



भारतीय बीमा संस्थान
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INDIA**

December 2025

The Role of Learning and Development in
the Indian Insurance Sector

Need for metamorphosis of Bancassurance

Steadily growing "The Way Forward"

Emerging Risk and Innovative Solutions

A Strategic Framework for transforming India's

ACPI Insurance Sector

Insurance Coverages for Gig Workers and the

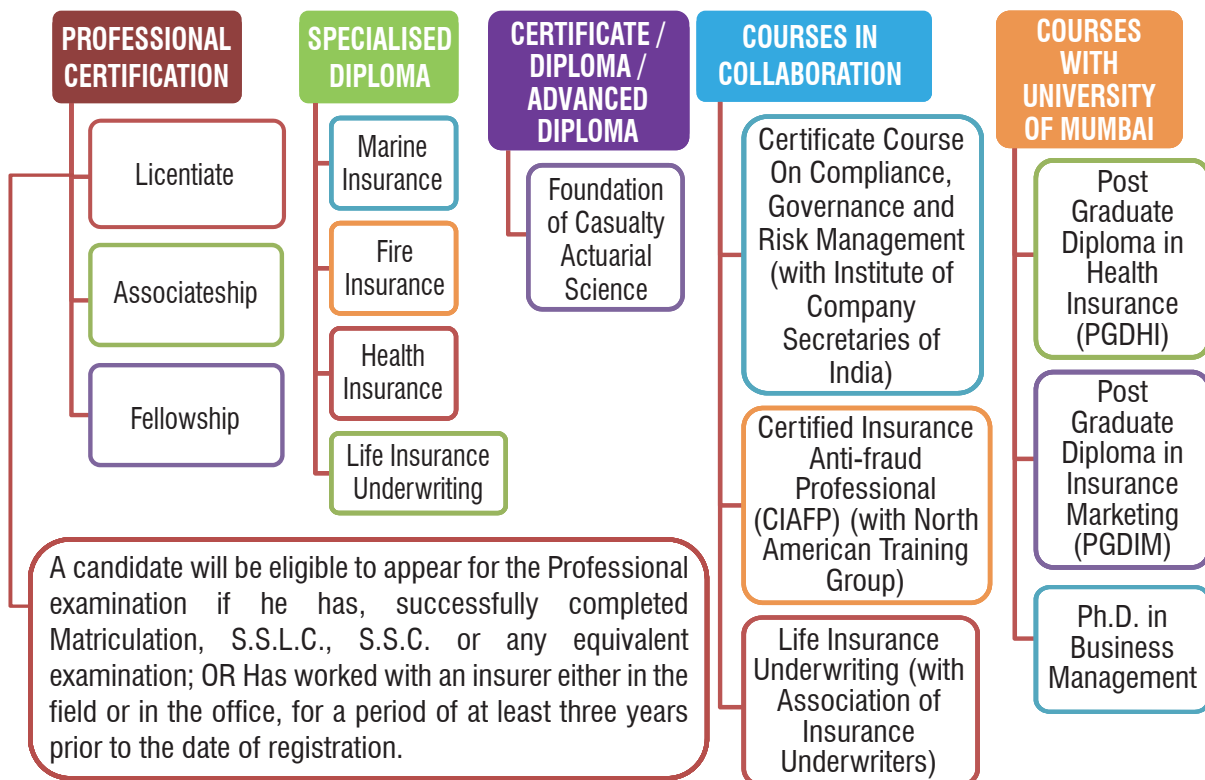
Self-Employed: Challenges and Solutions

Wisdom in Words

(Award Winning Essays 2025)

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P. Jaipuria

Dr. George E. Thomas

Dr. Ramesh Kumar Satuluri

Prof. Dr. Sunder Ram Korivi

Deepak Godbole

K. B. Vijay Srinivas

Editorial Associate

Sneha Pednekar

Email: journal@iii.org.in

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EDITORIAL

It gives us great pleasure to present this Special Issue featuring the award-winning and 1st runner up articles from the S. K. Desai Memorial Essay Writing Competition, D. Subrahmaniam Award Essay Writing Competition, Technical Paper Writing Competition and G V Rao Memorial Essay Competition.

