The Actuary India

Magazine of the Institute of Actuaries of India

January 2026

Life Insurance

Surrender Hustle: A secondary market for life insurance

Behavioural Economics

The Behavioural Actuary - Why Group Psychology Matters in Insurance

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Events: 3rd Webinar on Climate Risk

President's Column

Wishing all of you a very Happy, Meaningful, Collaborative and enriching 2026!!

"No one is perfect, that's why pencils have erasers" is often attributed to the mentalist and speaker Wolfgang Riebe.

For those who have watched The Simpsons, there is one episode where Lenny says, "Everyone makes mistakes, that's why pencils have erasers".

"**My Pencil Has an Eraser**" approach has a different connotation when it comes to actuarial work products, advise and services.

The question is "Can we afford to make mistakes assuming that my/our pencil has an eraser"? Or more practically, "have we seen actuaries make mistakes?". And if yes, what can one do to minimse the downside risk?

Actuaries as professionals are known for their technical skills, ethical and professional values. But all of us are human and human beings make mistakes. I was recently reading a post by Syed Raza on LinkedIn on how skipping a small assumption in the valuation model made significant impact on the reserves which caused him to brood over it for several days till a senior actuary said "This profession isn't about never being wrong. It's about how fast you correct, learn, and rise."
There are several pressures an actuary has to deal with at work (the scenarios mentioned here are not necessarily exhaustive):

- Rushed timelines, low budget with no time for any peer review
- Client pressure, conflict of interest to alter models, change assumptions, supress material facts etc.
- Lack of sufficient data, pressure from management
- Presenting incorrect or misleading numerical information to stakeholders
- Newer area and no expertise and you do not know whom to ask (or don't want to spoil you image of the "know-all" actuary)

Actuaries must evaluate the broader societal impact of their decisions, not just adherence to the law.

Some broad guidelines that may help

- Materiality is key
- Be transparent in communicating the models, assumptions, results and any caveats
- Keep abreast with latest developments in your areas of work – join trainings sessions, attend conferences (not just for networking and meeting friends)
- When in doubt ask!! Talk to peers, senior actuaries and learn from them.
- Last but not the least, learn from your own mistakes!!

January 2026

President's Column

How can one not talk of AI and its impact on actuarial profession in the future? AI is set to enhance our capabilities, allowing us to analyze large amounts of data efficiently, automate tasks, and play a larger role in strategic decisions.

The principles of professionalism and ethics would also need to evolve. IAA has very recently released a paper on AI and Supervision that provides foundational guidance on governance areas impacted by AI. It talks about the key principles and best practices for managing risks related to data, modelling and outcomes once AI systems are deployed. The paper is designed to strengthen actuaries' understanding of governance responsibilities and support their oversight of AI within actuarial and broader financial contexts. I would urge all of you to go through it.

https://actuaries.org/paper/artificial-intelligence-governance-framework/

The paper also talks of responsible AI. Simply put, supervision is required at various levels

- Competency to take up the assignment and awareness of the circumstances
- Knowledge of relevant circumstances
- Reliance on data, assumptions, models, process home
- Communicating the results in a transparent manner

Trust is the true currency of the actuarial profession. The Actuarial Profession has very strong codes on ethics and professionalism and guardrails to ensure that the work is reliable (the challenge is that neither the actuary nor the work gets seen directly, the repercussions of the decision are often long term in nature, and the impact emerges only in due course).

The world has lot of trust in what actuaries do. Let us continue to evidence it as new challenges emerge. Our strong sense of ethics is evident through what we deliver through our daily decisions and actions, and I encourage everyone to champion this responsibility.

We must continue building trust with the public and demonstrate that the profession adds value.

Also Read: Why Actuaries Are Uniquely Positioned to Lead AI Governance

Preeti Chandrashekar,
President, Institute of Actuaries of India

Editorial

A very happy new year to all our readers. As actuaries, we know that the calendar turning from December to January does not magically reset risk, uncertainty, or tail events—but it does give us a fresh valuation date. And like any good valuation, the new year invites us to review assumptions, reflect on emerging experience, and recalibrate our outlook with cautious optimism.

January 2026's edition of The Actuary India begins the year with a set of articles that speak directly to some of the most important questions facing our profession today: how value is created and realised, how human behaviour shapes financial outcomes, and how actuarial ideas evolve in response to markets, incentives, and institutional change.

The issue contains a timely feature on the secondary market for life insurance.

In "Secondary Market for Life Insurance", Ankit Sethi examines the growing global interest in policy trading and the implications this has for insurers, policyholders, and regulators alike. Often viewed through the narrow lens of surrender values, the secondary market forces a deeper interrogation of product design, fairness, and information asymmetry. For actuaries, this article is a reminder that policyholder behaviour does not end at policy issuance—and that value can migrate in ways our original pricing assumptions may not fully anticipate.

Behaviour, in fact, is a recurring theme this month. In "The Behavioural Actuary – Why Group Psychology Matters in Insurance", we are invited to look beyond individual rationality and towards collective dynamics. Group norms, social influence, and institutional culture can amplify or dampen risk in ways that traditional models struggle to capture. As insurance increasingly operates at scale—across large portfolios, ecosystems, and communities—this perspective is both necessary and overdue. The article reinforces a growing truth: technical rigour and behavioural insight are not substitutes, but complements.

Our trivia section takes readers on a historical detour with "Origins and the Widespread Adoption of Embedded Value", tracing how a hostile takeover helped shape one of the most influential valuation frameworks in modern insurance. Embedded Value is now deeply embedded—pun entirely intended—in actuarial vocabulary, regulatory discourse, and investor communication. Revisiting its origins is a useful reminder that actuarial tools are products of their time, shaped by commercial pressures, market innovation, and sometimes conflict. Understanding that history equips us to better evaluate how today's valuation frameworks may evolve tomorrow.

Editorial

Anchoring the issue is the President's Column for December 2025, which reflects on the profession's broader journey and responsibilities. As we enter 2026, the column underscores themes of stewardship, relevance, and public trust—concerns that resonate strongly across all the articles in this edition. Technical excellence remains our foundation, but it is our judgement, communication, and ethical compass that ultimately define our impact.

As we step into 2026, I wish all our readers a year of stable models, credible assumptions, and reserves that remain comfortably adequate even after stress testing. More importantly, I hope the year brings curiosity, debate, and active participation from across the profession. The Actuary India thrives when it reflects a diversity of ideas and experiences—and we look forward to hearing many more voices in the months ahead.

Prakhar Mody
Editor, The Actuary India
Magazine of the Institute of Actuaries of India

The Actuary India

Magazine of the Institute of Actuaries of India

Features

The Actuary India
Magazine Of The Institute Of Actuaries Of India

Behavioural Economics

The Behavioural Actuary - Why Group Psychology Matters in Insurance

Anjani Choudhary explores how group psychology shapes outcomes in insurance, highlighting the impact of social dynamics, such as facilitation, loafing, conformity, and groupthink, on actuarial decisions. This features makes a case for understanding human behavior as being essential for actuaries to design better products and manage risk more effectively.

When we think of actuarial science, we picture numbers, models, and risk calculations. But here's the truth: group insurance isn't just about pooling risk—it's about managing human behavior. When we think of group insurance, we probably picture spreadsheets, mortality tables, and premium calculations. But here's the catch: the success of a group insurance plan isn't driven by numbers alone—it's shaped by human behavior. From participation rates to claims experience, the psychology of groups influences every decision, hence understanding these dynamics can make actuaries better at pricing, underwriting, and product design.

A group is defined as two or more interdependent individuals who influence one another through social interactions. They are more than just a collection of people. Groups share roles, norms, cohesiveness, and common goals. In group insurance, the "group" could be an employer's workforce, a professional association, farmer association, members of a society or an affinity club. These dynamics affect enrollment decisions, claim behavior, and renewal negotiations. For instance, members often join a group because peers do, not solely based on cost-benefit analysis, and cohesive groups may encourage preventive care while loosely connected groups may exhibit adverse selection. Actuaries must anticipate this and adjust pricing assumptions accordingly.

Group insurance works on the principle of risk pooling, making coverage affordable for employees, associations, and affinity groups. Yet, decisions like enrollment, claims filing, and even renewal negotiations are rarely purely rational. Peer influence, group cohesion, and social norms often play a bigger role than cost-benefit analysis. For actuaries, ignoring these behavioral dynamics can lead to flawed assumptions and pricing risks. Understanding how people behave in groups is no longer optional, it's a competitive advantage.

One key concept is social facilitation, which refers to the tendency to perform differently when others are present. It describes how the presence of others can influence performance in two opposite ways. When a task is simple or well-practiced, having people around usually improves performance, we feel more confident and energized. However, when a task is complex or unfamiliar, that same presence can hinder performance, as pressure and self-consciousness increase.

For actuaries, this means routine pricing tasks may feel easier in a team setting, while complex trend analysis under observation can become more challenging. In actuarial practice, this can occur during pricing meetings for large corporate health plans. Budding actuaries may confidently handle routine rate adjustments but struggle with complex trend analysis under peer observation. To mitigate this, anonymized pre-meeting reviews for complex assumptions can reduce evaluation pressure and improve accuracy. Another example could be getting feedback from the client on the communication performance of the business development team which will ensure that the business team performs better. When business teams know that they are being observed not just internally but also by their customers, they may tend to work more empathetically.

Another phenomenon is social loafing, where individuals exert less effort in a group than when working alone. This behavior is most common in groups of four or more members, especially when the task feels unimportant or lacks personal relevance. A classic example is the free rider who contributes little or nothing to a joint project but still enjoys the same benefits as those who work hard. For actuarial teams working on complex projects like pricing group life products, unclear accountability can lead to free-riding and missed assumptions.

To reduce social loafing, accountability is key. When each person has a clearly defined, unique task, they are more likely to stay engaged and responsible. Additionally, allowing individuals to choose their own teams or assigning them to work with colleagues they have positive relationships with can boost group cohesiveness, making members more committed and less likely to slack off. In multi-departmental projects to price a group life plan, some team members may assume others will validate mortality assumptions, leading to oversight. One practical way to counter this is by reinforcing personal responsibility and purpose. Every employee should know how their work impacts the company, the customer, and their peers. A simple yet powerful approach is creating a personal tagline that reflects this contribution.

For example: "I'm contributing towards building simple, affordable, and client-centric products." Displaying this tagline visibly—on a laptop sticker or desk—serves as a daily reminder of individual accountability. When actuaries see their purpose clearly, they are less likely to disengage and more likely to take ownership of their tasks, reducing social loafing and improving team performance. Actuarial leaders can counter this by assigning clear accountability for each assumption, keeping pricing teams lean for high-stakes negotiations, and tracking contributions using dashboards.

Most people have a natural need for affiliation—the desire to belong to a group. This need often leads to group conformity, where individuals change their thoughts or behaviors to align with the group. Conformity is the adjustment of one's opinions, decisions, or actions to match those of others in a relevant group or to adhere to the group's norms. Interestingly, this pressure to conform usually happens without any explicit request; people feel compelled simply because they want to fit in or believe the group has better information. Normative conformity occurs when individuals conform to fit in, while informational conformity happens when they assume others have better information. In competitive bidding for a large employer group, actuaries may align with aggressive discounting trends to "fit in," even when loss ratios suggest caution.

Collecting individual pricing recommendations privately before group discussion helps reduce this pressure. Another example where conformity often emerges in hierarchical actuarial teams, where junior members feel pressure to align with senior opinions during pricing or reserving discussions. This can lead to biased decisions and overlooked risks. To minimize this, it's best to collect individual feedback first before opening up group discussions. This ensures that each actuary's perspective is captured without social influence.

Groupthink is the tendency for groups to prioritize harmony over critical evaluation, often leading to poor decisions. For example, a product development team might launch a wellness-linked group health plan without stress-testing participation assumptions, resulting in unexpected claims volatility. Preventing groupthink requires rotating leadership roles, encouraging dissent through anonymous feedback, and assigning a "devil's advocate" to challenge assumptions.

The comic illustrates a common scenario where team members privately disagree but publicly agree to maintain harmony. In actuarial practice, this can happen during pricing or product development meetings. For example, when discussing assumptions for a new group life product, some actuaries may have serious reservations about mortality trends or discounting strategies. However, in a hierarchical setting, they might suppress dissent and agree with the majority to avoid conflict or appear cooperative.

By understanding psychological principles, we can anticipate behavioral patterns, design processes that encourage independent thinking, and create accountability within teams. Simple strategies like collecting individual feedback before group discussions, assigning clear responsibilities, and promoting dissent can significantly improve decision-making. Insurance isn't just about pooling risk—it's also about managing people. Actuaries who integrate behavioral insights into their practice will not only build better models but also create more sustainable and client-centric solutions.

About the author(s)

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Anjani is a Fellow Actuary from Institute and Faculty of Actuaries with over 5 years of work experience in the Life and Health space. She spends time exploring the inclusive insurance space and the behavioral aspects around it.

> The success of a group insurance plan isn't driven by numbers alone — it's shaped by human behavior

> Understanding how people behave in groups is no longer optional, it's a competitive advantage.

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Life Insurance

Surrender Hustle: A secondary market for life insurance

Discover how a proposed secondary market for life insurance policies can revolutionise liquidity, policyholder returns, and insurer profitability in India. This insightful paper by **Ankit Sethi** explores innovative frameworks, regulatory challenges, and transformative benefits, paving the way for a more efficient and inclusive insurance ecosystem.

Introduction

The Indian life insurance sector has experienced robust growth in FY25, driven by rising financial literacy and regulatory reforms by Insurance Regulatory and Development Authority of India (IRDAI). However, surrender rates remain high (especially in the early years), eroding Value of New Business (VNB) margins and straining insurer profitability amid volatile persistency. Policyholders, facing liquidity needs or life changes, are bound to surrender their policies at the surrender value offered by the insurer (considerably lower in initial years). Surrender value scales were strengthened in 2024 by IRDAI for policyholder protection but this inadvertently increased insurer costs by limiting pricing flexibility.

