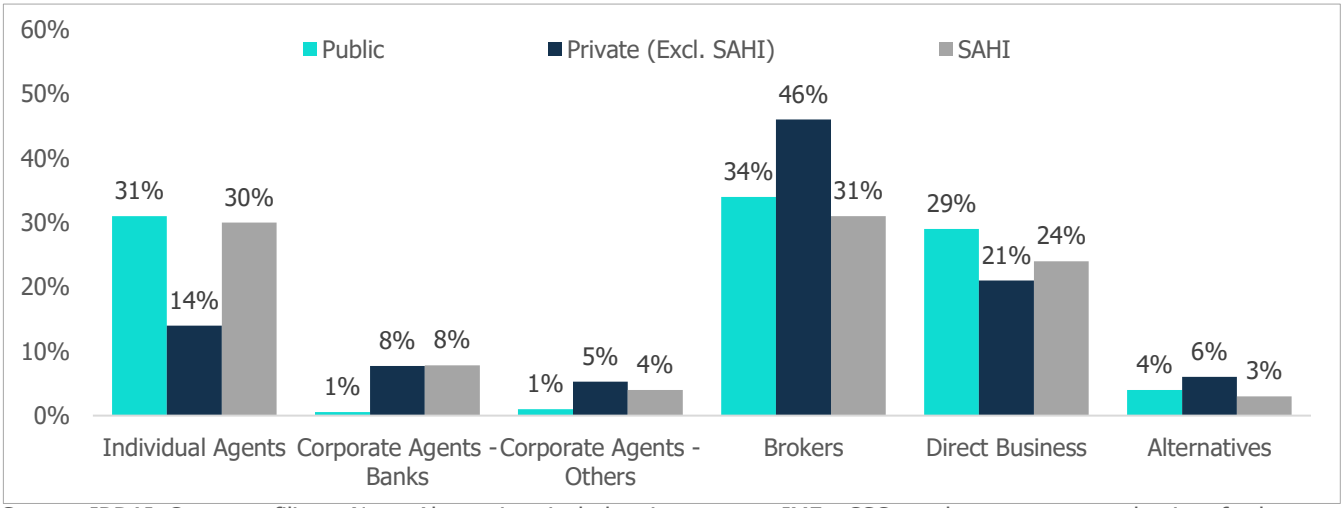
Source: IRDAI, Company filings, Note: Alternatives include micro agents, IMFs, CSCs, web aggregators and point of sales

Over FY15–FY25, individual new business premiums tripled from about Rs 0.55 lakh crore to Rs 1.72 lakh crore, reflecting steady growth in retail demand. Individual agents remained the largest channel, with premiums rising from Rs 0.39 lakh crore to Rs 0.82 lakh crore, though their share declined from 71% to 49% as distribution diversified. Bancassurance recorded the strongest expansion, with premiums increasing almost fivefold to Rs 0.54 lakh crore and its share rising from 21% in FY15 to 32% in FY25. The brokers' channel remained small but was rising steadily, doubling its share from 2% to 4%. Direct selling scaled up, with its share increasing from 4% to 10%, reflecting the spread of digital and in-house sales models. Importantly, in the group segment, direct business

dominates, accounting for nearly 85% of premiums, driven by large employer-led and institutional policies. Overall, the trend shifts from agent-only reliance towards a more balanced model, with bancas, direct, and emerging channels playing an increasing role.

Non-Life Insurance Analysis of Distribution Channels

Figure 4: Channel Wise Premium (FY25) – Public vs Private vs SAHI (in %)