Each year, the competition attracts participants from diverse professional and academic backgrounds, all of whom bring fresh perspectives to pressing issues shaping the insurance sector. The articles showcased in this edition stand out for their analytical depth, originality of thought, and relevance to contemporary industry challenges. They address themes that resonate strongly with current market realities—ranging from evolving risk landscapes and innovative insurance products to digital transformation, regulatory developments, and customer-centric solutions.

We extend our heartfelt congratulations to all the winners and express our appreciation for their commitment to advancing knowledge in the field. Their work reflects the high standards of academic integrity and excellence that the Insurance Institute of India strives to promote.

We also acknowledge the continuous support of contributors, reviewers, and members of the editorial team whose efforts have made this Special Issue possible. It is our hope that readers—whether practitioners, academicians, policymakers, or students—find these articles both informative and inspiring.

As the insurance sector continues to evolve, platforms such as these serve as essential spaces for sharing research, fostering dialogue, and encouraging innovation. We remain committed to upholding this tradition and look forward to continued engagement from our vibrant community of writers and readers.

Editorial Team



Merit Winner

S. K. Desai Memorial Essay Writing Competition

Role of Embedded and Bundled Products in Enhancing Insurance Coverage



Pranita Soni

sonipranita1208@gmail.com

She is an MBA graduate with dual specializations in Marketing and Human Resources from Ahmedabad University, holding a fellowship from IIL. She is student member of IAI and cleared two papers of actuarial science. Currently, she has been working as an assistant at LIC (Life Insurance Corporation of India) since 2021.

Abstract

Embedded and bundled insurance products are emerging as powerful instruments in achieving inclusive risk protection and advancing the national objective of *Insurance for All by 2047*. The convergence of technology, partnerships, and consumer-centric innovation has expanded the frontiers of insurance delivery beyond traditional channels. By integrating insurance with everyday financial and commercial transactions, embedded and bundled products lower distribution costs, reduce friction, and improve accessibility. This essay explores the conceptual foundations, global precedents, regulatory evolution, and future imperatives of embedded and bundled insurance within the Indian context. It also examines challenges of consumer awareness, transparency, technology governance, and regulatory oversight. Finally, it presents a roadmap for the

sustainable and ethical scaling of embedded and bundled insurance as a key lever in enhancing India's insurance coverage.

Keywords

Embedded Insurance, Bundled Insurance, Distribution, Technology, API.

Introduction

A cab ride, a mobile screen purchase, or even a train ticket—today, any of these seemingly routine actions could quietly unlock a layer of insurance protection. No forms to fill, no advisors to consult, no separate premium to pay. In fact, the coverage might not even be noticed—until something goes wrong, and a timely payout arrives with minimal fuss. This is not merely a convenience. It is the beginning of a profound transformation in the way insurance is delivered, accessed, and experienced.

While the ideas of bundling and embedding insurance are not new, their technological execution and societal impact in the digital era are transforming the way people experience protection. India, despite its vast population, continues to have modest insurance penetration at 3.7% in FY 2023–24, as per IRDAI. (INSURANCE ASIA, n.d.) Limited awareness, affordability, and urban-centric distribution have left millions outside formal coverage. Embedded and bundled insurance models address this gap by shifting from “push-based” selling to “pull-based” inclusion—making protection an integrated part of a customer's existing financial or digital journey.

A trader receiving automatic credit life cover with a digital loan, or a gig worker insured through an app, illustrates how protection can be seamlessly delivered without friction. These models lower entry barriers but also raise questions



Figure 1 The Insurance Access Gap Venn Diagram

about awareness, consent, and accountability. As India confronts health, climate, and economic uncertainties, such models offer scalable, dignified access to security. Embedded insurance thus emerges not merely as a product innovation but as a social one—transforming insurance from something people consciously purchase into something inherently built into their everyday lives. In this transition from “sold” to “served,” lies the promise of true financial inclusion.

Historical Evolution of Insurance Coverage in India: From Push to Embedded

The roots of embedded and bundled insurance in India trace back to the early 2000s, when the liberalisation of the financial sector encouraged banks and insurers to explore integrated protection models. The earliest form emerged through **credit-linked insurance**, where loan disbursements from banks and microfinance

institutions were automatically accompanied by term protection.