This paper addresses a critical gap: the absence of a secondary market for life insurance policies, unlike mature markets in the US. By conceptualizing a regulated platform for policy transfers—termed "secondary life insurance market"—this analysis aims at maximizing policyholder and insurer welfare along with exploring ways to mitigate associated risks.

Background & Current Scenario

Life insurance policies in India function as long-term contracts where policyholders pay premiums in exchange for maturity, death, or income benefits as per policy terms and conditions. Premiums fund acquisition costs, risk pooling, and investment returns, but early surrenders disrupt this equilibrium.

According to the IRDAI Master Circular on Life Insurance Business dated June 12, 2024, the surrender value shall become payable after completion of the first policy year, provided one full year premium has been received. These recent modifications by IRDAI related to surrender value prioritize policyholder protection by increasing the surrender value scales and ensuring that the policyholder gets surrender value after payment of one full year premium as opposed to two full year premiums earlier.

Problem Statement

To understand the real-world impact of the existing surrender value framework, consider the following example:

Example: Mr. A purchase a non-participating endowment life insurance policy from ABC Life Ltd. with the following details:

Policy Characteristics	Amount(INR)
Annual Preminum	70,000
Sum Assured on Maturity	10,00,000
Preminum Payment Term	10 years
Policy Term	10 years

After paying two annual premiums, if Mr. A decides to surrender the policy due to financial urgency, he would receive approximately ₹42,000, despite having paid a total of ₹1,40,000.

Implications:

- For the policyholder: The surrender value is substantially lower than the premiums paid, placing the policyholder at a clear financial disadvantage.
- For the insurer: The company may also incur losses due to high initial expenses and commission payouts, creating an early-stage capital strain.

This rigid surrender value framework thus effects all stakeholders:

- Policyholders receive undervalued payouts.
- Insurers experience persistency challenges and elevated capital requirements.
- The market loses opportunities for innovation in risk-sharing mechanisms.

While the IRDAI's recent increase in Guaranteed Surrender Value (GSV) levels aims to protect policyholders, it also introduces pricing rigidity, limiting product innovation and exposing insurers to interest rate volatility—particularly in the event of RBI rate cuts that impact investment yields.

This inefficiency underscores the need for a secondary market mechanism that allows surrender values to be determined through competitive market pricing, thereby aligning with the IRDAI's consumer-centric reform agenda and promoting a more efficient, equitable, and innovative insurance ecosystem.

Proposed Alternative: Secondary Market Framework

A secondary life insurance market would enable policyholders to auction or sell policies to third parties (individuals or institutional buyers) via a regulated platform. Sellers receive a negotiated lump sum exceeding GSV & SSV, based on policy duration and buyer interest—while buyers pay future premiums and receive future benefits.

Stakeholder benefits are multifaceted:

- Policyholders (Sellers): Policyholder is able to get higher surrender value from the third party thereby maximizing policyholder return.
- Buyers (Third Parties): Acquire policies at discounts. Even after paying higher surrender value to the existing policyholder, prospective buyer/third party will still be at advantage as he/she would be entitled to the future benefits of the policy at a lesser cost compared to purchasing a new policy.
- Insurers: Reduced early-year surrenders improve persistency ratios, lowering per-policy acquisition costs and enhancing new business margins, embedded value and subsequently ROEV. Additionally, insurers gain opportunities for cross-selling to policy acquirers, expanding their customer base.

A formal secondary market will also include institutional investors & market makers prepared to acquire policies from the selling policyholders. In return, the policyholders would get better surrender value of their policies.

Key Considerations

Establishing a secondary market requires comprehensive consideration of actuarial, regulatory, and operational dimensions to safeguard company's solvency and ensure equitable outcomes.

- **Mortality Risk Transfer:** The mortality risk component is priced based on the original policyholder's underwriting characteristics (age, medical condition, smoking status, occupation, etc.). Transferring this risk to a buyer with different risk characteristics without re-underwriting could lead to adverse selection and mispricing. Re-underwriting would typically involve additional cost and waiting time, thereby making the whole arrangement unattractive.

- **Product Eligibility:** Evaluating the appropriateness of different insurance product types for secondary market transactions is critical. For example, non-participating savings products are likely to be the most compatible, whereas non-par protection plans and annuities may present greater challenges in such a market on account of mortality and longevity risks respectively.

- **Fraud and Anti-Selection Risks:** Secondary market transactions may expose insurers to adverse selection, as individuals with known health conditions might acquire such policies expecting to claim the death benefit once mortality coverage is transferred.

- **Administrative Complexity:** The process of transferring ownership of life insurance policies in the secondary market introduces significant administrative complexity for insurers and service providers. Each transfer requires careful verification of ownership documents, updating of insurer records, and revalidation of policy details to ensure accuracy and regulatory compliance. Additionally, adherence to legal requirements such as Know Your Customer (KYC), Anti-Money Laundering (AML) checks, and data privacy obligations further adds to the operational workload. Coordinating among multiple stakeholders — including policyholders, investors, intermediaries, and regulators — can also lead to delays and increase the risk of administrative errors. Collectively, these factors elevate both the cost and time involved in managing such transactions.

- **Stakeholder Interests:** In the secondary life insurance market, the interests of various stakeholders—such as seller policyholders, buyer policyholders, insurers, and investors—may not always align. The transformation of life insurance policies into tradeable financial instruments raises ethical considerations and creates potential conflicts of interest between those seeking financial returns and those seeking life protection.

- **Tax Implications:** The tax treatment under sections 80C (premium deduction) and 10(10D) (maturity proceeds exemption) of the Income Tax Act, 1961, needs clarification for transferred policies. Key questions include whether the new policyholder would receive tax benefits, whether the original policyholder's tax deductions would be clawed back upon sale, and how the sale proceeds would be taxed.

Key Benefits Of Secondary Market

The secondary market framework offers multiple benefits for policyholders, insurers, and the broader insurance ecosystem. These advantages demonstrate how the secondary market can enhance liquidity, improve profitability, and foster innovation within the life insurance sector.

- **Improved Liquidity & Higher Surrender Values** – A well-regulated secondary market offers policyholders the opportunity to monetize their life insurance policies by selling them for immediate cash, typically exceeding the surrender value payable by the insurer. This feature enhances liquidity for policyholders and also unlocks hidden value in the policy that traditional surrenders do not provide.

- **Reduced Regulatory Constraints on Surrender Values:** - The emergence of competitive pricing in the secondary market may justify greater flexibility in Guaranteed Surrender Value (GSV) and Special Surrender Value (SSV) scales. This could allow regulators to consider calibrated relaxations in existing surrender value regulations, thereby easing pricing constraints and fostering innovation in product design.

- **Enhanced Insurer Profitability** – The secondary market mechanism addresses a core profitability challenge for insurers: early-year policy surrenders that prevent recovery of substantial upfront acquisition costs (commissions, underwriting, and administrative expenses). By providing policyholders with an attractive alternative to traditional surrender, persistency rates improve significantly, particularly in policy years 2-5 where surrender strain is most acute. Higher persistency results in reduced per-policy unit costs and improved expense ratios. These improvements cascade through key financial metrics: New Business Margins (NBMs) expand as fewer policies lapse before profitability breakeven, Return on Embedded Value (ROEV) strengthens through better persistency and reduced per-unit costs.

- **Accelerated Market Growth** – Enhanced liquidity options and improved policyholder economics address a key barrier to insurance adoption in India. By reducing the financial risk of policy surrender, the secondary market framework increases product attractiveness, driving higher new business volumes and contributing meaningfully toward India's national goal of "Insurance for All by 2047."

- **New Innovative Distribution Channel** – Policy acquirers automatically enter the insurer's customer base without any acquisition expenses. These financially capable buyers present strong cross-selling opportunities for additional insurance products.

- **Positive Externality for Primary Market** – The introduction of a secondary market enhances product flexibility and perceived liquidity, allowing policyholders greater optionality to exit without significant value loss. This increased confidence can stimulate new business growth and improve market penetration in the primary life insurance segment.

- **Investment Opportunity** – The secondary market enables third-party investors to acquire life insurance policies as an alternative asset class, offering stable and predictable returns—potentially enhanced by favourable tax treatment. This creates a novel, low-risk investment avenue with fixed-income characteristics, contributing to portfolio diversification and expanding the spectrum of financial instruments available to institutional and retail investors.

Conclusion

The development of a well-structured secondary market for life insurance policies in India represents a transformative milestone in enhancing liquidity and improving persistency of life insurance policies. Such a market would generate value for all key stakeholders—policyholders, investors, and insurers alike. By facilitating better surrender values and greater flexibility, it would enhance the overall attractiveness of life insurance as a financial product. Furthermore, it aligns closely with the national objective of achieving **"Insurance for All by 2047.**

Recommendations

Based on the insights and analysis detailed in this paper, following focused recommendations are presented for insurers, regulators and market participants:

- **Exclude Mortality Risk Transfer** – Given the complexity associated with underwriting, anti-selection, and tracking challenges, mortality risk transfer may be excluded from secondary market transactions. The mortality cover should automatically cease upon policy transfer, thereby preserving surrender profits for insurers.

- **Impact Assessment** – A comprehensive preliminary impact assessment should be undertaken to evaluate financial and non-financial implications across key metrics such as VNB, Embedded Value (EV), profitability, expense overruns, solvency margins, reserves, business volumes, and Net Promoter Score (NPS).

- **Regulatory Framework**: Harmonized guidelines for secondary market transactions, ensuring transparency, consumer protection, and fair pricing practices from the regulator would be pivotal.

- **Awareness and Education** – Conduct structured awareness initiatives among policyholders, distributors, and investors to highlight both the benefits and risks of secondary market participation, thereby reducing the likelihood of misinformation or mis-selling.

- **Technology and Data Infrastructure** – Encourage investment in robust digital infrastructure and data-sharing mechanisms to facilitate efficient policy transfers, maintain data integrity, and enable regulatory oversight.

In essence, the creation of a regulated secondary market for life insurance can redefine the value chain of the insurance industry—transforming traditional products into dynamic financial assets, improving policyholder outcomes, and advancing India's long-term vision of inclusive, sustainable insurance growth.

References

- IRDAI Master Circular on Life Insurance Business dated June 12, 2024
- Income Tax Act, 1961

About the author(s)

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Ankit is a Fellow of the Institute of Actuaries of India with over a decade of experience in the actuarial domain, spanning Embedded Value, Asset Liability Management (ALM), IFRS 17, Statutory Valuation, and Prophet Modelling. Over the years, Ankit has been involved in several strategic projects covering M&A, IPO, capital optimization, interest rate model framework and natural hedge strategies. In his leisure time, he enjoys listening to music and playing chess.

> Insurance policies in India function as long-term contracts where policyholders pay premiums in exchange for maturity, death, or income benefits as per policy terms and conditions.

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Trivia

Origins and widespread adoption of Embedded Value: How a Hostile Takeover Birthed Modern Insurance Valuation

B.M. Sampad
Editor-in-Chief
The Actuary India Magazine

In the predictable world of insurance accounting, reporting and valuations rarely generate adrenaline-pumping drama. However, the history of Embedded Value (EV) is a rare exception. It is a story that spans three decades, moving from a theoretical paper in an actuarial journal to the boardrooms of the 1980s corporate raiders.

Today, under modern standards like the Indian Embedded Value and IFRS 17, we take the "Discounted Cash Flow" (DCF) approach for granted. But the journey to get there wasn't just about better math—it was about survival.

Here is the origin story of how a mathematical concept became the ultimate corporate shield.

The Visionary: James Anderson (1959)

To understand the drama of the 1990s, we first have to travel back to 1959. At the time, life insurance companies were valued using formulaic, statutory approaches. These methods focused heavily on prudence and solvency—making sure the company had enough money in the bank right now to pay claims—but they lacked an unbiased way of measuring expected future profitability.

Enter James C.H. Anderson.

In a seminal paper titled 'Gross Premium Calculations and Profit Measurement for Nonparticipating Insurance', Anderson proposed something radical. He argued that to truly know what an insurance product was worth, you couldn't just look at the statutory reserves. You had to project the future cash flows using "best estimate" assumptions (guesses that weren't overly optimistic or pessimistic) and then discount those emerging surpluses back to present value.

This was the birth of the Discounted Cash Flow (DCF) approach in insurance modelling for actuaries. Anderson's work was the precursor to what we now call Embedded Value. It was brilliant, logical, and for a long time, largely academic.

The Catalyst: The "Pearl" Heist of 1989

Fast forward thirty years. The theoretical seeds planted by Anderson were about to bloom, forced open by the heat of a hostile takeover.

By the late 1980s, the "corporate raider" culture was in full swing. In 1989, the Australian Mutual Provident Society (AMP) set its sights on a massive target: the UK-based Pearl Group.

This takeover battle is the "watershed moment" in the history of insurance valuation.

At the time, the stock market valued insurance companies based on simple accounting multiples (like Price-to-Book ratios). Based on these traditional metrics, Pearl Group's shares were trading at around 605p to 650p. The market believed this was a fair price.

However, AMP had done their homework. They looked past the accounting book value and applied what's not widely understood as the "embedded value" assessment for Pearl's business. They calculated the underlying economic value of Pearl's life insurance portfolio—the future profits that were already "embedded" in the business but invisible on a standard balance sheet. They launched a hostile bid.

The Failed Defense

The Board of Pearl Group knew they were being undervalued. In a desperate attempt to fend off AMP, they published a defense document. For one of the first times in a high-stakes public battle, they included a "Combined Valuation"—essentially an Embedded Value calculation produced by consulting actuaries.

Pearl's defense argued: "We aren't worth 650p. When you look at the appraisal value of our life business, we are worth 765p per share!"

It was an actuarially sound and a pure application of the embedded value theory. But it failed.

Why? Because the market didn't understand it. The shareholders and the wider public were so accustomed to traditional accounting that they viewed the "Embedded Value" figure as theoretical magic. The market price of Pearl shares remained around 650p.