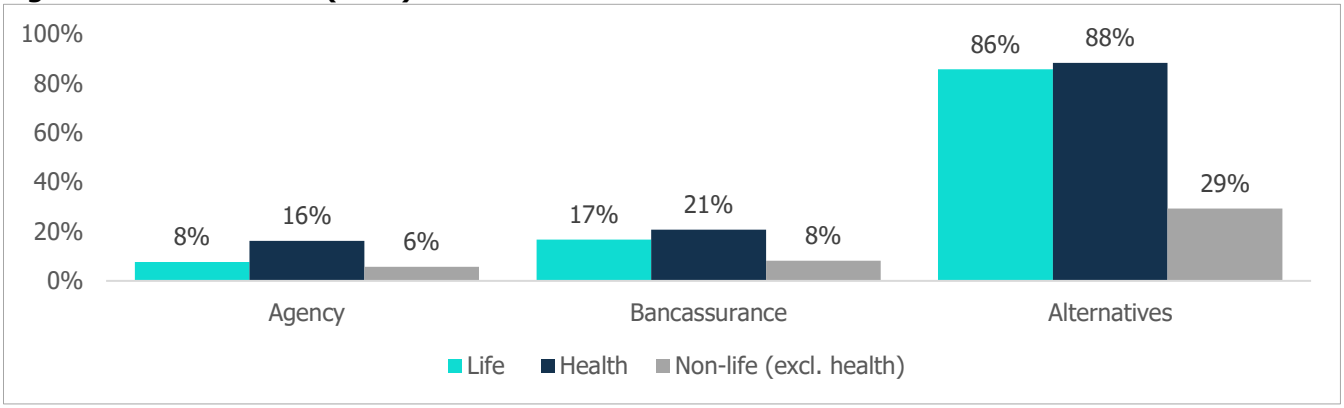


Source: IRDAI, Company filings, Note: Alternatives include micro agents, IMFs, CSCs, web aggregators and point of sales

Public insurers remain more traditional, with business concentrated among brokers (34%), individual agents (31%), and direct business (29%), collectively accounting for the majority of premiums. Private insurers (excluding SAHI) are strongly broker-led, with brokers accounting for 46%, reflecting their focus on corporate, group health, and large commercial risks. SAHIs remain predominantly retail-driven, with individual agents and brokers accounting for around 30% share each. Similarly, Banca has gained traction for private insurers and SAHIs (8% each) but remains marginal for public insurers. Direct business is relatively stronger for the public and SAHI's. Overall, brokers dominate the non-life industry, while the other categories highlight the growing role of alternative channels.

Alternatives Handily Outpaced Agency and Banca

Figure 5: 10 Year CAGR (in %)

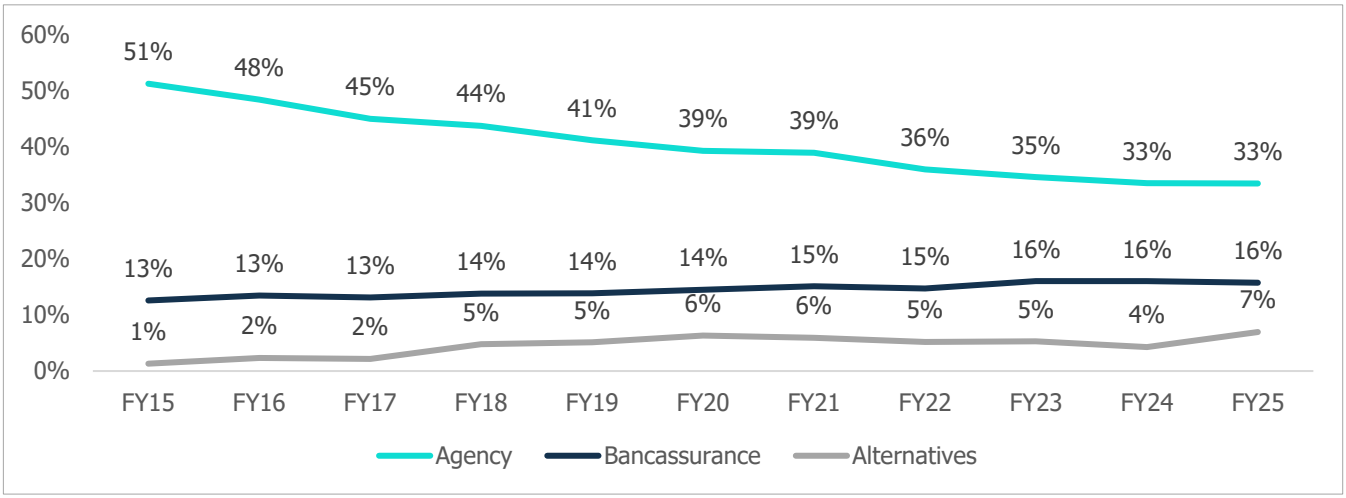


Source: IRDAI, Company filings, Note: Alternatives include micro agents, IMFs, CSCs, web aggregators and point of sales

Over FY15–FY25, alternative channels recorded the fastest growth across all segments, reflecting their increasing relevance in insurance distribution. In life insurance, while agency grew at 8% and bancas at 17%, alternatives

expanded at a strong 86% CAGR, driven by a low base and gradual adoption of digitally led models. In health insurance, alternatives grew at an even higher 88% CAGR, alongside strong growth in agency (16%) and banca (21%). In non-life insurance (excl. health), alternative channels grew at 29%, outpacing agency (6%) and banca (8%), aided by digital and platform-based distribution. Overall, alternative channels are emerging as the fastest-growing segment of the distribution mix, particularly in life and health, given their low base, scalability, and growing acceptance among customers and insurers.