This concept expanded with government-led initiatives such as Janashree Bima Yojana, Aam Aadmi Bima Yojana, and later the flagship schemes Pradhan Mantri Jeevan

Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) in 2015. These mass schemes demonstrated how simplified enrolment and digital premium collection could make insurance accessible to millions. Parallely, the evolution of digital payments, Aadhaar authentication, and fintech ecosystems enabled private insurers to embed micro-insurance into e-commerce, mobility, and payment platforms. Over time, the model transitioned from manual bundling at bank counters to automated, consent-based embedding within digital transactions. The IRDAI's regulatory sandboxes and open architecture guidelines further legitimised innovation, setting the stage for a new era where insurance is seamlessly integrated across financial and non-financial ecosystems.



(TWIMBIT)

Figure 2 Embedded Insurance Market Growth



Figure 3 Embedded Insurance Growth factors

Global Lens: Embedded Insurance Across the World

Embedded insurance has swiftly risen from an innovative idea into an established global phenomenon, with numerous successful implementations across sectors as diverse as automobiles, e-commerce, healthcare, and financial technology. These international experiences are particularly instructive for India as it navigates its own insurance inclusion journey.

Tesla: Reinventing Auto Insurance through Integration (United States)

In the fiercely competitive American automobile industry, Tesla disrupted not just vehicle design but also the traditional insurance model by launching Tesla Insurance. Introduced initially in California and then progressively in other states,

Tesla offers auto insurance directly at the point of sale, using embedded integration through its digital sales channel. The product, closely linked with Tesla's own telematics data,

leverages real-time driving patterns, speed adherence, braking patterns, and even autopilot engagement to dynamically price risk. (Divine, n.d.)

Tesla's embedded insurance model is not merely an innovative add-on; it's a deliberate business strategy. By providing integrated insurance at the exact point of the consumer's highest interest—the purchase moment—Tesla creates powerful convenience, boosts consumer satisfaction, and encourages brand loyalty. Critically, Tesla's approach shifts consumer psychology away from viewing insurance as an unrelated, burdensome necessity toward seeing.

Decoding Embedded and Bundled Insurance Products

As the lines between commerce, technology, and finance continue to blur, the way people experience insurance is undergoing a silent revolution. Today, insurance is no longer limited to policies sold by

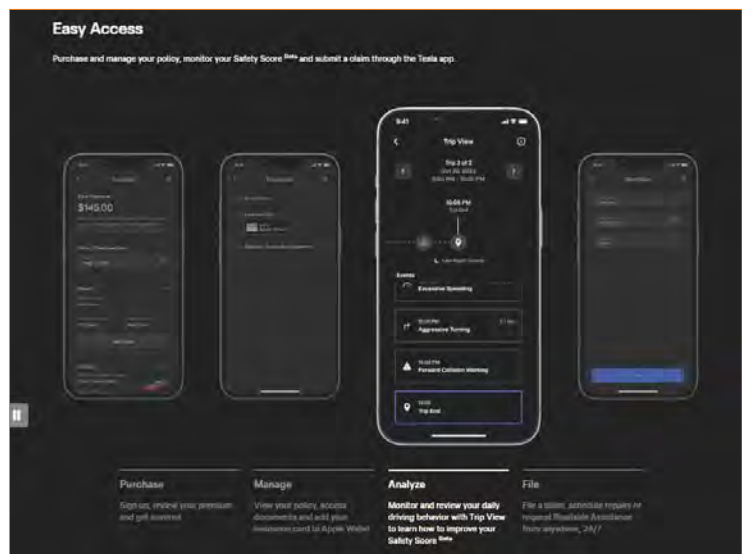


Figure 4 Tesla' Insurance Integration

agents or bought through lengthy online comparisons. It's increasingly showing up where consumers least expect it: at checkout counters, inside smartphones, along with personal loans, or silently bundled into train tickets and ride-hailing services.

