



Health insurance through bancassurance: Assessing market demand and distribution models in Hyderabad

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Abstract

In India, health insurance has become a crucial financial product due to growing healthcare costs, urbanization, and awareness following COVID-19. Bancassurance has become a strategic avenue for increasing insurance coverage by utilizing banks' existing customer base and trust. This review paper explores the distribution of health insurance through Bancassurance in Hyderabad, India, by synthesizing secondary data from academic research, regulatory reports, and industry publications. With rising healthcare costs, growing urbanization, and increasing awareness post-COVID-19, health insurance has become a vital financial product in India. The study analyzes the performance, regulatory environment, and digital integration of several Bancassurance models, including joint ventures, corporate agencies, and referrals. The study emphasizes consumer preferences, operational difficulties, and unrealized potential in Hyderabad, with a particular focus on this urban market. In addition to highlighting the need for more localized, primary research to support data-driven policy and strategy decisions, the findings show that Bancassurance has a strong potential to increase insurance penetration.

Keywords: Health insurance, bancassurance, hyderabad, insurance distribution, corporate agency model, consumer behavior, India, insurance penetration, financial services, digital insurance channels

Introduction

Health insurance is becoming more and more recognized in India as a vital financial instrument for reducing the risks brought on by growing medical expenses. The need for easily accessible and reasonably priced health insurance is only increasing due to the growing middle class and urbanizing population. The ability of banks to capitalize on trust, pre-existing infrastructure, and sizable customer bases has made bancassurance where banks collaborate with insurance companies to offer policies prominent distribution model (IRDAI, 2023).

High literacy rates, state-of-the-art healthcare facilities, and growing use of digital banking define Hyderabad, the capital of Telangana, as a distinctive urban ecosystem. It is therefore a perfect example for using bancassurance to analyze the demand for health insurance.

Literature Review

The model's increasing significance has been emphasized in the literature on bancassurance in India. In private sector companies, bancassurance accounted for more than 55% of new life insurance business premiums, according to IRDAI (2023). Research from PwC (2020) and Deloitte (2021) ^[20] highlights how banks and insurers can work together strategically, especially when it comes to breaking into unexplored urban markets.

Consumer Behavior: Studies show that decisions to buy insurance are highly influenced by factors such as income, education, and bank trust (Patel & Kataria, 2020). Studies conducted after COVID-19 has shown a significant increase in health risk awareness and the desire to buy health insurance (Kantar, 2021) ^[20].

Models of Bancassurance: Three main models are described in the literature: joint venture, corporate agency, and referral (EY, 2021). The most common model is the

corporate agency model, in which bank employees actively market insurance products. The bancassurance concept is a model for banks and insurance companies which provide them higher competitive advantage. The alliance would lessen the burden of both the banks and insurance companies. If the government uses the model efficiently it can prove to be an effective model for improving financial inclusion. Various steps are already taken by the Government like Jan Dhan Yojana or Pradhan Mantri Surasksha Bima Yojana or Pradhan Mantri Jeevan Jyoti Bima Yojana The insurance sector of India is a potential market which has ample scope to grow in Indian economy. There is an extensive scope for the bancassurance by providing innovative schemes or products with low premium rates and higher risk coverage etc. (Dua, *et al*, 2019)

Research Methodology

This paper adopts a secondary research approach using a systematic review method. Data were sourced from:

- Academic databases (Google Scholar, JSTOR, Research Gate)
- Government publications (IRDAI, RBI, Ministry of Health)
- Industry reports (PwC, EY, Deloitte)
- News outlets (Business Standard, Live mint, The Economic Times)
- Selection criteria included:
 - Relevance to health insurance, bancassurance, or Hyderabad.
 - Recency (2018 onwards, prioritizing post-COVID developments).

Objectives

- To analyze the current demand for health insurance in Hyderabad and key influencing factors.

- To explore the distribution models used in Bancassurance for health insurance in India and their application in Hyderabad.
- To identify challenges and opportunities for banks and insurers in promoting health insurance through Bancassurance in Hyderabad.

Data assessment on understanding Market Demand and Distribution Models

This section synthesizes data and insights from multiple secondary sources to understand how health insurance via bancassurance functions within the socio-economic and digital landscape of Hyderabad.

1. Health Insurance Demand in Hyderabad

Although Telangana has made progress in public healthcare initiatives, the state still reflects the national trend of low private health insurance penetration. As per IRDAI (2023), only around 20% of the non-life insurance business in Telangana comes from health insurance, with a majority being retail and group policies in urban centers like Hyderabad. The urban-rural divide is stark, with Hyderabad accounting for a disproportionately high share of health insurance premiums compared to rural districts.

According to the National Family Health Survey-5 (NFHS-5), nearly 38% of households in Telangana reported having at least one member covered under any health scheme or insurance, but a large share of this is through government-

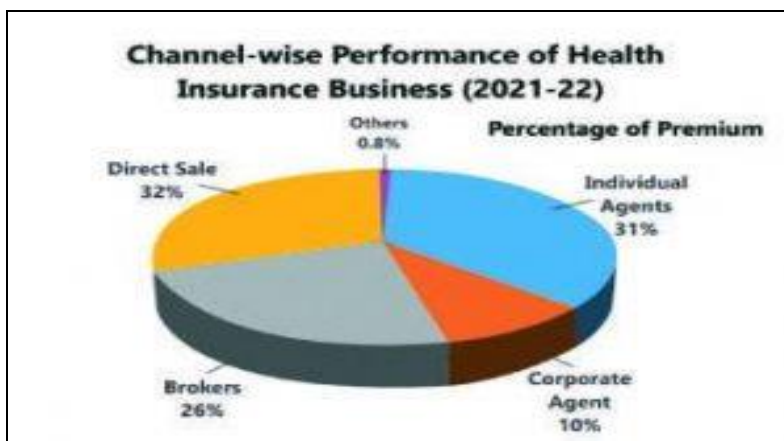
sponsored schemes like Aarogyasri, not private policies. This opens up opportunities for bancassurance to cater to the middle-income segment seeking supplemental coverage or higher-tier plans.