Figure 6: Share of New Business Premium via Agency, Banca and Alternatives (in %)

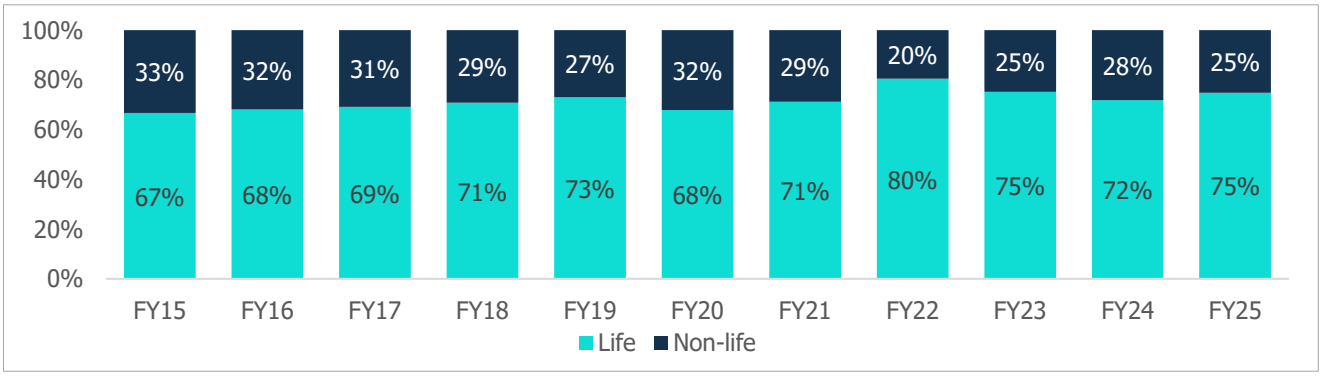


Source: IRDAI, Company filings, Note: Life – New Business Premium (Individual), Non-life- Gross Domestic Premium excl. Travel and PA, Note: Alternatives include micro agents, IMFs, CSCs, web aggregators and point of sales

Over the past decade, the agency has remained the largest channel in absolute terms, rising to Rs 1.54 lakh crore in FY25, but its growth has been modest at an 8.2% CAGR, leading to a steady decline in its share. Banca has shown steady and consistent expansion, growing at a 15.5% CAGR to Rs 0.73 lakh crore, with a gradual increase in its share of new business. While alternative channels recorded the strongest growth, with a 33.5% CAGR, scaling up from a small base to Rs 0.32 lakh crore in FY25. Despite some volatility, alternatives have steadily gained relevance in the whole mix. Overall, incremental growth in new business is gradually shifting towards bancassurance and alternative channels.