Because the market failed to appreciate the true economic value, AMP was able to increase their offer slightly to 690p—still significantly below the 765p internal valuation—and successfully acquired 100% of Pearl effective March 1, 1990.

AMP had successfully bought a dollar for 90 cents, simply because they understood the math better than the market did.

The Ripple Effect: EV as a Shield

The takeover of Pearl Group sent a shockwave through the insurance industry. Boards of other life insurance companies watched in horror. They realized that if their share prices relied solely on traditional accounting book values, they were all sitting ducks for hostile takeovers.
This fear drove the widespread adoption of Embedded Value.

Soon after, insurance companies began publishing EV reports voluntarily. It wasn't just about transparency; it was a defense mechanism. The logic was simple: "We need to educate our shareholders on the true value of our future cash flows now, so they don't sell us cheap later."

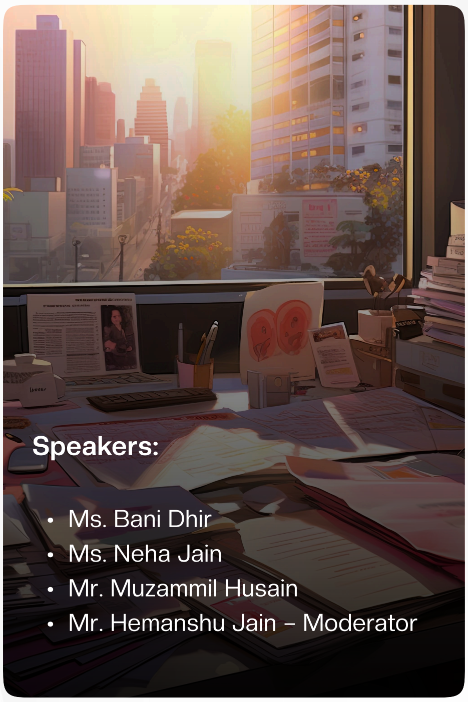
From Defense to Discipline

While EV started as a shield against raiders like AMP, it eventually evolved into a sword for management.
By the mid-1990s and 2000s, companies realized that if EV was good for showing value to shareholders, it was also good for running the business. It allowed management to assess the "Value of New Business" (VNB) accurately. Instead of just chasing sales volume, they began chasing value creation.

Events

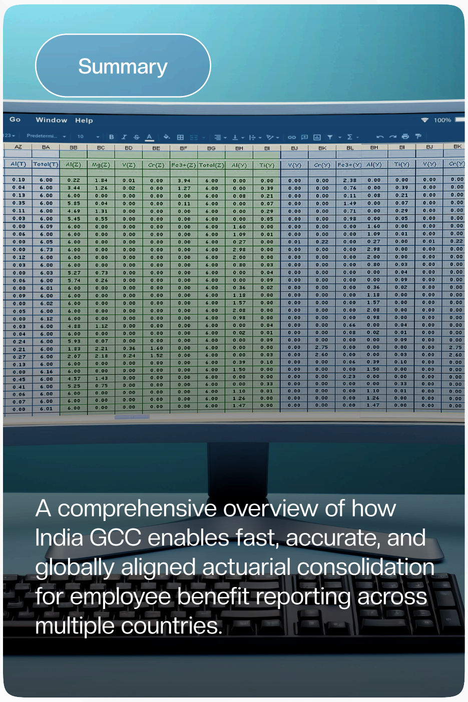
EVENTS: Webinar
14th Techtalk on Employee Benefits

Reportage by **Kanika Gupta**



Speakers:

- Ms. Bani Dhir
- Ms. Neha Jain
- Mr. Muzammil Husain
- Mr. Hemanshu Jain – Moderator



Summary

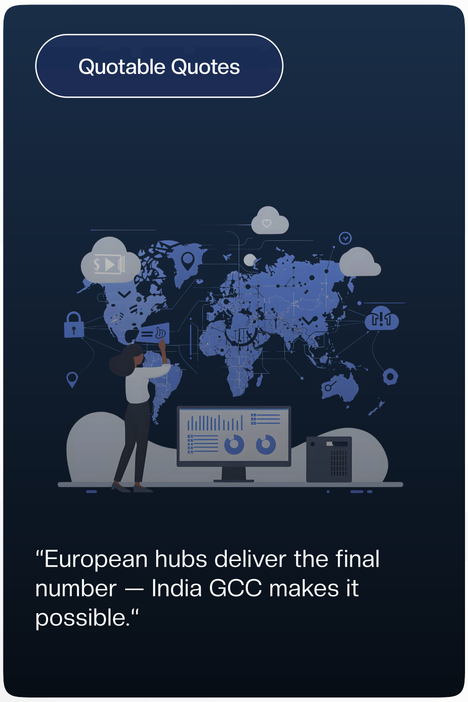
A comprehensive overview of how India GCC enables fast, accurate, and globally aligned actuarial consolidation for employee benefit reporting across multiple countries.

Quotable Quotes

“Precision at the local level is what powers global accuracy.”

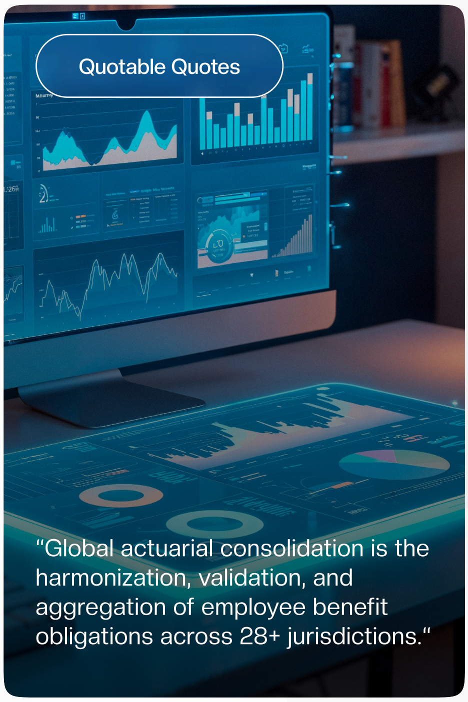
Quotable Quotes

“Actuarial consolidation is not a task — it's a coordinated global operation.”



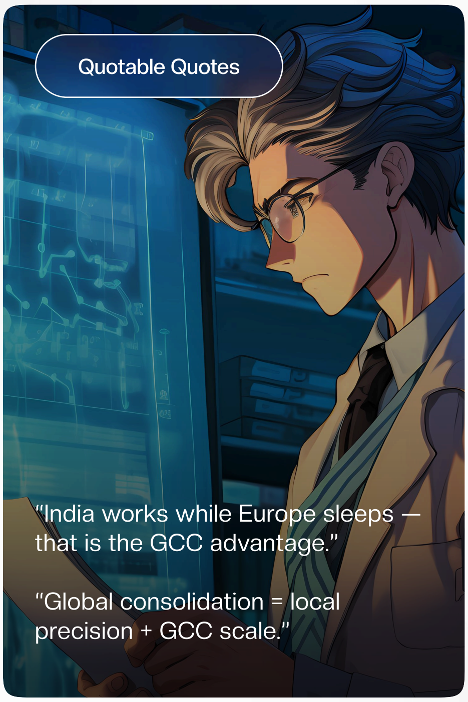
Quotable Quotes

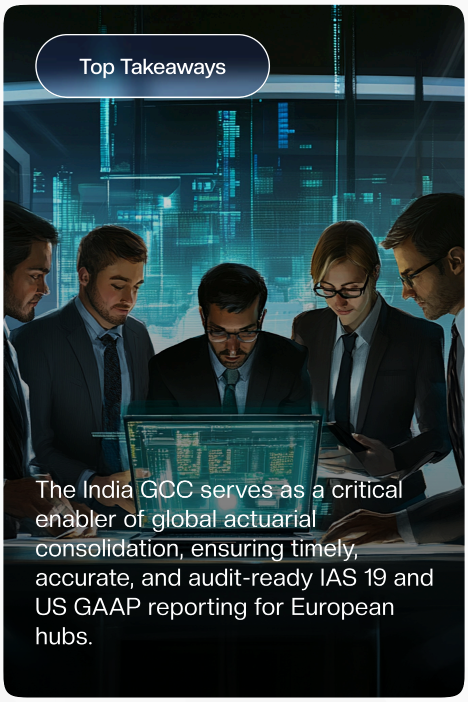
“European hubs deliver the final number — India GCC makes it possible.“

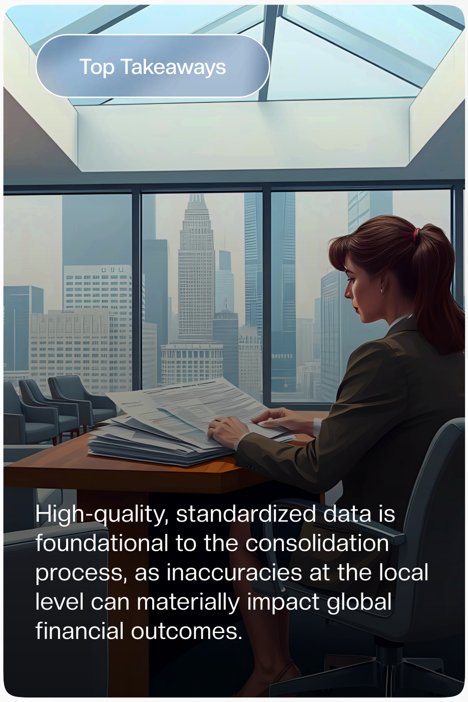


Quotable Quotes

“Global actuarial consolidation is the harmonization, validation, and aggregation of employee benefit obligations across 28+ jurisdictions.“







Session Notes

Topic: Actuarial Coordination Across Borders

Date: November 24, 2025

Welcome Address by Mr. Hemanshu Jain - Moderator

- Mr. Hemanshu Jain is a qualified Actuary & Chairperson of Advisory Group on Pensions and Employee Benefits.
- He began the session with a brief overview of the role of coordinating actuaries, how they ensure global consistency, aligning the local actuaries with the practices of the international accounting standards and helps client consolidate multi country results for their corporate reporting.
- He then provided an overview of the session's agenda, which focused primarily on how India GCC quietly drives every European employee-benefits close with precision, scale, speed and a walkthrough of the processes, challenges, and best practices behind global employee benefits consolidation.

- He introduced the First speaker Ms. Bani Dhir. She is the actuarial analytics leader with over 23 years of experience in health insurance, Property and casualty and retirement benefits. Second speaker is Ms. Neha Jain who has over 17 years of technical experience in retirement valuations and possess extensive knowledge on US defined benefit plans, new client implementations, and experience studies. Third speaker is Mr. Muzammil Husain, who has over 20 years of experience in employee benefits and retirement consulting. He has deep expertise in statutory evaluations of defined benefit schemes, risk management, and transfer strategies.

Key takeaway of the session are: -

Overview of Global Actuarial Consolidation and the Strategic Role of India GCC

- The session outlines the framework of cross-border actuarial coordination, led by Mercer's India Global Capability Centre (GCC) in partnership with European hubs in London, Frankfurt, and Paris, to deliver seamless global reporting.

- It highlights the scale and complexity of the consolidation environment, with 450+ multinational clients requiring IAS 19 and US GAAP disclosures across 28 countries, involving inputs from local actuaries worldwide and final consolidation within strict sub-60-day timelines.

- Global actuarial consolidation is presented through four key pillars—Data Validation, Assumption Alignment, Valuation Roll-Up, and Timeline & Quality Control—through which India GCC delivers standardized, audit-ready datasets and country-level results to European teams.

- The criticality of the India GCC is demonstrated through its operational advantages: 24/7 workflow continuity, automation-driven quality checks that identify 92% of anomalies prior to review, and scalable delivery capacity with 44 FTEs supporting hubs that would otherwise require significantly larger onshore teams.

- The Coordinating Actuary model is shown to materially enhance efficiency—improving APAC submission timelines from three weeks delayed to consistent D+12 delivery, offering meaningful buffer time for European consolidation and audit processes.

- Mercer India GCC's rapid evolution is underscored by its growth from 7 to 120 clients, 1 to 4 coordinated regions, and 4 to 14 actuarial specialists over three years, positioning it as the core consolidation backbone for European hubs by 2025.

- The roadmap concludes with key takeaways emphasizing GCC's role as the operational engine behind Europe's employee-benefit close, the importance of local actuarial precision in achieving global consistency, and the accelerated professional development enabled through exposure to 25+ international jurisdictions.

Key Foundations and Challenges in Global Accounting Consolidation

- Accounting consolidation integrates multiple global entities into a unified financial statement for accurate and compliant reporting.

- Ensures transparency, regulatory alignment (IFRS/US GAAP), and supports strategic decision-making for multinational organizations.

- Major challenges include inconsistent data systems, differing accounting standards, timing mismatches, data quality issues, and complex currency translation.

- Successful consolidation relies on aligned roles across HQ, local actuaries, GCC teams, clients, and auditors.

- Effective stakeholder collaboration ensures accurate valuations and smooth end-to-end reporting.

- The consolidation workflow links local actuarial results with global review and reporting tools such as Mercer Globe.

- Currency translation requires careful application of functional vs. reporting currencies and various exchange rates, with strong disclosure practices.

Operational Processes, Reviews, and Year-End Practices in Global Actuarial Consolidation

- Final consolidated reports require reconciliation of intercompany transactions, inclusion of all relevant entities, compliance checks, and thorough documentation for audit readiness.
- Best practices emphasize standardization, automation, clear communication, continuous training, and ongoing process improvement based on feedback.
- Software access is controlled annually, with up to five client users receiving access simultaneously.
- Roll-Forward (RF) valuations are used by some clients as a cost-effective option, relying on prior census data with only financial assumption updates and actual cashflow inputs.
- Result review includes assessments of discount rate/salary sensitivities, cashflow comparisons, year-over-year P&L changes, experience gains/losses, asset allocation, and return metrics.
- Additional review areas cover DBO split analysis, assumptions, sensitivities, plan duration, expected cashflows, membership data, and full-year P&L.
- When reporting under both US GAAP and IAS 19, disclosures are collected using US GAAP and then converted for IAS 19, with extra items like ABO and amortization periods included.
- GCC customizes software-processed outputs to match HQ expectations through tailored reports, macros, or formatted files.
- Forex adjustments convert local-currency results into a standard reporting currency (often EUR), performed at both preliminary and final stages for consistency.
- Year-end updates include collecting cashflows, updating valuation software, and refreshing discount rates in line with current market conditions.