Understanding the Terminology: Embedded vs. Bundled vs. Traditional

Embedded vs. Bundled vs. Traditional: A Comparative View

Feature	Traditional Insurance	Bundled Insurance	Embedded Insurance
Initiation	Customer-initiated	Seller/platform-initiated	System/process-initiated
Purchase Decision	Active	Semi-active	Passive
Awareness Level	High	Medium	Low (needs clarity)
Distribution Channel	Agent/Branch	Bank/Loan Sellers	Platforms/APIs
Claim Experience	Manual	Assisted	Mostly digital
Premium Payment	Separate	Combined	Often built-in
Trust Mechanism	Human Agent	Known Brand	Familiar Platform

The Insurance Value Chain: Who Does What

Embedded and bundled insurance rely on a **multi-stakeholder ecosystem**, each player playing a distinct role:

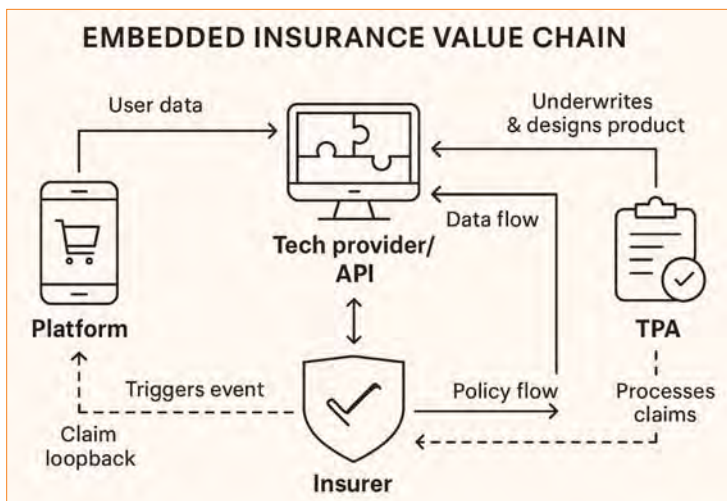


Figure 5 Embedded Insurance Value Chain

1. Insurer

- Designs the product, sets pricing, and underwrites the risk.
- Handles claims, regulatory reporting, and reserves.

2. Platform / Non-Insurance Partner

- Provides the distribution interface: an app, website, or POS.
- Collects customer data, triggers the insurance cover, sometimes handles first-level support.
- Examples: Amazon, Ola, Swiggy, Paytm, PhonePe, banks, fintechs.

3. Insurtech / API Enabler

- Integrates insurance offerings into digital platforms via plug-and-play APIs.
- Provides seamless UI/UX, real-time data syncing, claim automation.
- Examples: Cover Genius, Turtlemint, Riskcovry, GramCover.

4. Customer

- The end-user who benefits from insurance, whether aware or unaware of the specific terms.

The interplay among these players must be highly synchronized for the embedded or bundled insurance journey to be truly seamless and trustworthy.

User Journey: Insurance Without the Insurance Feel

One of the most revolutionary aspects of embedded insurance is that it does not require insurance behavior from the consumer. Instead, it quietly becomes part of their digital or transactional journey.

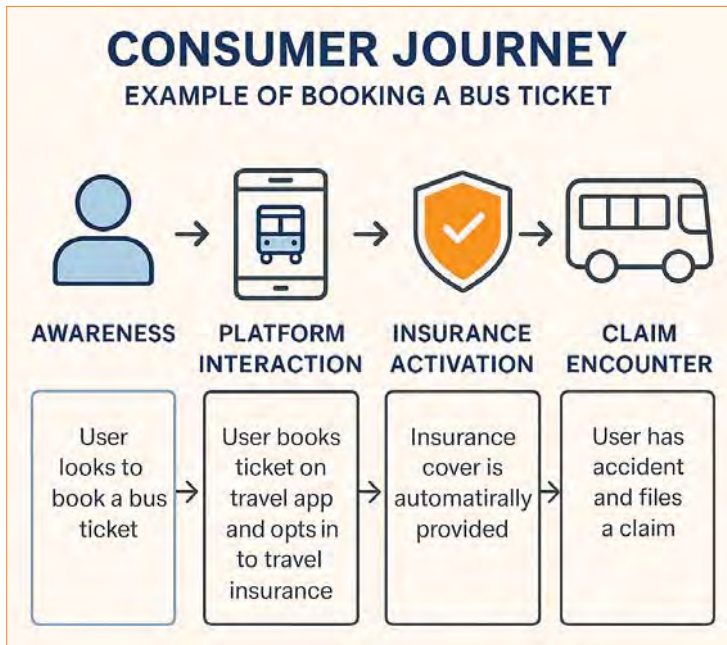


Figure 6 User Journey of embedded Insurance

Let's take a real-world scenario:

- Step 1: A customer books a bus ticket on RedBus.
- Step 2: During checkout, ₹10 is auto-added for accident insurance with a ₹5 lakh cover.
- Step 3: The customer receives an SMS with policy details after booking.
- Step 4: If an accident occurs during travel, the customer or nominee can initiate a claim through RedBus itself.

At no point did the customer go searching for insurance. The process was automatic, timely, and contextual. This contextuality is what

sets embedded insurance apart from traditional distribution: insurance arrives exactly when it is needed, not before or after.

Embedded Insurance as a Tool of Social Protection

In India's journey toward becoming a \$5 trillion economy and achieving social equity, the discourse around insurance must move beyond profitability and market share. It must begin to focus more deliberately on protection as a public good, especially for the economically vulnerable and socially marginalized. In this light, embedded insurance isn't just a smart business strategy—it is a potent instrument of social protection.

(India's Progress Toward a \$5 Trillion Economy: A Critical Analysis)

Embedded and bundled insurance carry significant socio-economic implications. India's informal workforce. By integrating protection into daily financial activities such as savings, payments, and credit, embedded models provide a safety net without requiring proactive purchase decisions.

Schemes such as PMJJBY and PMSBY are proof of concept that simplified, digitally managed, low-cost products can achieve massive scale. These initiatives have already enrolled millions, highlighting the latent demand for accessible protection.

Role of Technology, Fintech, and APIs in Embedded Insurance

If embedded insurance is the engine of inclusion and convenience, then technology is the fuel that makes it run. Without the seamless integration of platforms, data, and automation, the promise of frictionless insurance would remain theoretical. In India—where over 1.2 billion mobile connections, 900 million Aadhaar-linked individuals, and 750 million smartphone users (India's Digital Deluge) form the backbone of a fast-digitizing society—the confluence of insurance and technology has opened unprecedented avenues for scale, innovation, and personalization.

Technology is the critical enabler transforming embedded and bundled insurance from concept to reality. The proliferation of Application

Programming Interfaces (APIs) allows seamless integration between insurers, digital platforms, and financial service providers. These APIs enable instant policy issuance, real-time underwriting, and paperless claim settlements.

Artificial Intelligence (AI) and data analytics enhance underwriting precision by analysing behavioural and transactional data, while machine learning algorithms help predict customer needs and personalise coverage.

The India Stack ecosystem—Aadhaar for identification, UPI for payments, and DigiLocker for document verification—creates a unique backbone that simplifies onboarding and authentication. Fintechs, insurtechs, and banks are leveraging this digital infrastructure to offer microinsurance products with low premiums and simplified claims.

However, technology must remain ethical and human-centric. Automation cannot replace accountability. Algorithmic underwriting must be explainable and auditable to prevent bias. Moreover, data protection under the Digital Personal Data Protection Act, 2023 must be a non-negotiable standard. To sustain public confidence, technological innovation in embedded insurance must prioritise consent, transparency, and security.

Consumer Behavior and Trust in Embedded Insurance

In insurance, behavior matters more than logic. While the value of protection is undeniable, consumer psychology often works against

insurance uptake. People avoid thinking about uncertainty. They procrastinate. They fear rejection or fine print. This is why, despite being affordable and relevant, insurance has traditionally struggled to achieve deep penetration—especially among first-time buyers and low-income consumers.

1. Passive Onboarding: A Psychological Breakthrough

One of the key behavioral breakthroughs in embedded insurance is the removal of the “purchase decision.” Unlike traditional models that require customers to actively choose a policy, compare features, and pay separately, embedded insurance shows up silently—packaged within a service the consumer already wants.