Bancassurance Share in New Business Premium

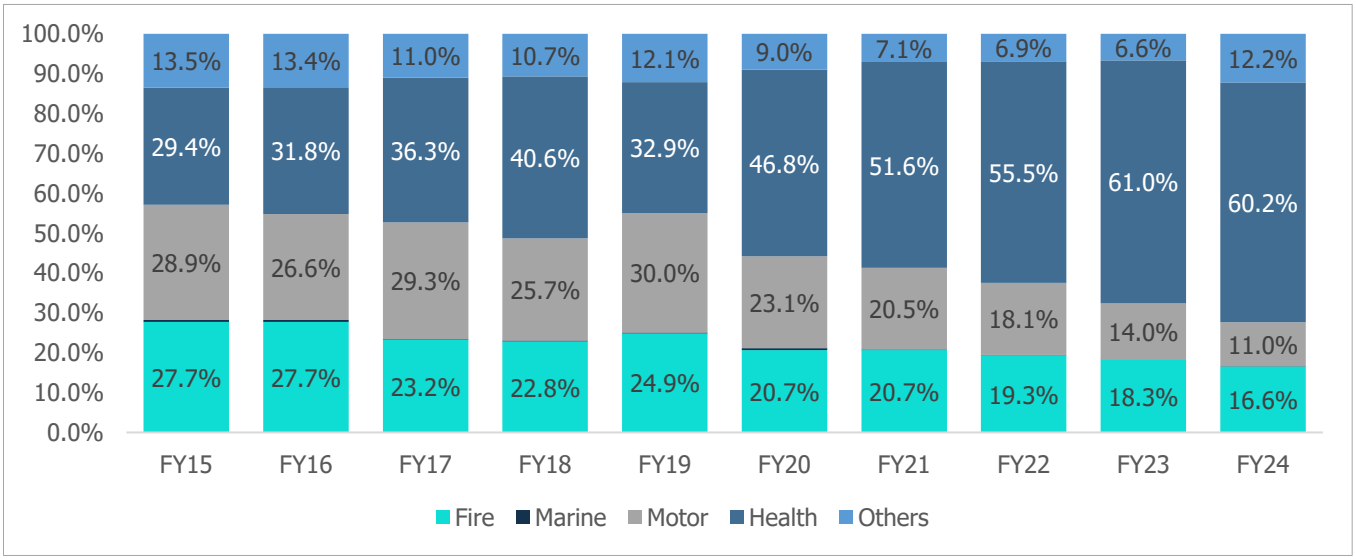
Figure 7: Life vs. Non-life Share in Banca



Source: IRDAI, Company filings. Note: Life – New Business Premium; Non-life - Gross Domestic Premium excl. Travel and PA

Life insurance has remained the dominant contributor to bancassurance new business premiums over the period. Its share increased from 67% in FY15 to 80% in FY22, before easing to 75% in FY25. Non-life insurance, after declining steadily until FY22, recovered to 25% by FY25. Overall, bancassurance remains largely life-led, with recent improvements in non-life participation.

Figure 8: Segmental Share of Non-Life Premiums via Banca (%)



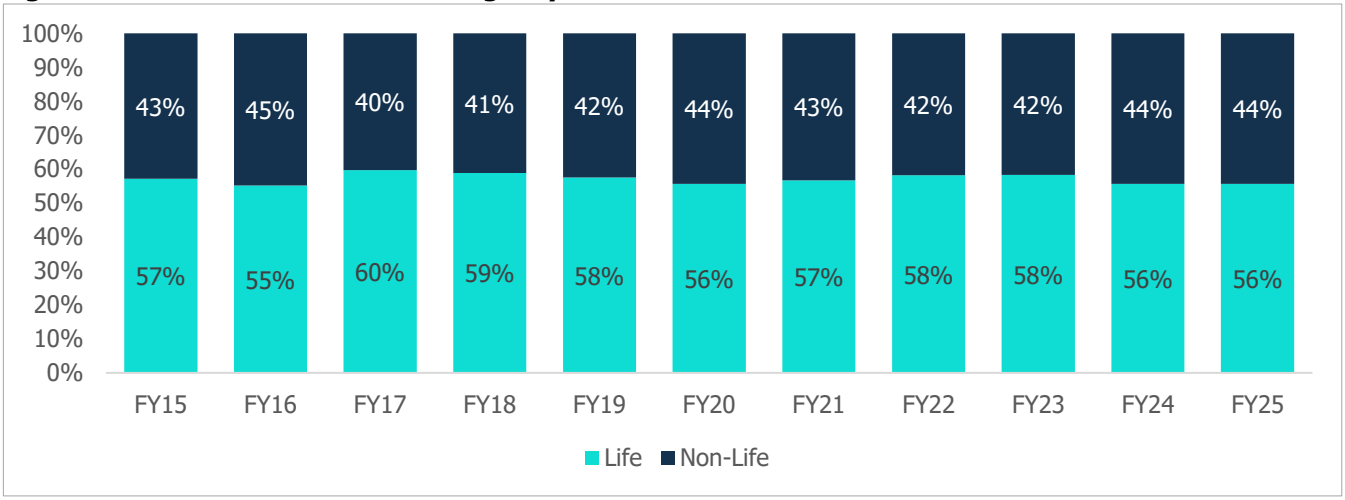
Source: IRDAI, Company filings; Note: Health excl. Travel and Personal Accident, Others, including aviation, engineering, liability insurance, crop insurance, credit insurance, and other miscellaneous insurance