Moreover, medical inflation in Hyderabad has been significant, with private hospitalization costs estimated to have increased by 15–18% in the last 5 years (PwC, 2022). This cost pressure further drives the need for insurance products that offer comprehensive hospitalization and outpatient care.

2. Consumer Awareness and Purchase Behavior

Consumer awareness of health insurance is rising post-COVID-19. A study by Kantar (2021)^[20] indicated that 25% of urban Indians were considering purchasing a new health insurance policy, with banking platforms ranked as the second-most trusted channel after direct insurance websites. In Hyderabad, where digital banking and financial literacy levels are higher than the national average, this trust becomes an enabler for bancassurance-led growth.

A 2019 survey by IRDAI found that trust in the bank is a major determinant in choosing bancassurance over agents. Consumers feel more secure purchasing from banks they already has accounts with, especially for long-term products like health insurance. In Hyderabad, private banks like HDFC Bank, ICICI Bank, and Axis Bank, along with public sector banks like SBI, dominate the bancassurance market, offering plans from their tied-up insurance partners.



Source: Banking frontiers article title: “IRDAI: Banks dominate insurance distribution”.

3. Bancassurance Distribution Models in Hyderabad

Based on industry patterns, corporate agency models dominate in Hyderabad. This model allows banks to sell insurance directly, with staff trained and certified under IRDAI’s Point of Sales Person (PoSP) guidelines. For instance:

HDFC Bank, using the corporate agency model, distributes HDFC ERGO policies in its Hyderabad branches and online platforms.

ICICI Bank sells ICICI Lombard’s health insurance through a similar integrated model.

SBI uses a more hybrid model, combining its corporate agency structure with digital self-service portals.

In these models, bank employees’ act as the first point of contact and the policy is underwritten and serviced by the insurance partner. The referral model is rarely used in metropolitan cities like Hyderabad due to its limited revenue generation and weaker customer engagement.

Digital Transformation: Several reports (KPMG, 2021; Livemint, 2021) discuss how banks are integrating digital tools—such as mobile apps and chat bots—to enhance customer experience and policy issuance.

4. Performance Metrics and Customer Journey

According to IRDAI’s 2022 report, bancassurance contributed around ₹23,000 crore in new premium collections for health and life combined. While disaggregated data for Hyderabad is unavailable, banks in metro cities like Hyderabad typically contribute upwards of 20% of their insurance revenue from Tier 1 cities.

The customer journey in bancassurance for health insurance typically includes:

- Lead generation via account opening, digital app usage, or RM contact.
- Product education through brochures, SMS campaigns, or call center follow-up.

- Sales closure using mobile PoSP apps or in-branch terminals. Policy servicing and claims, often done directly by the insurer but with help from the bank.
- Digital tools like Net Banking portals and mobile apps in Hyderabad have enabled faster policy issuance—reducing TAT (turnaround time) to under 15 minutes for some banks.

5. Challenges in the Hyderabad Context

- Despite the promising trends, there are persistent challenges specific to bancassurance in health insurance in Hyderabad:
- Lack of in-depth insurance knowledge among bank staff leads to poor needs analysis and potential for mis-selling.
- Limited customization: Many bancassurance models offer only pre-designed, bundled plans that do not meet all customer needs.
- Consumer inertia: Even with awareness, many consumers postpone purchase decisions due to perceived complexity or competing priorities.
- Furthermore, cross-selling regulations from the IRDAI and RBI impose limits on aggressive sales tactics, especially with savings account holders, which can reduce conversion rates.

Digital Transformation as a Catalyst

In Hyderabad’s digitally mature market, banks are integrating APIs from insurance partners into mobile apps and CRM systems to enable end-to-end policy purchase. According to EY (2021), over 60% of new health insurance purchases in urban India happen through digital means—either entirely online or digitally assisted offline. Hyderabad’s banking infrastructure supports this shift through:

- QR-enabled plan brochures
- Pre-approved premium offers through SMS
- Integrated chatbots on bank websites for policy queries

These innovations not only improve efficiency but also enhance transparency and customer satisfaction.

Summary of Interpretations

Aspect	Insight
Insurance demand	Rising due to inflation and increased awareness
Preferred channel	Banks rated highly due to existing trust and service history
Model in use	Corporate agency dominates; referral model limited
Consumer behavior	Urban, educated, digitally active segment open to bancassurance
Key banks involved	SBI, HDFC Bank, ICICI Bank, Axis Bank
Challenges	Staff training, mis-selling risk, consumer inertia
Opportunities	Digital tools, cross-sell with credit products, younger population segment

Conclusion

Health insurance via bancassurance presents a promising opportunity to bridge the healthcare financing gap in urban India, especially in cities like Hyderabad. The synergy between banks’ customer reach and insurers’ product portfolios enables efficient distribution. While the corporate agency model remains dominant, digital transformation is

paving the way for hybrid models. However, gaps in Hyderabad-specific research, particularly regarding consumer behavior and conversion rates, highlight the need for primary research. Stakeholders must focus on training, digital integration, and building customer trust to maximize bancassurance’s potential.

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