This seamless integration bypasses the mental friction associated with insurance purchases. Consumers don’t need to assess risk, weigh cost-benefit, or trust a salesperson—they simply benefit from being covered. This works particularly well for first timer users, low income groups etc.

2. Familiar Platforms = Transferred Trust

In embedded models, the interface isn’t the insurer—it’s the platform: Ola, Amazon, IRCTC, Paytm. These brands already have a trust relationship with the customer due to frequent use and reliable service.

3. The “Claim Moment” Defines the Experience

For all the trust embedded insurance builds through convenience, it is ultimately judged by one

moment: the claim. If the customer experiences a smooth, quick payout, it can transform their perception of insurance.

But if the process is unclear, delayed, or denied—especially for a cover they didn’t even know they had—it can damage both the insurer’s and the platform’s reputation.

This makes clear communication and simplified claims workflows essential.

4. The Awareness Gap: A Double-Edged Sword

While embedded insurance wins on adoption and reach, it often loses on awareness. Many customers don’t know they are insured until something happens. The customer needs to initiate the claim.

To address this, platforms and insurers must invest in micro-education at the point of interaction. SMS in vernacular languages, in-app notifications etc can enhance the awareness

5. Trust = Simplicity + Speed + Support

Ultimately, trust in embedded insurance comes down to three core elements:

- **Simplicity:** The product must be easy to understand. No jargon, no hidden terms.
- **Speed:** The experience—from issuance to claim—must be instant or near-instant.
- **Support:** Human or chatbot assistance should be easily available when needed.

Risks, Pitfalls, and Unintended Consequences of Embedded Insurance

While embedded and bundled insurance expand access, several challenges must be addressed to ensure sustainable growth.

Awareness and Consent: Customers often remain unaware that they are covered under an embedded policy. Clear communication and opt-in consent mechanisms are essential to uphold transparency.

Claims Servicing: A common pain point in bundled models is fragmented accountability between insurers and distributors. Unified service protocols and co-owned digital claims systems can mitigate this issue.

Data Governance: As embedded models rely heavily on data sharing, compliance with privacy laws and consent frameworks is critical. Misuse or over-collection of data can erode consumer trust and invite regulatory backlash.

Product Suitability: The temptation to over-automate or oversimplify can lead to underinsurance. Products must be designed with relevance to the user's actual risk exposure and affordability.

Intermediary Governance: Platform partners such as fintechs or retailers must be trained and certified in basic insurance ethics and disclosure norms. Mis-selling by unregulated entities can jeopardise credibility.

Addressing these risks through technology governance, regulatory coordination, and consumer

education will be key to the sector's orderly growth.

Recommendations for Stakeholders: Building a Resilient Embedded Insurance Ecosystem

As embedded and bundled insurance models reshape the way people access protection, ensuring their long-term success will depend on the coordinated efforts of four critical stakeholders: insurers, digital platforms, regulators, and consumers. Each has a unique role to play—not just in scaling reach, but in preserving trust, delivering value, and upholding ethics.

1. For Insurers: From Product Providers to Ecosystem Enablers

Traditional insurers must evolve from policy sellers into plug-and-play service providers capable of integrating with multiple digital platforms and serving micro-segments at scale.

Recommendations:

- Develop API-first, modular products that can adapt to various platforms and user behaviors.
- Focus on micro-covers with real impact, such as ₹ 50,000–₹ 2 lakh sum insured policies for accidents, health, theft, or hospitalization.
- Invest in cloud-native, scalable tech stacks to support real-time issuance and claims.
- Build AI-powered underwriting models using non-traditional data (e.g., transaction patterns, geolocation, app usage).

- Ensure claim experiences are instant, paperless, and mobile-first. This is where trust is either earned or lost.

Insurers must also **co-own the customer journey**, ensuring post-sale servicing, disclosures, and redressal mechanisms are integrated—even if the platform handles the front end.

2. For Digital Platforms: Delivering Value, Not Just Volume

Platforms (e-commerce, mobility, travel, fintech) are the face of embedded insurance. With great distribution power comes great responsibility.