Over the past decade, the segmental mix of non-life bancassurance has evolved alongside banks' operating models and customer buying behaviour, gradually moving towards an integrated, omni-channel distribution approach. Bancassurance participation has declined across most non-life segments except health. Fire and marine insurance have steadily declined in bancassurance, as these products involve larger, specialised risks that are more efficiently managed through brokers or direct insurer relationships. Motor insurance has also seen a significant decline in bank share, as sales and renewals have shifted to auto dealers, OEM tie-ups, and digital platforms that offer instant issuance and price comparison. In contrast, health insurance has emerged as the core of banca channel, supported by rising healthcare costs, post-COVID awareness, and strong renewal flows. Other segments, such as crop, credit, aviation, and engineering, have generally seen a declining trend in banca due to their scheme-driven, seasonal, and specialised nature; however, an uptick was observed in FY24.

Furthermore, in other segments, crop insurance, which accounts for around 10% of overall non-life gross direct premiums in India, is predominantly distributed through the direct channel. This reflects the scheme-driven nature of the segment, with policies largely issued under government programmes such as PMFBY and RWBCIS. Premiums are routed through state governments and nodal banks; policies are issued in bulk; and key aspects such as pricing, coverage, and insurer allocation are predetermined. Consequently, the role of agents, brokers, and bancassurance is minimal, limiting the scope for intermediary-led distribution.

Agency Channel

Figure 9: Life vs. Non-life Share in Agency Channel



Source: IRDAI, Company filings

The agency channel remains dominated by life insurance, which accounted for 55–60% of the overall mix over a decade, declining marginally to 56% by FY25. Non-life insurance remained stable at around 40–45%, with a gradual increase to 44% in FY24 and FY25.

Share of Insured Lives via Agency and Banca Channel (Life and Health)

Figure 10: % of Lives Covered - Life Insurance

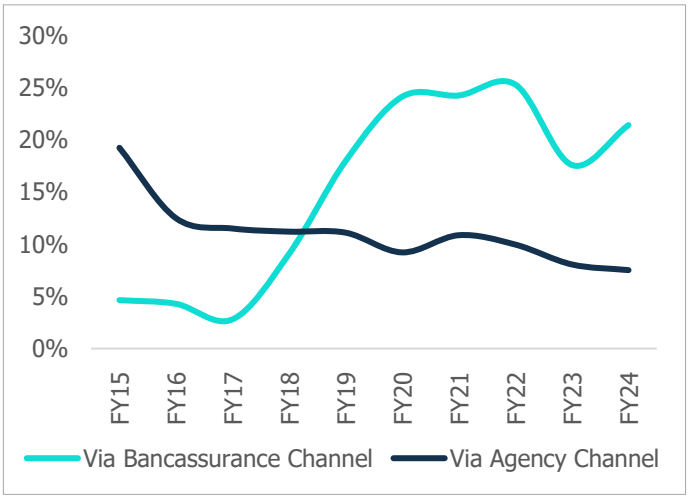
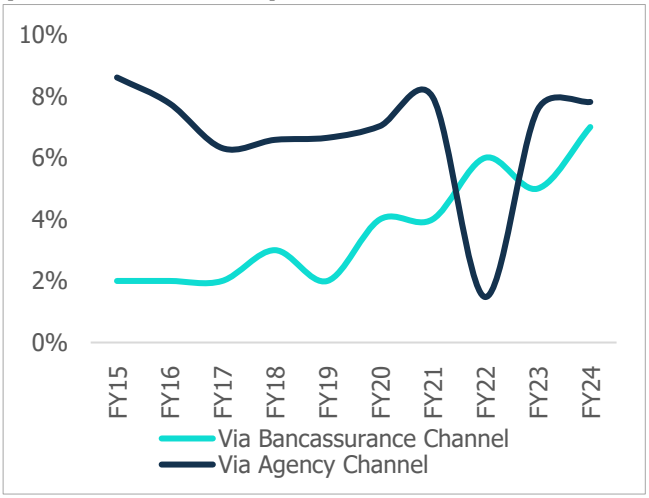


Figure 11: % of Lives Covered - Health Insurance (Excl. Travel and PA)



