

The Next Frontier for **Life Insurance** Growth

The Untapped Potential of Tier 2 &
3 Cities in India's Life Insurance
Landscape



TURNKEY TRAINING



Key Data Points: The Insurance Gap



01 Declining Insurance Penetration

India's overall insurance penetration decreased from 4% in FY 2022323 to 3.7% in FY 2023324. Specifically, life insurance penetration dropped from 3% to 2.8% during the same period, underscoring the need for renewed focus on coverage expansion.

02 Global Comparison

India's insurance penetration is significantly lower than the global average of 7%, indicating a substantial opportunity for growth and alignment with international standards.

03 Underinsured Tier 2 & 3 Markets

Only 30% of individuals in Tier 2 and Tier 3 cities currently possess insurance policies, revealing a vast, underserved demographic that is increasingly seeking financial security.

04 Digital Adoption in Smaller Cities

Tier 2 cities have experienced a 70% increase in online motor insurance adoption, while Tier 3 cities and rural areas have seen a staggering 110% surge, reflecting growing digital engagement and openness to online insurance solutions.

05 Socio-Economic Shifts

The expanding middle class in Tier 2 and Tier 3 cities, coupled with rising disposable incomes and increased financial literacy, is driving demand for insurance products tailored to their unique needs.



KEY INSIGHTS



Purchasing Power in Tier 2 & Tier 3 Cities

01

E-commerce Booms Beyond Metros

Tier 3 cities grew by 65%, Tier 2 by 50%, and Tier 1 by just 10% — showing a major digital shift in smaller cities.

02

GST Rise Signals Economic Growth

GST from Tier 2 & 3 cities is growing 18% annually, outpacing metros and signaling rising economic activity.

03

Rising Disposable Incomes

Rising IT, manufacturing, and e-commerce in Tier 2 & 3 cities boost incomes, driving demand for goods and insurance.

04

Digital Engagement and Consumer Behavior

40% of Tier 3 consumers spend ₹1,000+ monthly online vs 30% in Tier 1, showing rising purchasing power in smaller towns.

05

Retail Expansion and 5 Consumer Preferences

Retailers are targeting Tier 2 cities like Lucknow and Coimbatore, with supermarket growth up 9–16% in 2024.

06

Government Initiatives

Schemes like UDAN and digital upgrades are boosting Tier 2 & 3 cities, driving access and consumer spending



EVIDENCE OF FINANCIAL SECTOR EXPANSION INTO TIER 2 & 3 CITIES

Retail & Wealth

HSBC plans to nearly double its branches in India, focusing on cities with growing wealth, indicating a shift towards Tier 2 and Tier 3 cities.

Fintech & Digital Lending

Revolut has doubled its India headcount to 3,000+ in a year, supporting APAC and London operations. Meanwhile, EV financier Revfin serves 24 Indian states, focusing on underserved borrowers in Tier 2 and Tier 3 cities.

Insurance & Asset Management

Turtlemint saw over 90% of festive season policy sales from Tier 2 and 3 cities. NSE also reported a 52% rise in retail investors from these regions in 2023, signaling rising interest in insurance and long-term wealth creation.

Global Capability Centers

GCC presence in Tier 2 and 3 cities rose from 5% in FY19 to 7% in FY24, with projections of 15–20% by 2025 and up to 30% in later years.



The Business Advantage of Tier 2 and Tier 3 Cities

✔ UNTAPPED CONSUMER MARKET

- Rising incomes and aspirations are fueling demand for branded products and services.
- Urbanization and digital growth are boosting modern retail, healthcare, education, finance, and entertainment.

✔ LOWER COST STRUCTURES

- Real estate, labor, and operations are cheaper compared to metros.
- Easier to experiment with new business models (e.g., smaller format retail, local delivery systems) with lower financial risk.
- Increasing availability of skilled talent returning from metros ("reverse migration" effect).

