BIMAKAVACH

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India's Business Risk Landscape and Insurance Outlook

The Policies & Trends Shaping The Golden Age of Indian Enterprise

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Government initiatives pushing business insurance in India

Formalisation as the invisible driver of insurance adoption

India's path toward becoming a multi-trillion-dollar economy is being shaped not only by capital, talent, and innovation, but increasingly by how businesses understand and manage risk. As enterprises expand in scale, geography, and complexity, exposure to physical, operational, human, and digital risks have grown in parallel. Insurance, once treated as a compliance requirement or post-incident safeguard, is steadily emerging as a foundational layer of business resilience. This report examines India's evolving business risk landscape through the lens of insurance adoption, drawing on regulatory shifts, regional risk patterns, and on-ground enterprise behaviour to understand how protection is aligning with the country's next phase of growth.

2025 was a watershed year for India's insurance sector. In December, the Sabka Bima, Sabki Raksha (Amendment of Insurance Laws) Bill allowed **100% foreign direct investment** in insurers and eased capital requirements for reinsurers, opening the sector to competition. The bill also created a policyholder education and protection fund and recognised managing general agents, signalling a more flexible distribution landscape. Regulators pushed digitalisation: Goods & Services Tax (GST) was removed on life and health policies to improve affordability; **Bima Trinity** which includes - **Bima Sugam** (a unified digital marketplace), **Bima Vistaar** (a low-cost composite cover), and **Bima Vahak** (a network of women-led insurance ambassadors) aim to make business insurance more accessible to small enterprises and ensure consumer protection.

Data governance: Digital Personal Data Protection Act and Rules

The **Digital Personal Data Protection Act, 2023** and **Rules 2025** provide India's first comprehensive framework for collecting and processing personal data. Given the data-rich nature of insurance, these rules directly influence Commercial Insurance. The Act requires data fiduciaries (including insurers and brokers) to follow **lawful, fair** and **transparent data practices**, and the 2025 rules operationalise this via staged implementation. They demand detailed notice and revocable consent, enforce purpose limitation and data minimisation, establish independent consent managers, and require significant data fiduciaries to appoint Data Protection Officers.

For insurers and brokers, this means investing in data-discovery tools, encryption, pseudonymisation and more robust third-party governance, all while coordinating with Insurance Regulatory and Development Authority of India's (IRDAI) own cybersecurity guidelines.

Cybersecurity regulation: RBI and SEBI

The **Reserve Bank of India** (RBI) enhanced its cybersecurity oversight in 2025, with measures that ripple out to insurers and brokers. Banks and Non-Banking Financial Companies (NBFC) must appoint a Chief Information Security Officer (CISO) who reports to the board, maintain comprehensive IT risk policies, conduct regular cyber risk assessments, and report breaches within six hours. Digital lending guidelines prohibit bundled consents and require explicit, revocable permissions. Third-party risk management and annual cyber audits are mandatory. Meanwhile, the **Securities and Exchange Board of India** (SEBI) rolled out a **Cybersecurity & Cyber Resilience Framework** for stockbrokers, mandating asset inventories, vulnerability and penetration testing, and board-level oversight. Even though these rules target financial entities, they raise the cyber hygiene bar for the entire ecosystem, encouraging broader uptake of cyber and professional indemnity coverage among firms.

State insurance initiatives

IRDAI's State Insurance Plan is designed to deepen insurance penetration by supporting state governments with awareness drives and distribution campaigns. Industry leaders report that the plan improved advisor training and digital enablement across India. Some states are tailoring initiatives to local needs: Karnataka's Raitha Suraksha provides parametric crop cover for farmers, Odisha promotes mandatory fire insurance for micro-manufacturing units, and Maharashtra rigorously enforces Workmen Compensation Insurance. These varied efforts underscore that insurance penetration is both a national mandate and a state-level development tool.

Looking forward to insurance for all by 2047 and beyond, India's drive toward universal insurance will be shaped by the interplay of data-protection rules, cyber-security regulation and insurance liberalisation.

Central and State Governments are aligning incentives, raising standards and expanding access. This environment compels insurers and brokers to invest in compliance, digital infrastructure and robust data protection.