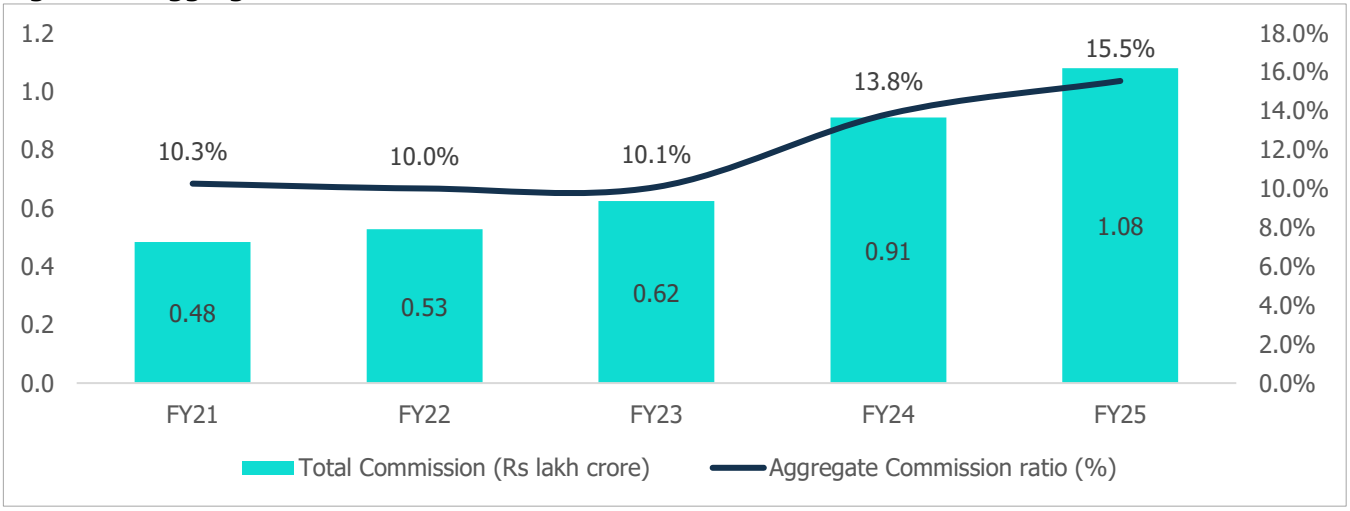
Source: IRDAI, Company filings

Overall, bancassurance has steadily increased its share of lives covered, particularly in life insurance. At the same time, the agency channel has lost ground in life insurance but remained broadly stable in health insurance. In life insurance, the share of lives covered through banca rose from 5% in FY15 to 21% in FY24, with the significant expansion between FY18 and FY22 as banks enabled faster and wider reach. Post FY22, growth moderated, indicating slower incremental additions. In contrast, agency-led coverage declined consistently from 19% to 8% over the same period.

In health insurance, Banca recorded a gradual increase in lives covered, rising from 2% in FY15 to 7% in FY24, reflecting a steady expansion. The agency channel, however, remained largely stable at 6–9% through most of the period, with only a slight dip in FY22 before recovering, indicating the continued importance of agents in enrolling and servicing health insurance policies.

Aligning Commissions with Surrender Value and Policy Longevity

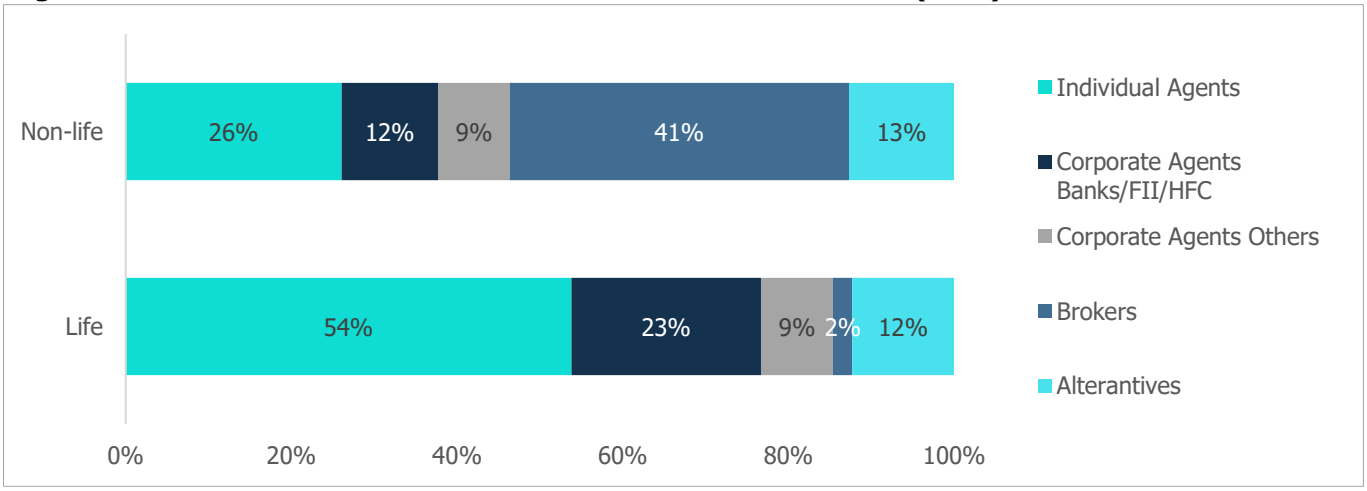
Figure 12: Aggregate Commission and Ratio