About the author(s)

Kanika Gupta
Actuarial Manager
Mercer

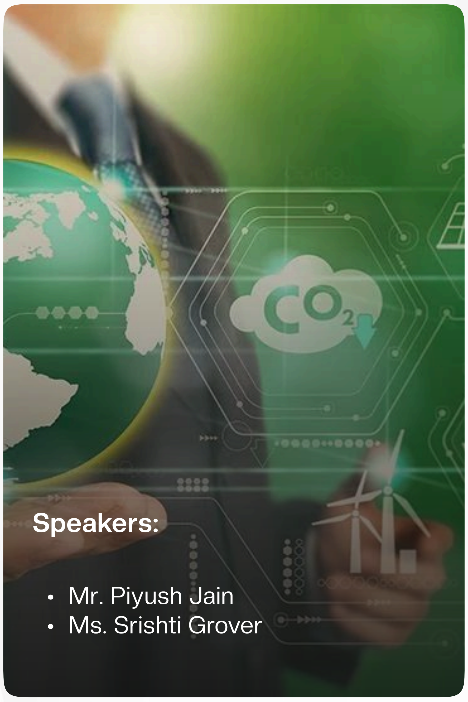
Kanika has spent the past decade specializing in U.S. and Asian Retirement benefits. With extensive experience in pension strategy and risk analysis, she is passionate about helping organizations navigate the complexities of retirement planning. Outside of work, she enjoys watching movies and traveling to new destinations, seeking inspiration and new experiences along the way.

> “Precision at the local level is what powers global accuracy.”

EVENTS: Webinar

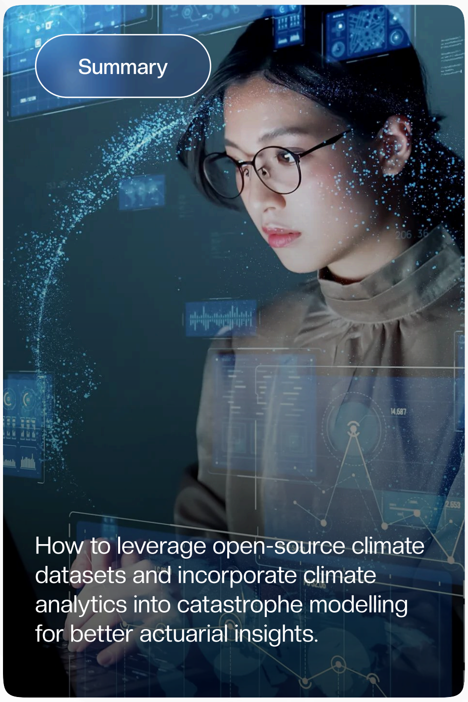
3rd Webinar on Climate Risk

Reportage by **Aiswarya Prakash**



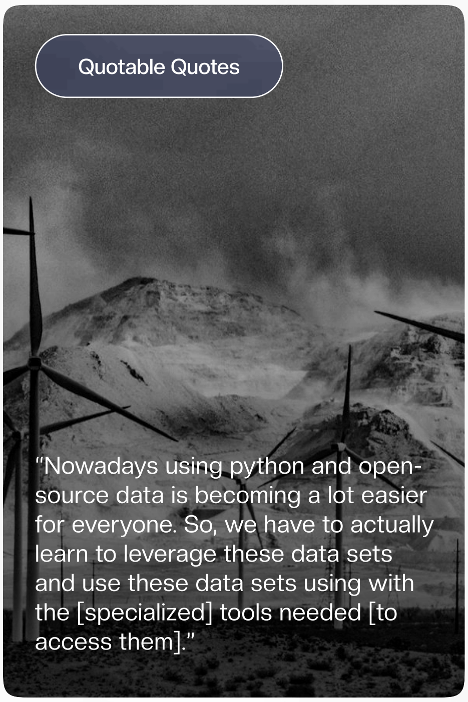
Speakers:

- Mr. Piyush Jain
- Ms. Srishti Grover



Summary

How to leverage open-source climate datasets and incorporate climate analytics into catastrophe modelling for better actuarial insights.

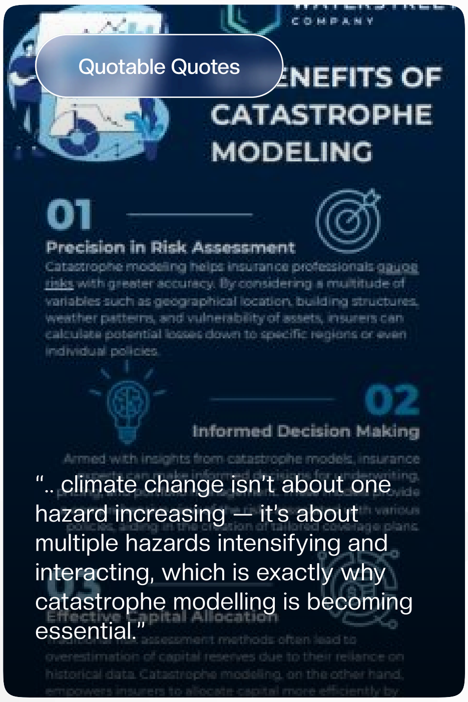


Quotable Quotes

"Nowadays using python and open-source data is becoming a lot easier for everyone. So, we have to actually learn to leverage these data sets and use these data sets using with the [specialized] tools needed [to access them]."

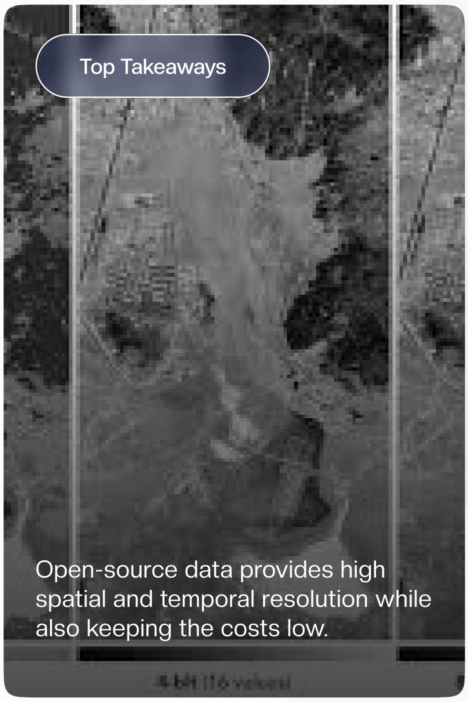
Quotable Quotes

"Our traditional models knew it [extreme weather event] was possible, but the market wasn't ready. Today, we're not just talking about models; we're talking about the difference between solvency and bankruptcy."



Quotable Quotes

".. climate change isn't about one hazard increasing — it's about multiple hazards intensifying and interacting, which is exactly why catastrophe modelling is becoming essential."



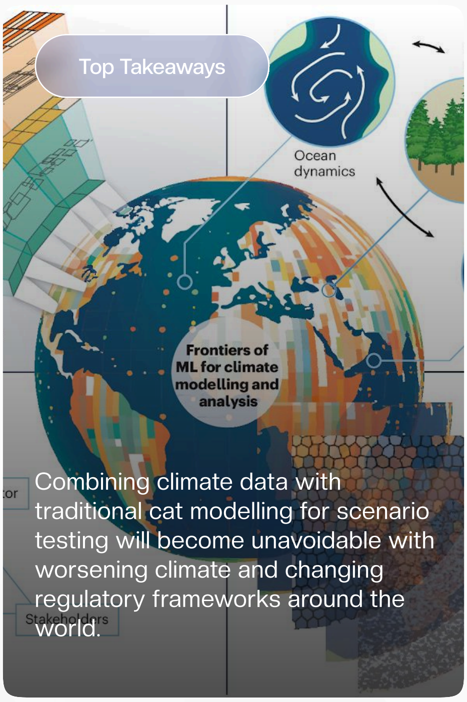
Top Takeaways

Open-source data provides high spatial and temporal resolution while also keeping the costs low.

Top Takeaways

Cat modelling influences major actuarial decisions such as pricing, solvency, emerging risks, strategy and transition vs. physical risk.

Top Takeaways



Combining climate data with traditional cat modelling for scenario testing will become unavoidable with worsening climate and changing regulatory frameworks around the world.

Session Notes

Topic: Data You Can Actually Use: Turning Climate Datasets Into Actuarial Insights

Date: December 5, 2025

<u>Turning climate datasets into actuarial insights:</u>

Major challenges actuaries face with climate data is that available data is not consistent or sufficient for the analysis; while data is available it could be too high-level, biased or structurally complex to process. Thus, public datasets should be leveraged because it is sourced from reliable entities, comes in a range of spatial and temporal resolution, and is cost efficient.

According to the purpose of the analysis, raw observations, algorithm generated data (reanalysis) or satellite data can be used. Important primary sources of such data are IMD, ERA5, CHIRPS, and CMIP6. Data can also be sourced from secondary sources like GPM and APHRODITE.

Remote sensing data comes from satellites. These are categorized into optical and radar (SAR). This data can be used to calculate indices reflective of the prevailing climatic/ environmental conditions or to map exposures. Data is collected from satellites such as Sentinel-1, Sentinel-2, MODIS and Landsat, each with its own pros and cons. Some examples of such datasets are NASADEM and ESA World Cover.

The dataset to use will depend on the resolution (granularity) required, frequency of observations and period of study. These datasets are predominantly used for pricing parametric insurance, to underwrite properties with environmental risks or develop catastrophe models based on changing climatic conditions.

Data is usually available in NetCDF format or GeoTIFF, which can be processed using python and Google Earth Engine respectively; when available in GRIB format, it needs to be converted to NetCDF to be able to process it further.

Data would need to be statistically processed before applying to any study. Downscaling is a process of predicting local-scale weather from large-scale data; this is useful for granular pricing activities based on large-scale datasets. Bias correction is another technique which is used to correct the data for any bias accidentally incorporated in the time of data collection.

<u>Catastrophe modelling & its intersection with climate science:</u>

Catastrophe models combine scientific simulations, financial terms and stochastic situations to estimate probabilistic losses due to extreme events. Components of Cat models include: hazard module – defines the physics of the extreme weather events (what might happen & how intense will it be); exposure module – details the insured properties and their value; vulnerability module –converts hazard into exposure (damage expected); and financial module – defines the insurance terms and contract. All this together gives the expected insured loss which helps actuaries quantify extremely rare losses to make informed decisions.

Climate change leads to multiple hazards intensifying and interacting at once, and hence catastrophe modelling is an important tool for actuaries. Actuaries could benefit from studying climate-linked perils to make important business decisions. Some such perils include cyclones, flood, heatwaves, wildfires and Severe Convective Storms.

Cat model outputs can be turned into valuable actuarial insights in the following ways:

- Exceedance Probability curves can be used for stress and reverse stress testing to understand what scenarios break solvency thresholds.
- Return period analytics can prove significant to businesses: 1-in-200 for solvency capital, 1-in-50 for pricing and 1-in-20 for budget thresholds.
- Attribution & Contribution analytics – breakdown of losses by peril, location, occupancy or construction type would help identify concentration risk and diversification opportunities.
- Climate-conditioned adjustments to return periods or ARIs improves model in changing conditions without relying on outdated historical values.

Apart from the efficiencies that cat models bring to the business, it is also becoming necessary due to increasing regulatory pressures. In India, IRDAI mandates catastrophe reserves; disclosures are increasingly becoming necessary (BRSR Core, ESG in annual reports); and the 2025-2030 climate risk integration roadmap indicates more structural change. Globally, disclosure norms are becoming strict (IFRS S1 & S2 require disclosure of climate risks) and scenario analysis of climate events is increasingly being demanded (EU CSRD, NAIC in US and UK PRA's Biennial Exploratory Scenario exercise). Hence cat models are gaining importance across the globe.

For a simple illustration on the model building process, follow the below steps using Publicly available datasets to build catastrophe models:

1. Simulating the hazard module – create random set of extreme weather events (using frequency & severity distributions), and exposure data (portfolio of properties). Define a function to calculate the local intensity.

2. Estimate the damage – Convert the intensity into damage ratio and assign some degree of randomness to model it similar to real-life. Calculate the exceedance probability both at occurrence and aggregate level, and then the tail Value at Risk.

3. Build the financial module – Prepare the Event Loss Table by converting the overall losses into insured losses by applying the policy conditions.

Conclusions and final remarks:

Hazard module is evolving with greater accuracy of climate data being collected; even less severe events which were earlier missed out are now being captured and fed into the models. The improvement in spatial resolution of the data along with more minute events being recorded is improving the models. Also, climate risk analysis is now more forward-looking than historical analyses, with scenario and stress testing becoming the norm. Hence combining more accurate climate data into enhanced catastrophe models is expected to value to actuaries across domains.

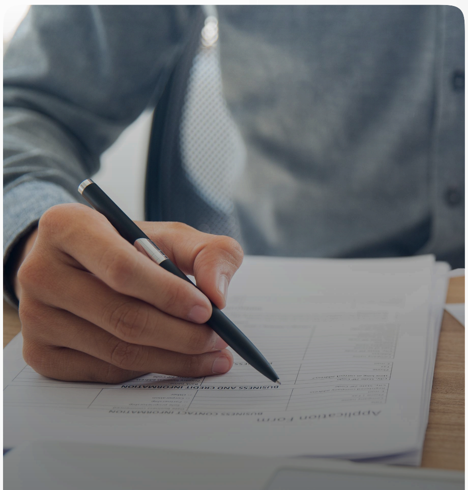
About the author(s)

Aiswarya Prakash
Actuarial analyst
Swiss Re, Corporate Solutions

Aiswarya works in general insurance pricing, with experience in commercial insurance and professional liability lines. She has a keen interest in climate risks, parametric insurance and the evolving challenges of risk quantification. Outside of work, she enjoys watching movies, practices Bharatanatyam, and is an avid foodie.