✔ DIGITAL & INFRASTRUCTURE BOOST

- Digital India initiatives have expanded internet access, making e-commerce, fintech, edtech, and telemedicine viable.
- BharatNet and 5G rollouts will further improve connectivity.
- The government focuses on smart cities, industrial corridors, and logistics hubs in non-metros.

✔ EVOLVING LIFESTYLE & ASPIRATIONS

- Younger populations in these cities are early adopters of digital trends but have fewer legacy brand loyalties.
- Growing desire for premium products and services, leading to market upgrades in automobiles, housing, electronics, and travel.

✔ POLICY & ECOSYSTEM SUPPORT

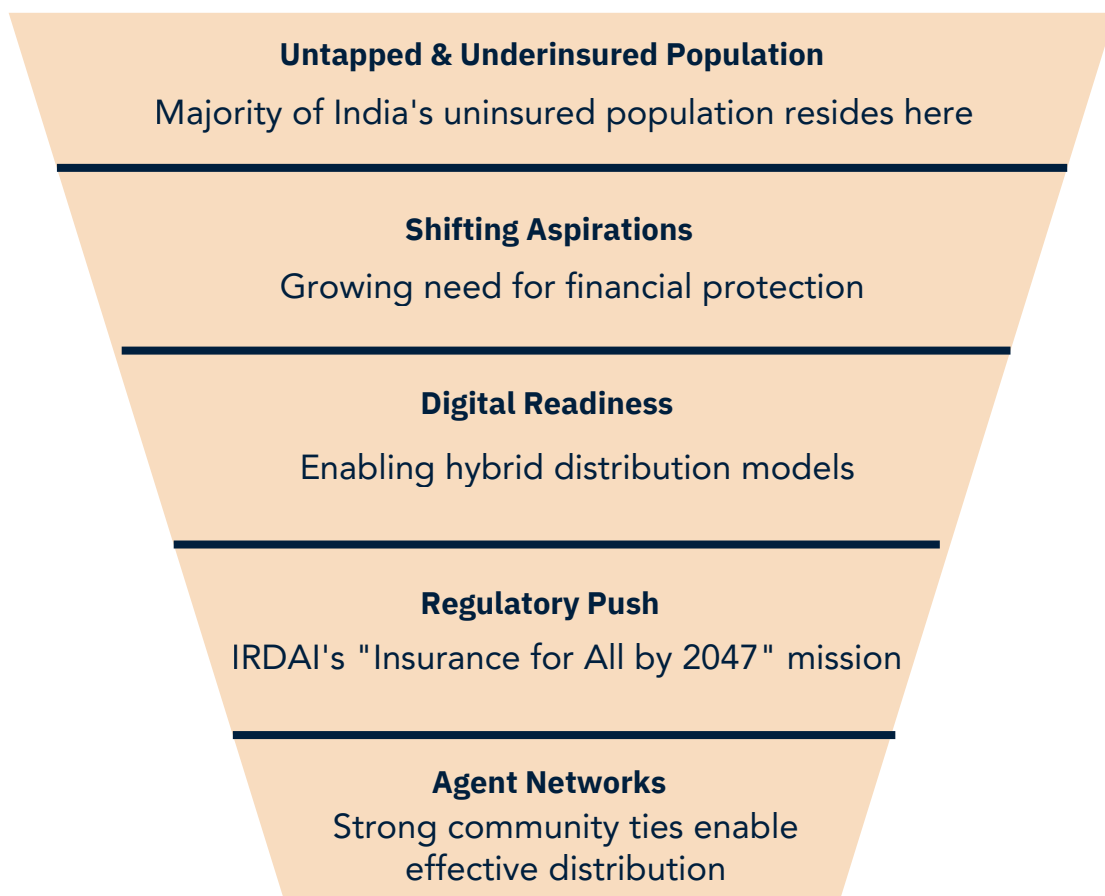
- Incentives for setting up industries in non-metros (tax breaks, land at subsidized rates).
- Ease of Doing Business reforms spreading beyond metros.
- Aggressive state-level startup policies supporting entrepreneurs in smaller cities.



