

India's Retail Health Insurance market has the potential to touch USD 25 billion in the next 5 years: Avendus Capital Study

Mumbai, January 25, 2023

Avendus Capital, India's largest Investment Banking franchise, launched a thought paper on India's Retail Health Insurance market today. According to the study, the Retail Health Insurance segment has the potential to become a USD 25 billion market in the next five years. It also found that Standalone Health Insurers (SAHIs), that predominantly focus on the Retail Health segment, have disrupted the market to capture 50%+ market share and are expected to be the biggest beneficiaries of growth within the segment.

The Health Insurance sector in India has disrupted the insurance market growing at a rapid pace to become the largest non-life insurance segment in FY22. With c.45% of India's relevant population devoid of any health coverage, this segment is expected to be the leader among other non-life segments. Low penetration (with only 60 million individuals covered), coupled with COVID led rise in awareness, product innovation, rising disposable income etc. are some of the key catalysts for growth in the Retail Health segment, where coverage is expected to reach c.250 million individuals, leading to keen investor interest over the past few years.

Over the years, significant regulatory steps have been taken to attract participation from foreign investors and SAHIs have seen investments from marquee Domestic and Global PEs. The study points out that the Retail Health segment is expected to witness continued investor interest backed by multiple growth tailwinds and offer the ability to generate RoE (return on equity) of 20%+ in a steady state.

Unveiling the report, **Anshul Agarwal, Managing Director and Co-head, Consumer, Financial Institutions Group (FIG) & Business Services, Avendus Capital** said, "Retail Health Insurance will continue to be one of the most exciting segments within the overall Non-Life Insurance space. Its unique characteristics such as high persistency of c.90%, pricing power, relatively low loss ratio and headroom for growth due to low penetration would see significant investments being done in this space to capture incremental market share. We believe that the segment has the potential to catapult to USD 25 billion in next five years. In addition to this, the ability to generate consistently high profits and RoE of 20%+ would account for sustained investor appetite due to limited opportunities in companies which focus purely on the Retail Health segment."

On SAHI's prospects, **Snigdha Khemka, Director, Consumer, Financial Institutions Group (FIG) & Business Services, Avendus Capital** said, "SAHIs have established a dominant presence in the retail health segment. Awareness of health insurance post-COVID has acted as a strong catalyst. Given that the distribution of Retail Health is primarily individual agent driven, SAHIs' single product focus and distribution arbitrage over multi-line insurers provide them with a significant competitive advantage. We believe that, in the near future, Insurers will continue their focus on product innovation centred around holistic wellbeing to maximize customer lifetime value."

[Click here to download the report](#)

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