EVENTS: Seminar
18th Current Issues Seminar in Health and Care Insurance

Reportage by **Vanshika Agarwal**



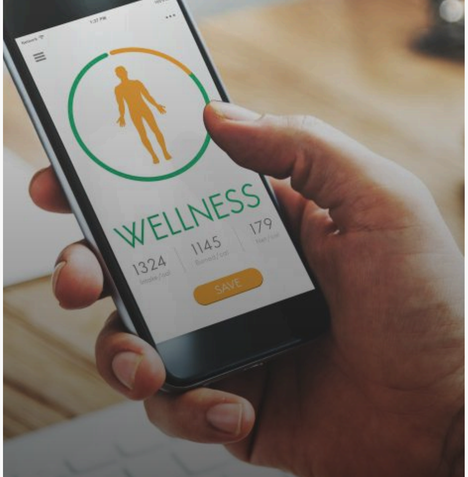
Speakers:

- Mr. Devang Mody
- Mr. Anish Patra (BFHL)

Summary

The session highlighted the evolving role of OPD and wellness in Indian health insurance, showing how these levers can shift insurers from passive claim settlement towards active managed care, delivering better outcomes for policyholders and more sustainable portfolios.

Quotable Quotes

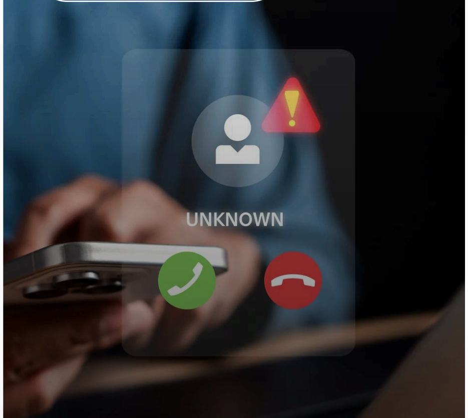


"Better health isn't just good for people — it's good for portfolios."

Quotable Quotes

"Without managing wellness and pre-hospitalisation care, insurers follow a temple model of risk management."

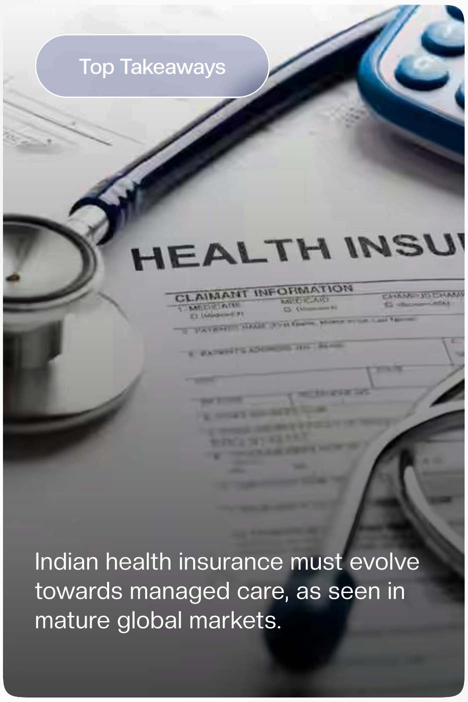
Quotable Quotes



"Catching fraudulent agents and providers is more impactful than focusing only on fraudulent customers."

Top Takeaways

OPD and wellness interventions materially improve persistency and long-term risk management.



Session Notes

Topic: OPD Insurance Landscape In India

Date: November 28, 2025

Why Health Insurance Needs to Evolve

- Health insurance plays a foundational role in providing financial protection against medical expenses and enabling risk pooling across individuals.
- Traditionally, insurers have focused on reimbursing claims after medical events occur, with limited involvement in how care is accessed or delivered.
- In more evolved markets, insurers take a broader role by influencing care pathways through patient steerage, provider price negotiation, and utilization oversight.
- This shift allows insurers to manage both healthcare costs and outcomes more effectively.
- As a result, health insurance in such markets operates as managed care, where insurers actively manage risk rather than functioning purely as claims-paying entities.

Global Context

- The experience of large global health insurers demonstrates that care management can be successfully embedded into insurance operations at scale.
- International evidence shows that prevention, wellness initiatives, and early medical interventions can influence disease incidence and slow progression.
- These approaches help reduce avoidable hospitalizations and improve long-term cost predictability.
- From an insurer's perspective, proactive care management supports portfolio stability while also improving health outcomes for policyholders.

US vs Indian Market: OPD Readiness

- Markets such as the United States have been able to implement OPD coverage more effectively due to larger premium pools and lower taxation on health insurance.
- OPD benefits are often mandated, supported by integrated healthcare ecosystems with standardized medical coding and digital claims processing.
- These structural features make OPD administration more efficient and scalable.
- In contrast, the Indian health insurance market has historically evolved with a strong focus on inpatient care.
- OPD delivery remains fragmented, with limited digitization, sparse historical data, and higher administrative and fraud risks.
- These differences explain the slower adoption of OPD in India and highlight the need for a phased, data-driven, and locally adapted approach rather than direct replication of global models.

Indian Healthcare Landscape

- Out-of-pocket expenditure in India remains high at 48–55% of total healthcare spending, exposing households to significant financial vulnerability.
- Medical expenses continue to be a leading cause of medical impoverishment, particularly for uninsured and underinsured populations.
- The disease profile is increasingly dominated by non-communicable diseases, which now account for nearly 70% of all deaths.
- Chronic conditions such as diabetes and cardiovascular disease require ongoing medical attention, leading to repeated healthcare interactions rather than one-time hospital events.
- Medical inflation, estimated at 14–16%, continues to outpace income growth and general inflation.
- Health insurance coverage remains limited at approximately 40% of the population, with retail health insurance penetration remaining low.
- Average private-sector inpatient hospitalization costs have risen to ₹65,000–₹80,000+ per admission, reinforcing the importance of earlier and more affordable care pathways.

Temple Model of Risk Management

- The speaker described the "Temple Model" as a situation where insurers are unable to actively manage key risk variables.
- When insurers lack control over wellness, care access, and early treatment, risk management becomes passive in nature.
- In such cases, insurers are effectively left hoping that adverse outcomes do not materialize, rather than influencing risk drivers.
- This model is not a desirable approach but a reflection of limited intervention capability.
- Moving away from the Temple Model requires insurers to actively manage variables through wellness initiatives, OPD coverage, and lifecycle health management.

Role of OPD and Wellness

- High out-of-pocket costs and the growing burden of chronic diseases make OPD coverage critical for early diagnosis and ongoing care.
- OPD benefits enable policyholders to seek timely consultations, diagnostics, and follow-up treatment without financial hesitation.
- This helps prevent disease progression and reduces the likelihood of avoidable hospitalizations.
- Regular OPD interactions also allow insurers to engage continuously with policyholders rather than only at the time of claims.
- Evidence shared during the session indicated improvements in persistency and overall portfolio quality when OPD is integrated into insurance offerings.

OPD Industry Evolution

- OPD offerings typically begin as a differentiation feature to improve product attractiveness.
- As adoption increases, the focus shifts towards premium growth and portfolio expansion.
- Over the long term, the greatest value is realized through sustained customer engagement and improved health outcomes driven by early care and prevention.

Challenges in OPD Adoption

- OPD is often perceived as a user-controllable risk, leading to cautious product design and benefit limits.
- Fragmented healthcare delivery and limited availability of cashless OPD networks remain key constraints.
- Consumer awareness around OPD benefits is still evolving, with anti-selection concerns persisting.
- Operational complexity arises from high claim volumes, low ticket sizes, and relatively high processing costs.

Fraud Management Insights

- The session highlighted the need to broaden fraud management beyond individual customer behaviour.
- Greater focus is required on identifying fraudulent agents, providers, and organized syndicates.
- Early detection of such patterns can prevent large-scale misuse.
- Data-driven monitoring and analytics were emphasized as critical tools for effective fraud control.

Concluding Remarks

- OPD and wellness are increasingly central to sustainable health insurance models rather than optional benefit add-ons.
- Indian insurers must evolve from passive risk payers to active health partners.
- Embedding wellness, data, and care integration into core insurance operations is essential for managing risk more effectively.
- This transition is key to improving affordability, health outcomes, and long-term portfolio sustainability.

About the author(s)

Vanshika Agarwal
Senior Executive Actuarial
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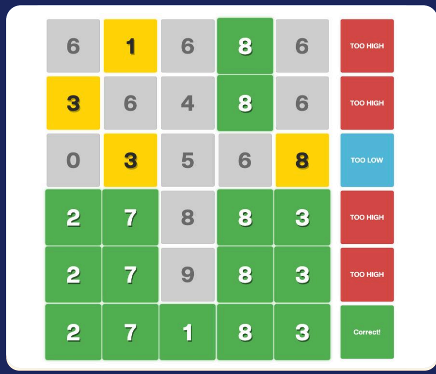
Vanshika Agarwal works in the health pricing domain, with experience in actuarial pricing, portfolio monitoring, product development, and regulatory support for individual and group health insurance. She enjoys teaching and has a keen interest in sketching and painting.