Recommendations:

- Embed only relevant, context-specific insurance—don't clutter transactions with token covers.
- Provide clear opt-in/opt-out functionality with pricing and benefits explained in plain language.
- Build user awareness at key moments (purchase, claim, renewal) through SMS, WhatsApp, or in-app notifications in local languages.
- Offer in-app claim assistance, FAQs, and escalation options—don't redirect users to the insurer with no support.
- Enable data consent dashboards where users can view and manage how their information is used.

Embedding insurance should enhance user experience, not just revenues. Prioritize protection over perception.

3. For Regulators (IRDAI and Others): Build Guardrails, Not Walls

India's regulatory environment has already shown commendable support for innovation through sandbox pilots, use-and-file flexibility, and upcoming initiatives like Bima Sugam. Now, it must focus on translating these innovations into safe, consumer-first practices.

Recommendations:

- Introduce standards for embedded and bundled disclosures.
- Establish accountability rules for platforms offering insurance.
- Require minimum viable cover standards for microinsurance, avoiding token products that mislead.
- Mandate grievance co-responsibility clauses between insurer and platform in embedded contracts.
- Encourage data-sharing frameworks that uphold user consent, privacy, and auditability.

4. For Consumers and Civil Society: From Passive Protection to Informed Empowerment

While embedded insurance lowers entry barriers, consumers must still know their rights, understand coverage, and demand better service.

Recommendations:

- Civil society and fintech NGOs should run financial literacy campaigns focused on insurance—especially in regional languages.

- Build tools (apps, WhatsApp bots) that let users check their embedded covers, claim status, and renewals.
- Push for transparent defaults—no hidden charges, no silent policies.
- Create public dashboards that show platform-wise complaint rates, claim turnaround, and coverage clarity.

Informed consumers are the best safeguard against mis-selling. Awareness must keep pace with access

Conclusion

Embedded and bundled insurance represent a decisive step toward realising India's vision of inclusive protection. They simplify access, leverage technology, and align insurance with everyday life. However, inclusion without comprehension can create fragile

trust. Sustainable success will depend on transparency, data ethics, and service excellence.

India's unique advantage lies in its digital infrastructure, progressive regulation, and multi-stakeholder innovation ecosystem. By synthesising lessons from global experiences and aligning them with local realities, embedded and bundled insurance can transition from an emerging trend to a foundational pillar of India's financial security architecture.

The journey ahead is not only about expanding coverage but about building *assurance*—a culture where every financial transaction carries within it the promise of protection. As India moves towards 2047, embedded and bundled products can transform insurance from a purchased product into a trusted companion in the everyday lives of its citizens. **II**

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Merit Winner
D. Subrahmaniam Award Essay Writing Competition

Need for Metamorphosis of Bancassurance for orderly growth


Pranita Soni

sonipranita1208@gmail.com

She is an MBA graduate with dual specializations in Marketing and Human Resources from Ahmedabad University, holding a fellowship from IIL. She is student member of IAI and cleared two papers of actuarial science. Currently, she has been working as an assistant at LIC (Life Insurance Corporation of India) since 2021.

Abstract

Bancassurance, the partnership between banks and insurance providers, has been a central plank in efforts to deepen insurance penetration in India. The model has delivered scale by using the reach and trust of banks, yet it reveals persistent weaknesses including misaligned incentives, fragmented customer journeys, inadequate servicing, and regulatory friction. This essay argues that bancassurance must undergo a deliberate metamorphosis from a transaction-driven distribution channel into an embedded protection ecosystem. The discussion traces the historical evolution of bancassurance in India, identifies structural and governance shortcomings, examines global precedents, and articulates how technology, culture and regulation can be realigned. The paper concludes with a practical seven-point roadmap designed to achieve orderly, customer-centric growth.

Keywords

Bancassurance, Integration, Governance, Technology.

Introduction: The Promise and Paradox of Bancassurance

In the summer of 2002, a middle-class father in Indore walked into his bank to deposit a cheque. He walked out with not just a stamped receipt, but also a life insurance policy he

never planned to buy. The bank manager, a familiar and trusted face, had pitched it as a “safe investment with life cover.” The father nodded along, signed the papers, and walked away relieved—someone from the bank must know what’s best. This anecdote, seemingly mundane, is a classic example of how bancassurance first bloomed in India: on the back of trust, proximity, and transactional simplicity.