Key Industries Likely to Benefit:

From retail to real estate, Tier 2 & 3 cities are emerging as key growth hubs—offering rising demand, lower costs, and better infrastructure. They're no longer secondary markets, but primary frontiers for expansion.

Why Life Insurance Companies Should Expand into Tier 2 & 3 Cities



- Tier 2 & 3 cities offer life insurers lower acquisition costs, loyal customers, and a high savings ratio—ideal for savings and child plans. With less competition and first-mover advantage, the opportunity is massive.
- Challenges like low awareness and trust can be solved through local presence and tailored products.
- The next million policyholders are waiting—not “should we,” but “how fast can we?”



Best Methods to Grow Insurance Awareness in Tier 2 & 3 Cities



Leverage Community Influencers

Collaborate with Local Influencers & Community Leaders.

School & College Programs

Launch Financial Literacy Programs for Youth Influencers.

Micro-Events & Community Engagement

Host Hyper-Local Events in Community Hubs.

Simplify Messaging

Leverage Local Languages & Culture via Popular Media.



Best Methods to Grow Insurance Awareness in Tier 2 & 3 Cities



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Collaborate with Banks & MFIs

Run insurance awareness sessions at bank branches, loan collection meetings, and SHG repayment days. Use bank staff as co-educators, not just sales referrers. People are more likely to listen about insurance while thinking of savings/loans.



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Radio & WhatsApp: The Underrated Awareness Champions.

FM radio in local dialects with popular announcers provides great reach and credibility. Short, emotional "slice of life" radio spots work better than insurance-heavy ads. WhatsApp forwards/videos shared by trusted contacts become powerful peerendorsed awareness tools. In Tier 2/3, WhatsApp is often the internet.

Create Stories of Real People/Claims Paid

Publish local success stories of claims settled and families protected. Even simple posters or video interviews of beneficiaries in that city/town can counter mistrust. Celebrate policyholders as heroes, not just customers. "If it worked for someone in my community, maybe it will work for me."

Physical Service Points

Establish micro-branches, kiosks, and assisted digital enrollment counters in hightraffic areas like markets, malls, and bus stations. Combine digital literacy with insurance literacy. Awareness rises when access feels closer, human, and low-hassle.



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Best Methods to Grow Insurance Awareness in Tier 2 & 3 Cities

Agriculture Networks

- Pre-existing trust & relationships with agriinput companies, equipment dealers, and co-operatives
- Shared financial goals & vulnerabilities align with insurance needs
- Aggregated customer bases provide scalability
- Embedded distribution models possible through existing payment streams
- Leveraging existing sales & service networks reduces costs

Other Powerful Business Networks

- Banking & Microfinance Networks (RRBs, PACS, MFIs)
- SME & Trader Associations
- Education Networks (schools, colleges, coaching centers) Healthcare Provider
- Networks Real Estate & Housing Societies
- Transport & Logistics Networks Women's Self-Help Groups (SHGs) & NGO Networks

As India's insurance industry sets its sights beyond metros, the real growth story is unfolding across Tier 2 and 3 cities—markets rich with aspiration, trust-based ecosystems, and untapped potential. To unlock these opportunities, insurers must go beyond traditional channels and embed themselves into the everyday networks that power these communities: agriculture supply chains, banking circles, SME clusters, and cooperative societies.

The path forward is clear: leveraging existing, trusted business networks to build awareness, trust, and access—faster, deeper, and more sustainably. Riding on the established ecosystems of agri players like Escorts and Eicher, insurers can directly reach India's heartland with relevant, relatable solutions that secure families, safeguard livelihoods, and build generational wealth.

At Turnkey Training, we bring this vision to life through our proven network of on-ground resources, trainers, and facilitators who already work closely with organizations like Escorts and Eicher across India's rural and semi-urban markets. We understand the pulse of these communities and the power of local trust. Whether it's training agri-dealer networks to be insurance evangelists, activating awareness through farm equipment channels, or creating contextualized learning for microentrepreneurs, we have the expertise, relationships, and execution capability to make it happen.




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