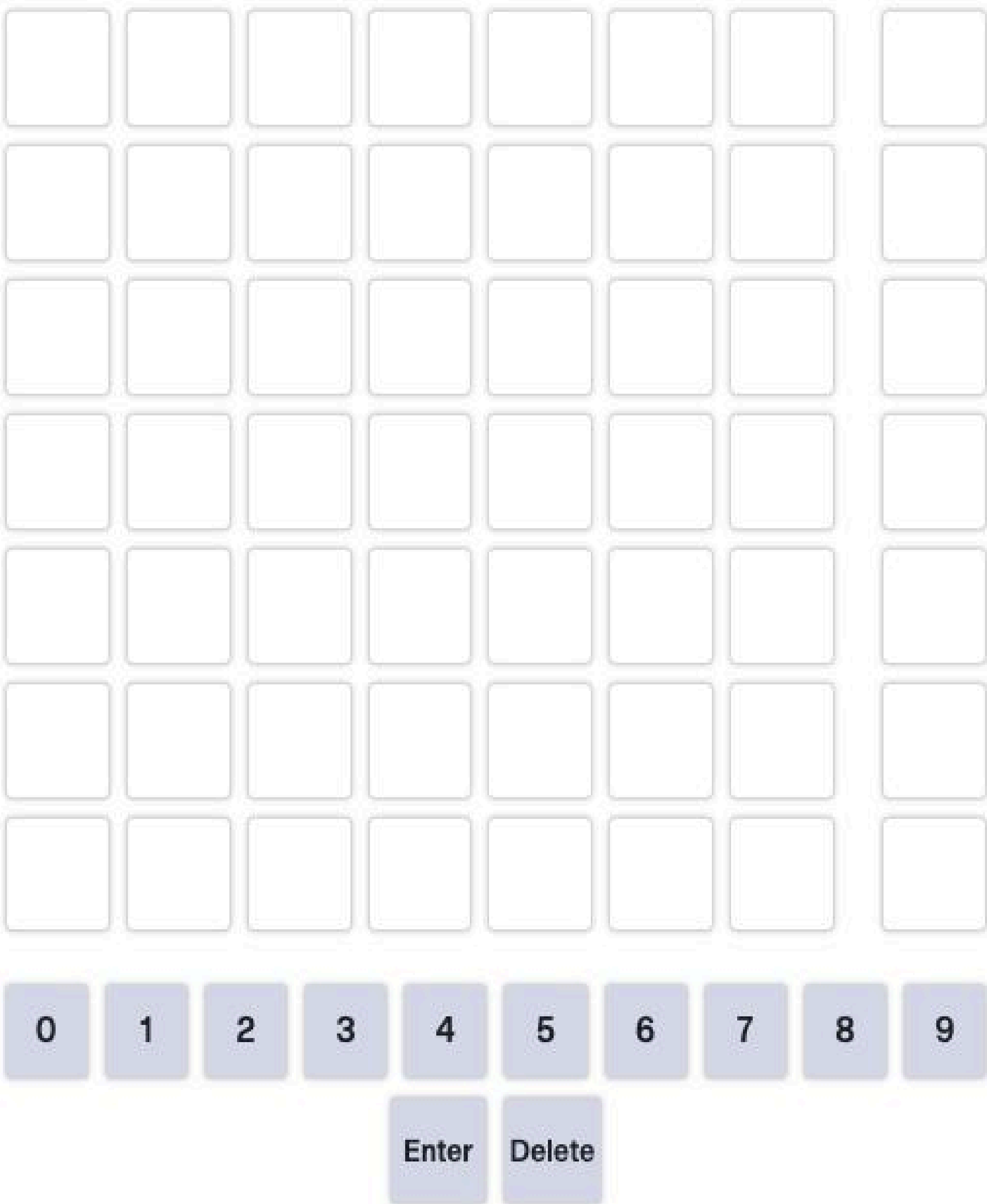
Puzzle

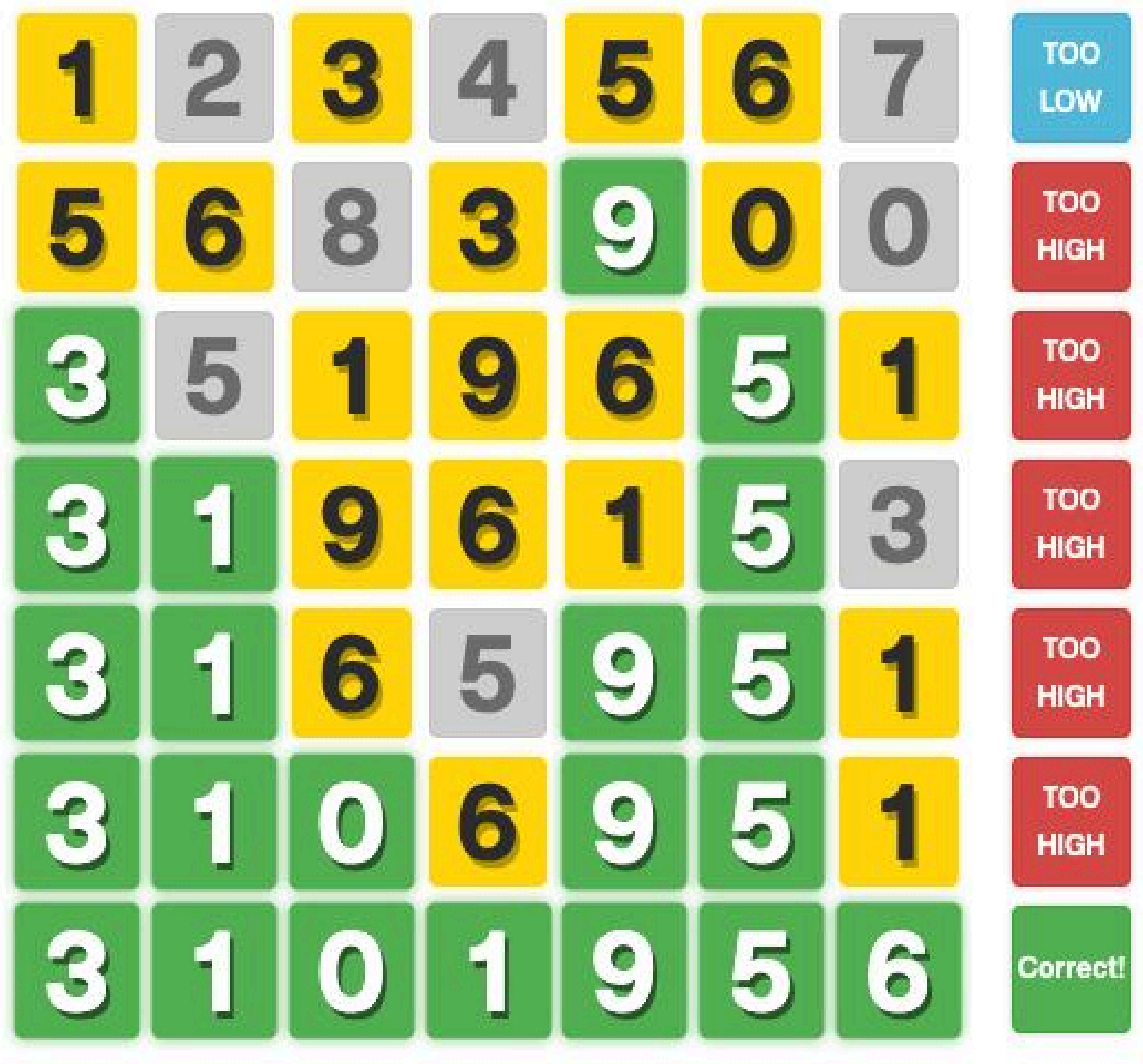
Numerical Wordle

Numerical Wordle

Solve this puzzle by filling the correct number in each cell. Green indicates the number input is in the correct place in the mystery number. Yellow indicate the number input exists in the mystery number but is currently in the wrong place. Grey indicates the number input in the cell does not exist anywhere in the mystery number. Take your time and as many attempts as you want (most importantly, don't give up). These are no more trickier than developing replicating portfolios! Enjoy this brain teaser by the Puzzle master: **Kathan Jain**.







Act 31 of 1956 refers to the Life Insurance Corporation Act of 1956 enacted on 18-Jun-1956 that nationalised life insurance businesses in India.

About the author(s)

Kanthan Jain
Partner
Ankolekar & Co.

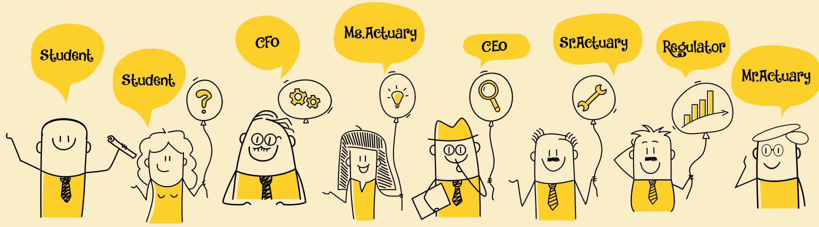
Kathan is a qualified actuary as well as a CERA and is a partner at Ankolekar & Co. He's obsessed with food and enjoys binge-watching & solving puzzles in his free time.

Humour

Humour

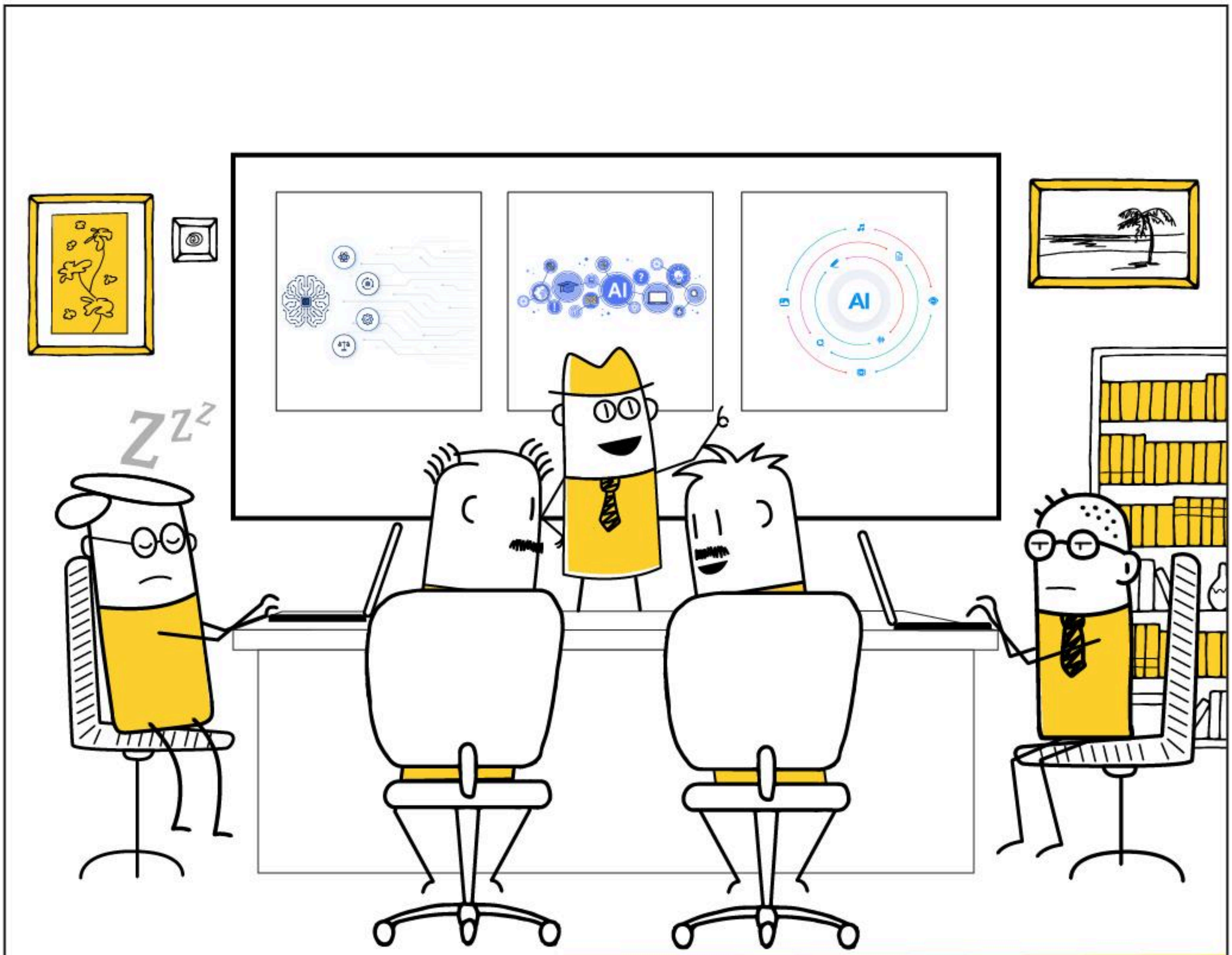
An actuary walks into Ā

A light-hearted take on the hopes, aspirations, trials, tribulations and perhaps even foibles of everyday actuaries in their everyday lives.



Threat of AI to actuarial jobs

by B.M. Sampad

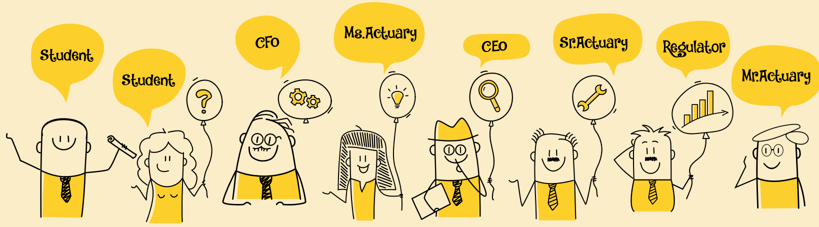


"We could surely use AI tools to automate the process. I just need to reverse this manual adjustment from last year and introduce a new line to this years' reconciliations"

Humour

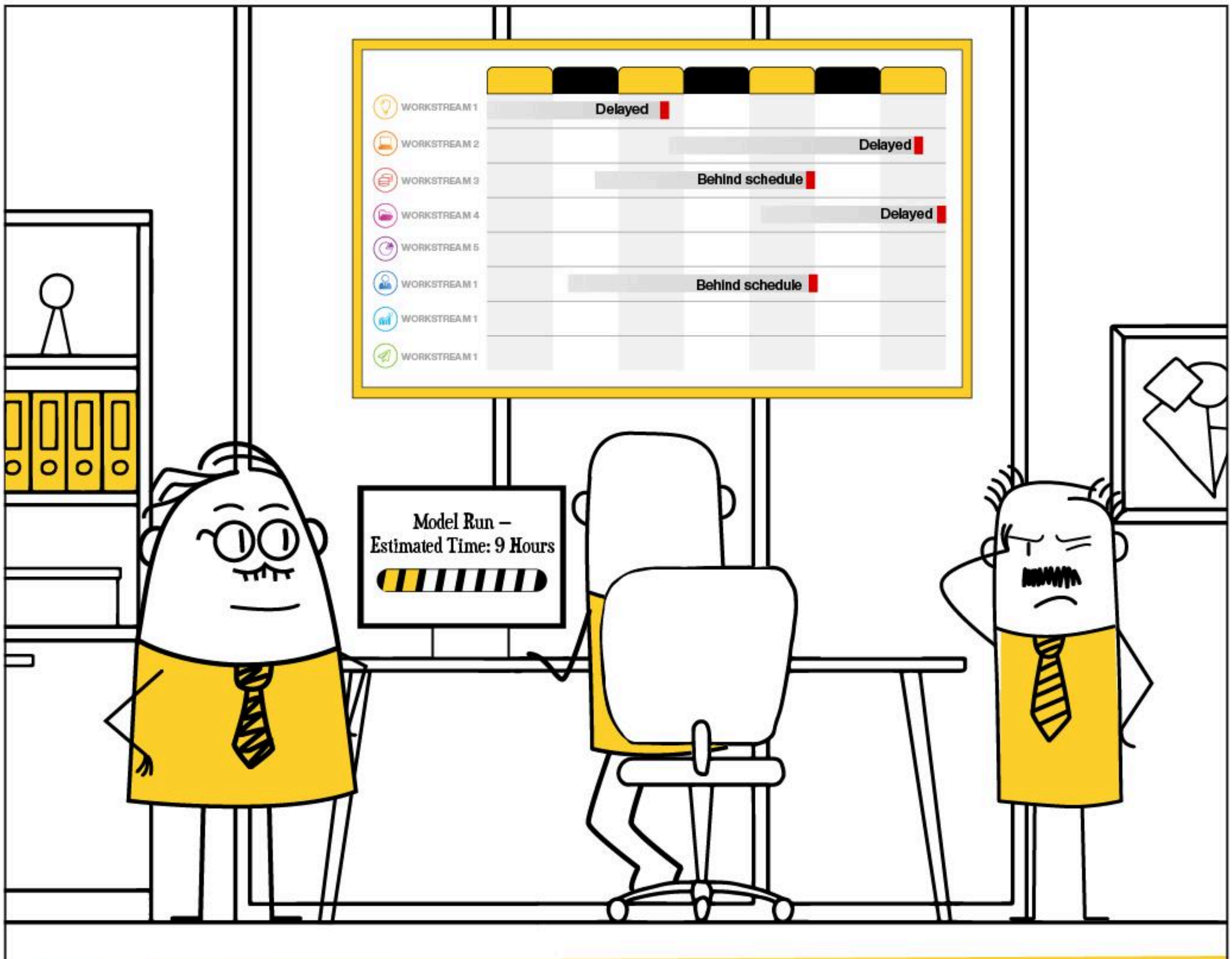
An actuary walks into Ā

A light-hearted take on the hopes, aspirations, trials, tribulations and perhaps even foibles of everyday actuaries in their everyday lives.



Compressing Timelines

by B.M. Sampad



"Yes, the original plan provided for five days for results generation after the data arrived. However, we need the results by tomorrow even though I understand that the data arrived only today. Hence, asking for your support and flexibility as the auditors will need a week to review."

Newsflash

The Actuary India
Magazine Of The Institute Of Actuaries Of India

NewsFlash

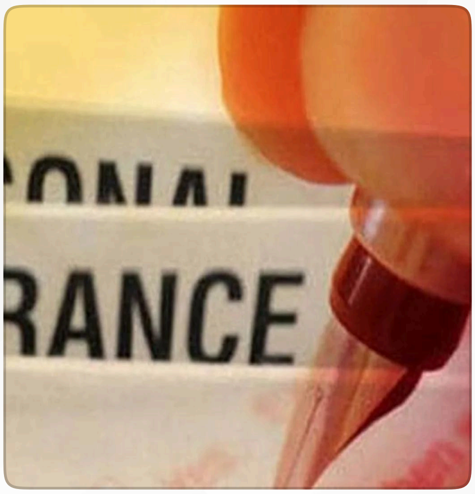
Industry Updates - A roundup of December 2025 news on Indian insurance sector

What's been happening in the insurance sector? **Manan Singal** and **Ameya Bhatnagar** are here to bring you the full update of November 2025.