Source: IRDAI, Company filings, Note: Aggregate commission ratio is expressed as % of premium

Aggregate commissions of the insurance industry rose from Rs 0.48 lakh crore in FY21 to Rs 1.08 lakh crore in FY25, implying a CAGR of about 22%. Life commissions grew steadily to Rs 0.61 lakh crore (~16% CAGR) in FY25, while non-life commissions expanded faster to Rs 0.47 lakh crore (~35% CAGR) in FY25, with a significant increase after FY23. The aggregate commission ratio remained near 10% until FY23, then rose to 15.5% by FY25. In life insurance, higher surrender values payable earlier reduce front-loading, spreading commissions more evenly over the policy term.

Figure 13: FY25 - Commission Share Across Distribution Channels (in %)



Source: IRDAI, CareEdge Calculations

In FY25, individual agents accounted for the largest share at 54%, followed by bank-led corporate agents at 23% and other corporate agents at 9%. Alternatives accounted for 12%, brokers had a 2% share, and direct business had none. In contrast, in non-life insurance, brokers account for 41% of commissions. Individual agents accounted for 26%, while bank-led and other corporate agents accounted for 12% and 9%, respectively. Alternatives made up 13%. Overall, life commissions remain agent-led, while non-life commissions are largely broker-driven, with alternatives gradually gaining share.

Strengthening Regulatory Oversight on Insurance Distribution Commissions

Under the Insurance Amendment Bill, the government has explicitly empowered IRDAI to regulate commissions, remuneration and rewards across insurance distribution channels, marking a shift from product-level caps to a more principle-based regulatory oversight. Commenting on this, Shri M. Nagaraju, Secretary, Department of Financial Services, noted that instances of disproportionately high commission payouts have raised concerns regarding policy affordability and policyholders' interests. He emphasised that while distribution incentives are necessary, excessive or poorly controlled commissions can increase premiums and strain insurers' cost structures. Accordingly, IRDAI is expected to issue draft norms to bring commission payouts within reasonable limits, balancing distributor viability with consumer protection. The proposed approach seeks to curb excesses without disrupting the broader distribution ecosystem.

Rising Grievances, with Resolution Levels Largely Stable

Figure 14: Status of Grievances Received (#)

	FY21	FY22	FY23	FY24	FY25
Life	1,51,046	1,54,826	1,24,293	1,20,726	1,20,429
Non-life	48,017	65,515	78,347	94,843	1,37,361
Total	**1,99,063**	**2,20,341**	**2,02,640**	**2,15,569**	**2,57,790**

Source: IRDAI

Figure 15: Resolution Rate of Grievances as per IGMS (%)

	FY21	FY22	FY23	FY24	FY25
Life	99.8	99.2	99.8	99.8	98.5
Non-life	98.3	97.4	95.8	98.2	93.0
Total	**101.2**	**99.1**	**98.2**	**99.1**	**96.0**

Source: IRDAI

The total number of grievances received under the Integrated Grievance Management System (IGMS) increased from 1.99 lakh in FY21 to 2.58 lakh in FY25, reflecting both the expansion of insurance coverage and the increased use of formal grievance channels by more aware policyholders. Life insurance grievances declined after FY22, falling to about 1.20 lakh in FY25. This indicates improved policy servicing and better handling of customer issues, supported by regulatory measures and stronger internal processes. In contrast, non-life insurance grievances rose steadily, increasing from 0.48 lakh in FY21 to 1.37 lakh in FY25. The rise was driven mainly by growth in health and motor insurance, higher claims activity, premium repricing at renewals, and disputes related to claim admissibility and settlement.

