

# Life Insurance Cover for All



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For a country like India, where state support following untimely death is negligible unlike many developed nations, adequate Life Insurance cover is an absolute necessity to provide necessary security cover for the family of the deceased. The critical need is for high life cover for individuals i.e., policies that provide substantial payment to the next of kin in the event of an individual's death. This is achieved through "Protection" or "Term Life Insurance" which can offer a cover

of 500 to 800 times or more the annual premium paid, depending on the insured's age and health, for a specified period say till the age of 65 or 70 provided premium is paid annually (even if the policy holder develops a disease later on). For instance, a healthy 30-year-old can obtain a pure protection policy with a premium of less than INR 1,000 per month for coverage of INR 1 crore.

Despite this pressing need, India remains among the most underinsured countries globally. These facts highlight this starkly:

- Total sum assured i.e., life protection as % of GDP in India is 24% versus 332% in Singapore, about 250% in USA and Japan and significantly higher in several Asian nations (153% in Malaysia, 143% in Thailand and 127% in South Korea [Source: McKinsey].
- Protection gap i.e., the shortfall in total protection required is highest in India at 83% whereas it's 55% in Singapore, South Korea, and Australia and 61% in Japan [Source: Swiss Re].
- Life insurance density i.e., premium per capita in US Dollars in India is just 70 USD in FY 2023-24 compared to a global average of 361 USD in 2023, with 6264 USD in Singapore and between 1000-3000 USD in most developed countries [Source: Swiss Re].

The principal reason for India's low life insurance adoption is the lack of education and awareness regarding the importance of family financial security in the event of death. Ironically, while automobile insurance is readily embraced (and even considered fortunate if unused), life insurance premiums for pure protection are often viewed as wasteful, with many believing, "I shall not die within a year.

Encouragingly, the IRDAI and the Government of India have launched an ambitious project to provide "Life Insurance for All by 2047." IRDAI, along with the Life Council, has started a substantial advertising campaign called **"Sabse Pehle Life Insurance"** or Life insurance before "anything else, with a budget exceeding INR 400

crores. This is indeed a welcome step to raise public awareness about the necessity of life insurance.

Furthermore, according to Swiss Re's January 2025 report, India is projected to be the world's fastest-growing insurance market for the next five years at a CAGR of approx. 7% versus the global average of 2.7%. However, to truly achieve "Insurance for All by 2047" and to have insurance protection befitting the vision of a "Viksit Bharat" (developed India), several concrete measures would need to be implemented. Some suggested measures are as under:

- **Affordability:** Removal of GST on both life insurance policies (as was done recently) as well as the GST on entire input chain for life insurance companies is critical to reducing costs.
- **Mandatory Coverage through Employer-Employee Participation:** Require every salaried individual to carry life insurance cover of at least 10–15 times their annual gross salary. someone earning INR 10 Lakh annually must have 'protection cover' of at least 1-1.5 crore.

For this, akin to the current Employee Provident Fund (EPF) system, insurance cover should be mandated, and premium payments should be shared equally between the employee and employer equally.

This could be by way of:

- o Group insurance policies taken by employer who must contribute at least 50% of premium (similar to EPF) with balance 50% deducted from employee's salary.
- o Alternatively, individual policies purchased by employees (with proof) allowing them to receive the employer's contribution toward the equivalent group policy's premium.

Such a policy, if extended to all EPF contributors (around 7.1 crore active members as of 31.3.2024), could immediately offer life cover protection for nearly 30 crore people, assuming an average of four dependents per insured person. With net new additions of 1.39 crores in 2023-24 and a total (active plus inactive) EPF membership of 29.5 crores [Source: MOSPI], the impact could reach a significant majority in the next decade.

- **Gig and Service workers:** Similar mandatory insurance should cover formal sector workers who may not be part of EPF framework. Example would be E-Commerce, Food Delivery, construction, transportation and other such services where there is a formal employment contract, like those falling under Employee State Insurance (ESI) scheme or where an employer claims salaries as deductible for income tax purposes.
- **Unorganized Sector:** For the unorganized sector, collaborative efforts among central/state governments, industry, and local bodies like village panchayats should aim to provide appropriate group insurance covers to workers not formally employed.

Ultimately, ensuring that "Insurance for All by 2047" is more than a mere slogan demands a dual drive of education and compulsory insurance wherever possible,

beginning with school-based financial literacy.

Providing life cover for all Indians in the event of the breadwinner's death is a collective responsibility of

government, insurers, employers, and society. We owe this financial protection to our future generations.