01 News Report

01 December 2025 | Life Insurance | General Insurance

Government Unveils Broad Insurance Sector Reform Bill to Transform the Industry

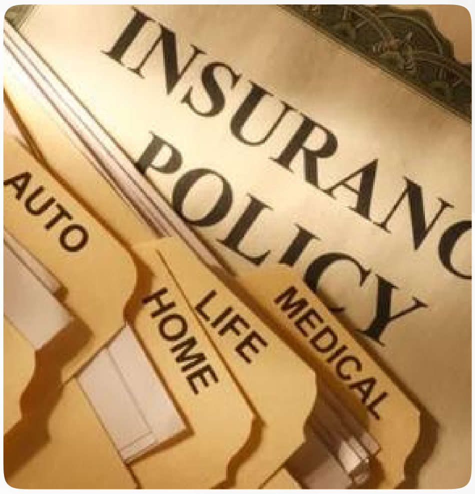


The Government of India is preparing to introduce a comprehensive Insurance Laws (Amendment) Bill, 2025 in Parliament aimed at modernising the country's under-penetrated insurance sector by attracting greater investment, boosting competition and expanding coverage. A central feature of the proposed reforms is raising the foreign direct investment (FDI) limit in insurance companies from 74 % to 100 %, opening the door for global insurers to establish full ownership and bring in capital, technology and expertise, which is expected to enhance product offerings and customer services. To give effect to this change, several legacy statutes — including the Insurance Act, 1938, the Life Insurance Corporation Act, 1956, and the Insurance Regulatory and Development Authority Act, 1999 — will be amended to streamline market entry, ease regulatory norms such as capital requirements, and introduce measures like composite licensing that allow insurers to offer both life and non-life products. By lowering barriers for new players, simplifying intermediary registrations, and encouraging innovative structures such as captive insurers, the Bill seeks to strengthen the regulatory framework, improve ease of doing business and eventually increase insurance penetration across India.

Read more

02 December 2025 | Life Insurance | General Insurance

Govt. to Allow Open Architecture for Insurance Agents



The Insurance Amendment Bill, 2025, scheduled to be introduced in the Indian Parliament, proposes a major change in the structure of the insurance agency model. The bill aims to introduce an open-architecture model, which would allow insurance agents to work with multiple life, health, and non-life insurers, as opposed to the current restriction where agents are limited to working with only one insurer in each segment. This could lead to a more competitive environment, fostering innovation and better options for consumers.
Read more

02 December 2025 | Life Insurance

LIC Appoints Ramakrishnan Chander as MD

LIC
भारतीय जीवन बीमा निगम
LIFE INSURANCE CORPORATION OF INDIA

Life Insurance Corporation of India (LIC) has appointed Ramakrishnan Chander as its new Managing Director, following approval from the Ministry of Finance. This appointment is significant as LIC continues its transformation to streamline operations and enhance its investment strategies. Chander's leadership will likely play a crucial role in furthering the insurer's goals in an increasingly competitive and dynamic market.
Read more

09 December 2025 | Life Insurance

GST Removal Lifts India's Life Insurance Premiums 27% in November

In November 2025, private life insurers led growth, with SBI Life rising 33%, Max Life 23%, and HDFC Life 20%, while ICICI Prudential Life grew 13%. Bajaj Life (39%), Tata AIA Life and Aditya Birla Sun Life Life (28% each), and Canara HSBC Life (26%) also outperformed. Year-to-date, the industry's RWRP grew 7%, with private insurers up 12% and LIC down 2%. The performance follows October's mixed results after GST exemptions on life and health premiums, with SBI Life showing steady momentum, its individual retail premiums rising 19% YoY in October.
Read more

12 December 2025 | Life Insurance | General Insurance

Supreme Court Rules Doctors' Families Are Eligible for COVID-19 Insurance Benefits

The Supreme Court of India has ruled that family members of doctors and healthcare professionals who died during the COVID-19 pandemic are entitled to insurance coverage under the Pradhan Mantri Garib Kalyan Yojana (PMGKY) even if the deceased were not formally "requisitioned" by the government, overturning a contrary decision by the Bombay High Court and emphasizing that valid claims cannot be denied simply because a doctor was not on official duty. The bench of Justices P.S. Narasimha and R. Mahadevan clarified that the PMGKY's ₹50 lakh insurance benefit was intended to cover all frontline health workers who lost their lives due to COVID-related duties, and that claims should be considered based on credible evidence showing the deceased was performing pandemic-related medical work when they died. The court held that insurers must evaluate claims on the basis of evidence proving COVID-related duty and death, placing the onus on claimants to demonstrate this connection, and underscored the societal obligation to support families of healthcare workers who sacrificed their lives during the crisis.
Read more

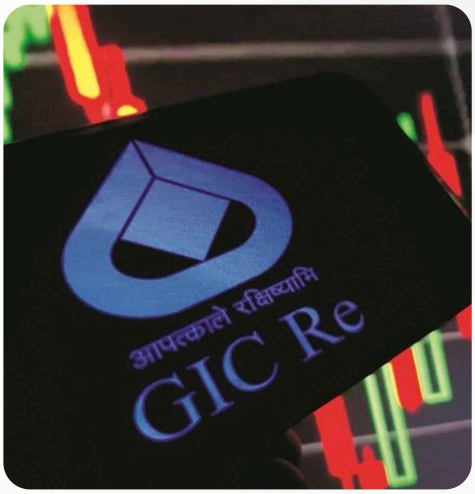
14 December 2025 | General Insurance

Acko Preparing for Initial Public Offering, Targeting a $300–400 Million Market Debut

Digital insurance platform Acko is preparing to enter India's stock market with an initial public offering (IPO) valued at around $300–400 million, with preliminary discussions underway with bankers and formal pitches expected soon as it aims for a 2026–27 listing, combining fresh capital raising and secondary share sales. The Bengaluru-based insuretech, backed by investors such as General Atlantic, Amazon, Accel and Munich Re Ventures, has raised over $450 million to date and served more than 78 million customers with over a billion policies issued, having expanded beyond its auto insurance beginnings into health and embedded insurance via partnerships with platforms like Zomato, redBus and Urban Company. Acko's growth strategy includes deeper integration across auto and health insurance and enhancing customer engagement, while narrowing its net losses and increasing operating revenue, positioning itself among a growing wave of tech-driven IPOs in India's capital markets.
Read more

15 December 2025 General Insurance

Govt holds road shows to sell 10% stake in General Insurance Corp



The Indian government held investor roadshows in London to gauge interest in selling up to 10% of its stake in the state-run General Insurance Corporation of India (GIC), part of efforts to meet the market regulator's requirement for at least 25% public shareholding in listed firms and to support its broader privatisation and divestment goals. So far, about 3.4% has already been offloaded, and officials from the Department of Investment and Public Asset Management (DIPAM) met global investors for feedback on the proposed sale. The government still holds roughly 82.4% of GIC, whose shares were trading below last year's offer price, and aims to raise significant funds through stake sales and asset monetisation by March 31, 2026.
Read more

15 December 2025 Life Insurance General Insurance

Insurance Amendment Bill Approved: FDI Cap in Insurance Raised to 100%

The Union Cabinet has officially approved the Insurance Amendment Bill, which raises the Foreign Direct Investment (FDI) cap in insurance companies to 100%. This significant policy change is aimed at improving the financial stability and growth of the insurance sector. The bill also proposes updates to key legislation, including the Insurance Act, the LIC Act, and the IRDAI Act, to modernize the sector, streamline licensing, and promote better governance.
Read more

22 December 2025 Life Insurance

Piramal Finance to sell 14.72 percent stake in Shriram Life Insurance for ₹600 crore

Piramal Finance

Piramal Finance has entered into an agreement to sell its entire 14.72% equity stake in Shriram Life Insurance (SLIC) to Sanlam Emerging Markets (Mauritius) Limited for ₹600 crore. The transaction is expected to close by March 31, 2026, subject to regulatory approvals, including from the Insurance Regulatory and Development Authority of India. The stake contributed ₹12.68 crore to Piramal Finance's FY25 revenue. Piramal Finance said the move aligns with its strategy to monetise non-core assets and strengthen its balance sheet. SEMM is a wholly-owned subsidiary of the Sanlam Group, a South Africa-based financial services company operating in over 30 countries.
Read more

29 December 2025 General Insurance

Digit Insurance to Merge Its Holding Company into the Main Insurer After Ease-of-Business Rule Change

Go Digit General Insurance's board has approved a plan to merge its unlisted holding company, Go Digit Infoworks Services, into the listed operating insurer, marking one of the first such transactions permitted after recent insurance law amendments that allow an insurer to absorb its non-insurance holding entity, potentially simplifying ownership and improving ease of doing business in the sector. The scheme of amalgamation will proceed under Sections 230–232 of the Companies Act and is subject to approvals from shareholders, creditors, regulators including the Insurance Regulatory and Development Authority of India (IRDAI), SEBI, stock exchanges and the National Company Law Tribunal, with the holding company ceasing to exist once merged into Go Digit General Insurance and no cash consideration involved. This restructuring is intended to streamline the corporate structure, align with updated regulatory norms, and maintain ongoing operations without disruption for policyholders while preserving existing shareholder proportions.
Read more

02 Industry Trends

01 December 2025 General Insurance

India's Property & Casualty Insurance Market Is Growing, but Coverage Shortfalls and Claims Challenges Remain

India's property and casualty (P&C) insurance market is seeing growth driven by the country's expanding economy and ongoing regulatory reforms, but the sector continues to grapple with persistent structural issues that limit its full potential. Despite overall market expansion, many small and medium enterprises remain underinsured, and the claims process for policyholders can be slow and inefficient, weakening confidence and hindering broader uptake. Coverage gaps affect various segments, with significant portions of risk — such as vehicles and commercial risks — still uninsured or inadequately covered, pointing to ongoing challenges in both awareness and product accessibility. While the regulatory environment is evolving to support growth, these inefficiencies in coverage and claims handling must be addressed to improve market penetration and ensure more comprehensive protection across the Indian P&C insurance landscape.
Read more

02 December 2025 | Life Insurance

ICICI Prudential Life Posts 99.33% Claim Settlement Ratio in H1FY26

ICICI Prudential Life Insurance has reported an impressive claim settlement ratio of 99.33% for the first half of FY26, highlighting its strong customer service and digital claims infrastructure. The insurer processed death claims worth ₹893.38 crore, with claims settled in an average turnaround time of just 1.1 days for non-investigated claims. This performance underlines the company's commitment to customer satisfaction and efficiency in processing claims, with its "Claim for Sure" initiative offering settlement within one day for eligible claims.

Read more

08 December 2025 | Life Insurance

Edelweiss Life Achieves Highest-Ever Claim Settlement Ratio in FY25

Edelweiss Life Insurance reported its highest-ever Claim Settlement Ratio of 99.29% in FY25, reflecting its reliability and commitment to policyholders. The company has maintained claim settlement ratios above 99% for three consecutive years by leveraging advanced technology, streamlining back-end processes, providing empathetic customer service, and ensuring transparent communication. MD & CEO Sumit Rai emphasized that the focus on process improvement and compassionate support helps families during critical times, ensuring swift and smooth claim settlements.

Read more

08 December 2025 | Life Insurance

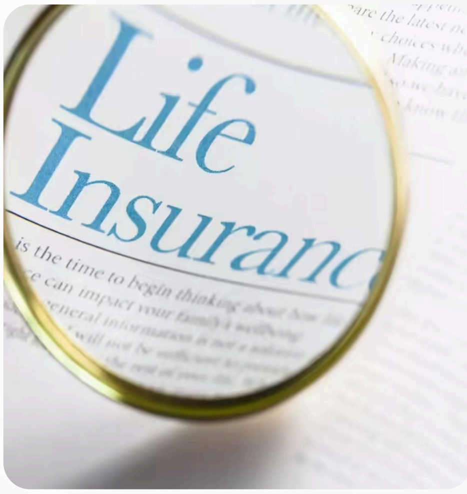
Axis Max Life Sees Strong Growth in E-Commerce Channel in H1 FY26

Axis Max Life Insurance's E-Commerce Channel achieved a 52% two-year CAGR on Annual Premium Equivalent (APE) in H1 FY26, establishing itself as a leading player in the online protection and savings market. The channel contributed over 35% of new policies in H1 FY26, driven by digital capabilities such as AI-driven insights, seamless onboarding, pre-approved cross-sell/up-sell journeys, and personalized mobile purchase experiences. CEO Sumit Madan highlighted that the growth reflects the company's focus on trust, innovation, and a seamless omni-channel customer experience, reinforcing Axis Max Life's dominance in the online insurance segment.