Despite the increase in grievances, resolution rates remained high across the sector. Life insurers consistently resolved over 98% of grievances, while non-life insurers maintained resolution rates above 93%, although with

some moderation in recent years. The resolution rate exceeding 100% in FY21 reflects the clearing of grievances carried forward from earlier years. Overall, the trend reflects that although grievance volumes, particularly in non-life insurance, have increased, the redressal mechanism has remained effective, with insurers resolving most complaints within the year.

Additionally, mis-selling remains a focus area for insurers. While historical complaints declined from 0.41 lakh in FY19 to 0.25 lakh in FY21, insurers are strengthening measures to prevent mis-selling. This includes conducting periodic root-cause analyses, enhancing product suitability assessments, and implementing channel-specific controls, particularly in the bancassurance and broker channels, which have historically received the most complaints.

CareEdge Ratings' View

India's insurance distribution has evolved from an agency-dominated structure to a diversified, multi-channel one. Agents and bancassurance remain central to life insurance, while brokers and direct channels increasingly drive non-life, particularly in commercial and group segments. Digital and alternative channels are steadily reshaping retail distribution through efficiency, transparency, and faster issuance. The industry is now transitioning to an omnichannel model that integrates in-person advisory with assisted and fully digital journeys. Going forward, the evolving distribution mix is expected to be supported by regulatory initiatives such as Bima Sugam, revised surrender value norms, and the transition to IFRS 17, which together are likely to enhance transparency, operational efficiency, and customer convenience across the insurance sector. At the same time, growing policyholder awareness and regulatory oversight are helping maintain effective grievance resolution and encouraging fairer commission practices.

Contact

Sanjay Agarwal	Senior Director	sanjay.agarwal@careedge.in	+91 - 22 - 6754 3582 / +91-81080 07676
Saurabh Bhalerao	Associate Director – BFSI Research	saurabh.bhalerao@careedge.in	+91 - 22 - 6754 3519 / +91-90049 52514
Ankush Pathrabe	Analyst – BFSI Research	ankush.pathrabe@careedge.in	+91 - 22 -6754 1629 /+91-90399 84978
Mradul Mishra	Media Relations	mradul.mishra@careedge.in	+91 - 22 - 6754 3596

CARE Ratings Limited

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Phone : +91 - 22 - 6754 3456 I CIN: L67190MH1993PLC071691

Connect:

Locations: Ahmedabad I Andheri-Mumbai I Bengaluru I Chennai I Coimbatore I Hyderabad I Kolkata I Noida I Pune

About Us:

CareEdge is a knowledge-based analytical group offering services in Credit Ratings, Analytics, Consulting and Sustainability. Established in 1993, the parent company CARE Ratings Ltd (CareEdge Ratings) is India's second-largest rating agency, with a credible track record of rating companies across diverse sectors and strong position across the segments. The wholly-owned subsidiaries of CareEdge Ratings are (I) CARE Analytics & Advisory Private Ltd, (II) CARE ESG Ratings Ltd and (III) CareEdge Global IFSC Ltd. CareEdge Ratings' other international subsidiary entities include CARE Ratings (Africa) Private Ltd in Mauritius, CARE Ratings South Africa (Pty) Ltd, and CARE Ratings Nepal Ltd. For more information: www.careedge.in.

Disclaimer:

This report is prepared by CARE Ratings Limited (CareEdge Ratings). CareEdge Ratings has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in this report is guaranteed. CareEdge Ratings is not responsible for any errors or omissions in analysis / inferences / views or for results obtained from the use of information contained in this report and especially states that CareEdge Ratings has no financial liability whatsoever to the user of this report.

Privacy Policy applies. For Privacy Policy please refer to https://www.careratings.com/privacy_policy

© 2025, CARE Ratings Limited. All Rights Reserved.
This content is being published for the purpose of dissemination of information. Any use or reference to the contents herein on an "as-is" basis is permitted with due acknowledgement to CARE Ratings. Reproduction or retransmission in whole or in part is prohibited except with prior written consent from CARE Ratings.