Crucially, this evolving regulatory landscape sets the backdrop for understanding India’s risk landscape, which the following sections explore. The next part of the report delves into Risk across Tier 1 and Tier 2 India, showing how risk awareness differs by region and business maturity. Subsequent sections examine specific risk contexts from earthquake zones to labour protection and cyber hot spots and how these dynamics inform India’s next growth phase in Commercial Insurance.

Risk across Tier 1 and Tier 2 India

Same risks, different vocabularies

BimaKavach's data reveals that risk in India is not evenly **understood**, even if it is evenly **distributed**. The divergence between Tier 1 and Tier 2 cities lies less in exposure and more in articulation.

Tier 1 businesses demonstrate greater awareness of **systemic and intangible risks**. Conversations in these markets routinely involve cyber liability, professional indemnity, contractual exposure, regulatory penalties, and business continuity. Risk is discussed in forward-looking terms, often before an incident occurs.

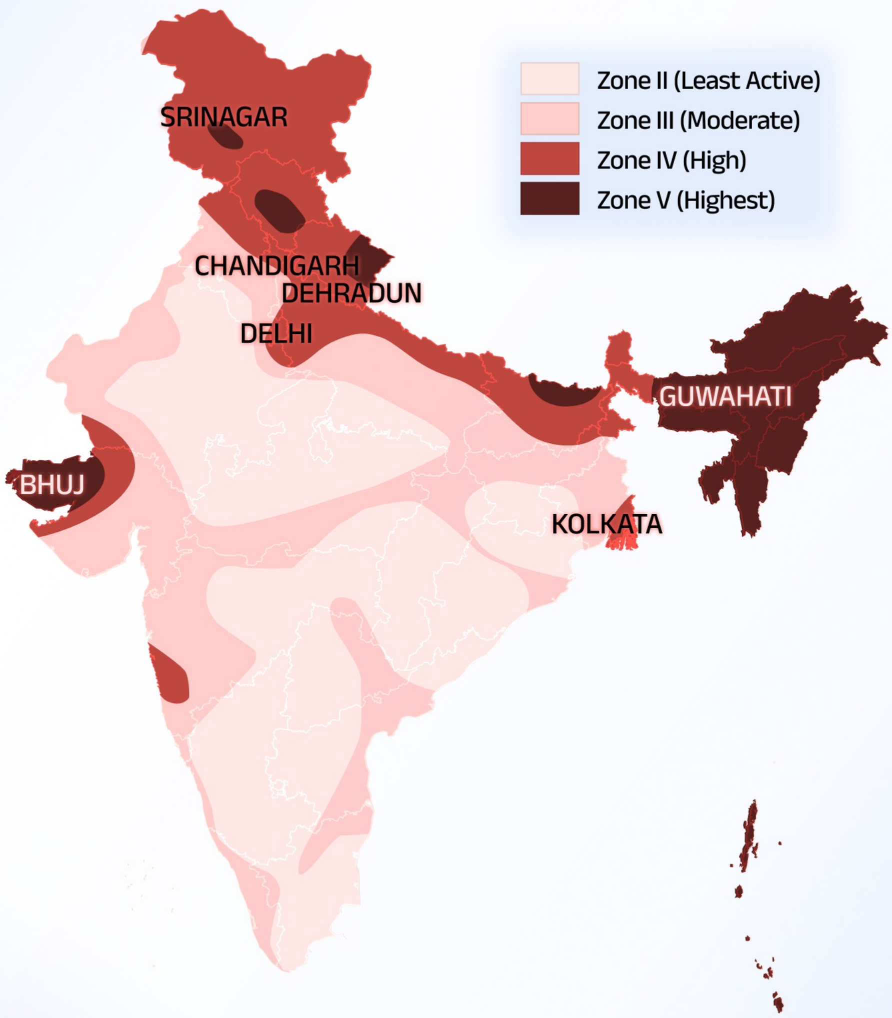
Tier 2 businesses, by contrast, experience risk in far more tangible ways. Fire, theft, transit damage, machinery breakdown, and worker injuries dominate insurance conversations. These risks are immediate, visible, and historically experienced. However, liability and continuity risks often enter the conversation only after scale is achieved - or after loss.