Read more

10 December 2025 | Life Insurance

Life insurers ride GST tailwind as retail APE grows 27 percent; SBI Life leads private sector surge

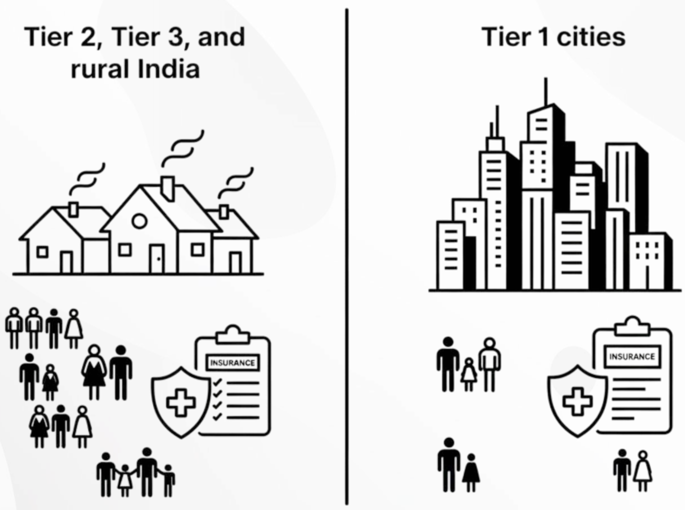


The life insurance industry saw strong growth in November 2025, with Retail Annualised Premium Equivalent (APE) rising by 27%, fueled by GST exemptions, a favorable base from last year's festive disruptions, and adjustments to surrender regulations. The private sector led the expansion with a 28% growth, while LIC grew by 23%. Overall, APE for the industry grew 16%, with LIC showing a remarkable 49% rise. However, Group APE declined by 8%, partly offset by LIC's 111% growth. SBI Life led the private insurers with a 33% rise in Retail APE, followed by Axis Max Life (23%), HDFC Life (20%), and ICICI Prudential Life (25%). Retail APE growth for the private sector was 12% YTD, while LIC saw a slight decline of 2%.
Read more

11 December 2025 | General Insurance

Tier-II, -III mkts make 62% of new health insurance policies

Tier 2, Tier 3 and rural regions accounted for 62 percent of all new health insurance policies sold by insurers so far in FY26, according to a Policybazaar report. These regions are also witnessing a rise in the sum assured opted by customers. The share of people buying insurance cover between Rs 10-14 lakh in Tier 2 cities has increased to 47 percent in FY26 from 27 percent in FY22, while Tier 3 cities have seen an increase to 49 percent from 24 percent over the same period, the report said. India's Tier 2, Tier 3 and rural regions are now overtaking metros as the primary demand centres for health insurance. Policybazaar data shows that the share of policies sold in Tier 2 and Tier 3 was 23 percent and 31 percent respectively in FY22, rising to 24 percent and 38 percent so far in FY26. Meanwhile, Tier 1's share has declined to 38 percent from 46 percent in FY22.
Read more



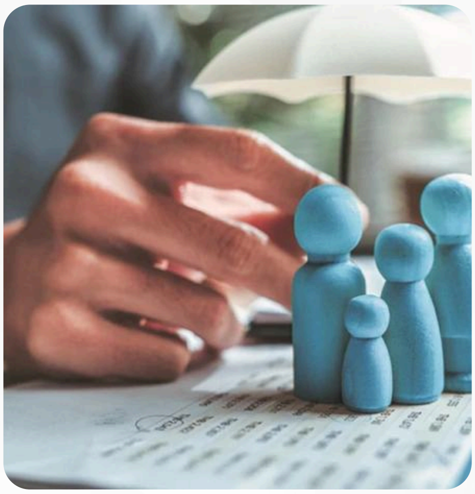
17 December 2025 | Life Insurance

Private insurers drive growth in Indian life insurance market: report

Private insurers are driving growth in India's insurance market by adapting to regulatory changes, expanding product portfolios and strengthening distribution channels, according to a Motilal Oswal Financial Services report. The GST exemption on insurance premiums has supported expansion, with private sector life insurers' Annual Premium Equivalent rising from ₹250 billion in FY15 to ₹888 billion in FY24 and projected to reach ₹1,038 billion in FY25. Growth is being aided by bancassurance, digitisation and higher protection awareness post-Covid. The general insurance segment has also shown strong momentum, with gross written premiums outpacing nominal GDP growth and projected to rise to over ₹3 trillion in FY25.

Read more

29 December 2025 | Life Insurance



Life Insurance Industry to Grow 8-11% in FY26, FY27, Says CareEdge Ratings

The life insurance industry is expected to grow by 8-11% in FY26 and FY27, according to analysts at CareEdge Ratings. The growth will be driven by group products, individual pension, and life cover products. Additionally, supportive regulations, digitalization, effective distribution, and enhanced customer services are expected to contribute to the sector's expansion. Over the past two decades, the industry has grown at a compound annual growth rate (CAGR) of around 13%, aligned with GDP growth.

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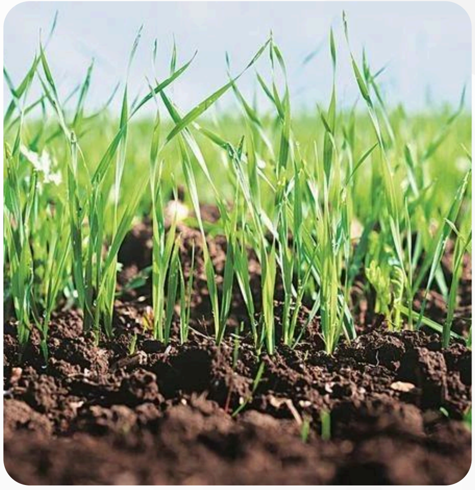
30 December 2025 General Insurance

PMFBY Gross Premiums Decline in Kharif 2025 as New 'Cup and Cap' Model Takes Effect



In the Kharif 2025 season, gross premiums collected under the flagship Pradhan Mantri Fasal Bima Yojana (PMFBY) fell sharply, potentially to around ₹14,000 crore, down from nearly ₹19,000 crore in the previous year, marking a drop of almost 28% as the newly introduced cup and cap risk-sharing model prompted insurers to quote lower actuarial premiums and shifted more risk to state governments. According to the PMFBY portal, premiums collected so far are about ₹12,309 crore, with data still awaited from some major states like Karnataka, and annual total premiums for FY 2025–26 could end up around ₹20,000 crore, compared with the usual ₹30,000 crore range. The reduction reflects both the adoption of the cup and cap model under which states limit insurers' liability if the claims-to-premium ratio exceeds set thresholds and decisions by states such as Maharashtra to drop certain add-on covers, reducing overall risk and premium amounts, which may also cut the Centre's subsidy burden.

Read more

31 December 2025 Life Insurance General Insurance

Insurance Premiums Rose in 2025, So Did Costs

The insurance sector saw steady premium growth in FY25, with life insurance premiums increasing by 6.73% to ₹8.86 lakh crore. Despite this, rising distribution costs and breaches of regulatory expense limits raised concerns. Life insurance saw improved profitability, with 18 of 25 insurers reporting profits and the sector's profit after tax rising 18.14% to ₹56,006 crore. However, expense management faced challenges, with several insurers exceeding the prescribed limits. Commission payouts, especially in life insurance, continued to absorb a large share of industry costs. The non-life insurance sector also reported moderate growth, with health and motor insurance driving the rise.

Read more

03 New Product Launches

03 December 2025 | Life Insurance

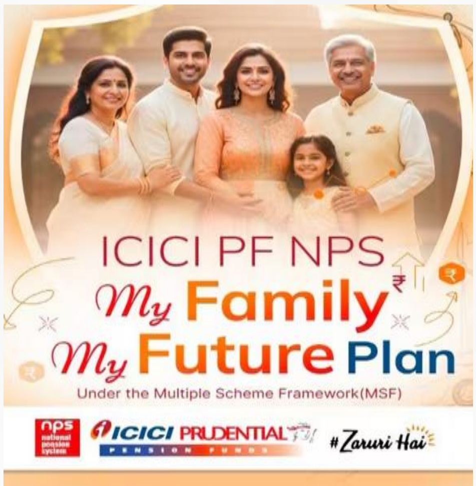
LIC Launches Bima Kavach and Protection Plus Insurance Schemes

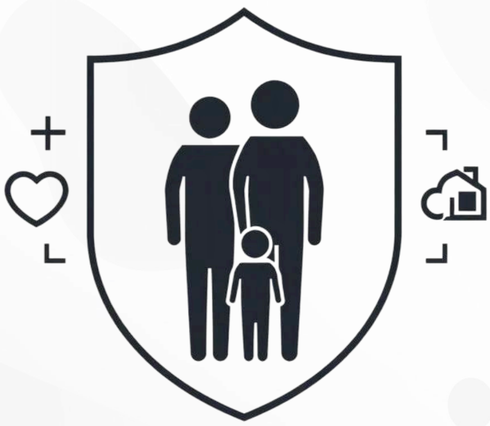
Life Insurance Corporation (LIC) has launched two new products: Bima Kavach, a non-participating, non-linked risk coverage plan, and Protection Plus, a non-participating linked life insurance savings plan. These products are designed to enhance LIC's portfolio, offering greater options for customers seeking pure risk cover and savings-linked coverage. The launch aims to cater to increasing market demand for flexible, affordable insurance solutions.
Read more

03 December 2025 | Life Insurance

ICICI Prudential Life Insurance Launches "My Family My Future" Pension Scheme

ICICI Prudential Life Insurance has launched a new pension scheme named "My Family My Future" under the National Pension System (NPS). The scheme aims to offer comprehensive financial security, especially for women and families, helping them secure a stable future with flexible investment options. This product aligns with ICICI's efforts to promote inclusive financial planning.
Read more





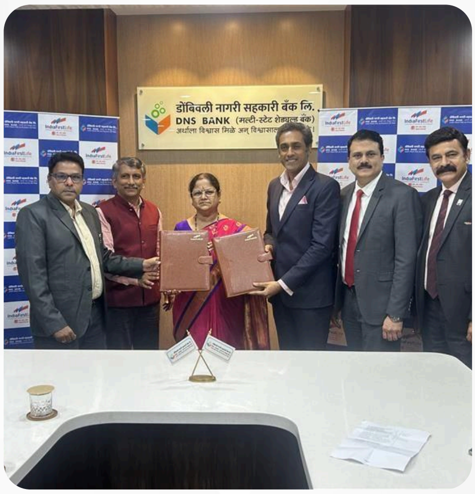
04 December 2025 | General Insurance

IFFCO-Tokio GIC Partners with Cooperatives to Expand Micro-Insurance Reach

IFFCO-Tokio General Insurance Company (GIC), a 51:49 joint venture between the Indian Farmers Fertiliser Cooperative (IFFCO) and Japan's Tokio Marine Group, has strengthened its efforts to extend micro-insurance coverage to underserved rural and semi-urban communities by partnering with multiple cooperative societies, leveraging their grassroots networks to distribute affordable, small-ticket insurance products such as basic health, motor and package policies tailored to low-income individuals and local businesses, in alignment with the Insurance Regulatory and Development Authority of India's vision of achieving "Insurance for All by 2047." Through these tie-ups, the insurer aims to make risk protection more accessible and inclusive by using the trust and reach of cooperatives to promote financial security and deepen penetration in areas where traditional insurance uptake has been low, while also expanding its footprint and supporting broader financial inclusion goals.
Read more

05 December 2025 | Life Insurance

IndiaFirst Life Enters Strategic Corporate Agency Tie-up with Dombivli Nagari Sahakari Bank



IndiaFirst Life Insurance has entered into a strategic corporate agency (bancassurance) partnership with Dombivli Nagari Sahakari Bank (DNS Bank) to offer life insurance products, including term, savings, and retirement plans, to the bank's customers. The tie-up aims to enhance access to affordable life insurance and strengthen financial inclusion across Maharashtra and Madhya Pradesh. Leveraging DNS Bank's strong regional presence, the partnership will expand IndiaFirst Life's distribution reach while enabling the bank to provide comprehensive financial solutions under one roof. The collaboration aligns with IndiaFirst Life's long-term goal of supporting the vision of 'Insurance for All by 2047'.
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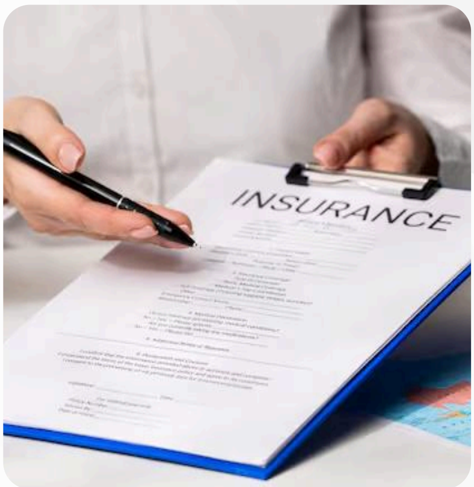
09 December 2025 Life Insurance

Bajaj Life launches India Consumption Fund under its ULIP offerings



Bajaj Life Insurance has launched the Bajaj Life India Consumption Fund under its ULIP offerings, aiming to tap into India's long-term consumption growth story. The new fund offer is open from December 8 to December 22, 2025, and will invest across large-, mid- and emerging-cap stocks linked to rising incomes, urbanisation, digital adoption and formalisation. Benchmarking itself against the Nifty India Consumption Index, the fund follows an actively managed growth-at-a-reasonable-price approach and is targeted at investors with a high-risk appetite and long-term investment horizon.

Read more

17 December 2025 General Insurance

Bajaj Allianz General Insurance introduces Two New Motor Insurance Offerings

Bajaj Allianz General Insurance has launched two new first-of-their-kind motor insurance add-on covers aimed at enhancing customer convenience and sustainability. The Eco Assure – Repair Protection add-on encourages eco-friendly repairs by using sustainably restored parts, offers one year of repair protection with pick-up and drop-off service, no depreciation costs, 24/7 roadside assistance, and extra coverage for issues such as fuel adulteration and rodent damage, along with benefits like engine protection and personal baggage cover. The Named Driver Cover provides flexible own-damage protection for specified drivers, including family members or chauffeurs, and even covers the policyholder when driving another vehicle with only third-party insurance. These innovations are designed to offer more personalized, comprehensive, and environmentally conscious motor insurance solutions.

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19 December 2025 Life Insurance

Canara HSBC Life Insurance and Equitas SFB Enter Into Bancassurance Partnership

Canara HSBC Life Insurance has partnered with Equitas Small Finance Bank (ESFB) to expand life insurance coverage across India, particularly targeting southern and western regions. Through this bancassurance partnership, Canara HSBC Life Insurance will distribute its protection, savings, annuity, child, and investment-linked products via Equitas SFB's network of 994 branches and 365 ATMs across 18 states and Union Territories.

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Canara HSBC LIFE INSURANCE

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