This distinction is critical. Tier 2 India is not under-insured because it is under-exposed; it is under-insured because risk language has not yet evolved. As these businesses scale, formalise, and integrate into national and global supply chains, their insurance needs expand rapidly - often within a short time window.

Risk vs insurance in earthquake zones of India

High exposure, uneven preparedness

India's seismic risk map presents a stark contrast between exposure and preparedness. BimaKavach data shows that **Delhi NCR dominates property and catastrophe-linked insurance adoption** within high earthquake zones. This dominance is driven by several reinforcing factors: high asset density, lender requirements, corporate ownership structures, and higher baseline awareness of catastrophic risk.



Delhi-NCR (Seismic Zone IV)

However, other earthquake-prone regions - across the Northeast, Uttarakhand, Himachal Pradesh, and parts of Gujarat - display materially lower insurance penetration. Importantly, this gap is not explained by lower exposure. It is explained by lower risk framing and limited advisory access.

Where businesses in these regions are guided through the financial and operational consequences of seismic events, insurance adoption improves markedly. The constraint is not willingness to pay, but **clarity of consequence**.

This pattern reinforces a broader insight from BimaKavach data: catastrophic risk insurance scales with awareness far more than with income levels.

Maharashtra as India's workmen compensation leader

Insurance as a wage-worker protection mechanism

Maharashtra stands out as the largest Workmen Compensation Insurance market on the BimaKavach platform. This leadership is rooted in the state's economic structure - manufacturing, logistics, infrastructure, and construction - but also in governance intensity.

Stricter enforcement around worker safety, clearer employer liability, and higher legal awareness have made Workmen Compensation Insurance a foundational requirement rather than a peripheral one. Employers increasingly recognise that protecting wage workers is not only a statutory obligation, but a safeguard against operational disruption, litigation, and reputational risk.

What emerges is an important shift: workmen compensation is no longer viewed purely as compliance insurance. It is increasingly treated as **workforce risk infrastructure**, especially in labour-intensive sectors where a single incident can halt operations.

Maharashtra's experience demonstrates how insurance adoption accelerates when worker protection becomes central to business continuity.

Karnataka as India's Cyber Insurance nucleus

From optional cover to credibility requirement

Karnataka - driven overwhelmingly by Bengaluru - accounts for the highest adoption of Cyber Insurance within BimaKavach's portfolio. This is a natural outcome of the state's economic composition: IT services, SaaS, health-tech, fintech, and consulting firms operating in data-dense environments.

Client conversations reflect a clear evolution. For many businesses, Cyber Insurance is no longer purchased reactively after an incident. Instead, it is often required by clients, partners, or global counterparties as a precondition for doing business. In several cases, cyber cover is bundled with professional indemnity to address both data and contractual liability.

This mirrors the trajectory seen in mature global tech ecosystems. Cyber Insurance transitions from "nice to have" to **enterprise hygiene**, signalling credibility, preparedness, and governance maturity.

Bengaluru's dominance suggests that Cyber Insurance adoption in India will likely spread outward from tech hubs to the broader digital economy over the next cycle.

India's next growth phase: protection as strategy

From single policies to risk architecture

BimaKavach data shows a consistent pattern across revenue bands. Early-stage businesses typically begin with a single policy - often asset or worker-focused. As revenue increases, insurance portfolios expand into **multi-policy risk stacks**: liability, cyber, employee benefits, and business interruption.

More importantly, higher-revenue businesses demonstrate intentionality. Insurance spend becomes calibrated as a proportion of revenue, rather than a reactive expense. This signals a transition from risk avoidance to **risk management**.

India's next growth phase will not be constrained by capital or ambition, but by resilience. Businesses that integrate protection early will scale faster, suffer fewer disruptions, and command greater trust from partners and customers.

Closing perspective

Building resilience into India's growth story

India's next phase of economic growth will be defined not only by how fast businesses scale, but by how resilient they are as they do so. The patterns across regions, sectors, and revenue stages point to a clear shift: risk is becoming more complex, more interconnected, and more consequential to business continuity. As regulatory expectations rise and awareness deepens, insurance is moving from the periphery of decision-making to the core of enterprise strategy. The ability of Indian businesses to anticipate, transfer, and manage risk will play a critical role in sustaining long-term growth, protecting livelihoods, and building trust in an increasingly formal and digital economy.

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