Figure 1 Concept of Bancassurance

Bancassurance was introduced as a pragmatic response to a familiar challenge. Banks command broad customer relationships, an extensive physical network and significant trust. Insurers possess actuarial expertise and risk transfer mechanisms. The intuition behind bancassurance is straightforward. By combining these assets, insurers gain access to a ready customer base and banks acquire a complementary revenue stream. In practice, however, the model has delivered unevenly. It has generated large volumes of first year premiums while falling short on persistency, servicing and customer satisfaction. The paradox is that a channel built on relationship capital has often relied on transactional selling, producing short-term gains at the expense of long-term protection.

This essay adopts a constructive stance. It contends that bancassurance retains unique advantages that make it indispensable to India's ambition of universal coverage. At the same time, the model requires fundamental redesign. Incremental improvements will not suffice. The objective must be a metamorphosis that converts distribution into an enduring protection ecosystem.

Retrospective Lens: Indian Bancassurance – The First Generation

To understand the need for a metamorphosis in bancassurance, it is critical to first appreciate the trajectory it has followed in India.

1. Origins in Liberalization: Birth of a Distribution Powerhouse

The 1990s marked a watershed in India's economic history. With the winds of liberalization sweeping across industries, the insurance sector too was opened to private participation through the landmark IRDA Act of 1999. Until then, insurance in India had been the bastion of a few state-owned giants, functioning in a highly protected, monopolistic environment. Private and foreign players, once permitted, were eager to capture market share. . (Evolution of insurance in India, n.d.)

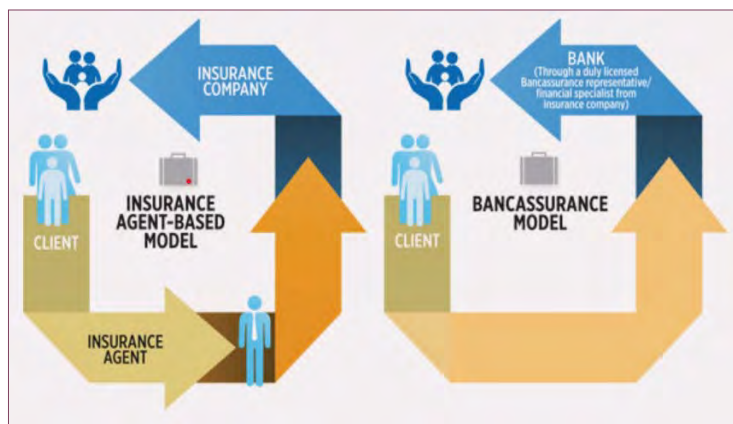


Figure 2 How Bancassurance is different from agent-based model

2. The Early Models: From Tie-Ups to Captive Partnerships

The initial years of bancassurance were characterized by diversity in partnership models. Banks were permitted to act as **corporate agents**, tied to a single life and/or general insurer. Over time, *referral models* where banks only passed leads to insurers—emerged for those institutions unwilling to actively sell. Some banks even chose to enter **joint ventures** with insurers, taking equity stakes and co-developing products.

3. Success with Side Effects: Cracks Beneath the Numbers

By the mid-2000s, bancassurance had grown from a promising

channel into a dominant one. Banks contributed over a third of all private insurer premiums, particularly in the life segment. But growth, as it turned out, was masking deeper issues. (DAHIYA, 2016)

- A. Mis-selling and miss-understanding
- B. Product skew and profitability obsession
- X. Limited servicing and post-sale engagement
- Δ. Compliance compromises

The success of the first generation was, however, accompanied by significant side effects. Sales were often driven by bank targets rather

than by customer needs. Bank personnel, trained primarily for deposits and credit, were frequently inadequately prepared to advise on insurance features and exclusions. Product choices therefore skewed toward high upfront commission offerings, principally single premium and unit linked plans. This pattern produced front-loaded revenue for banks and insurers while generating elevated lapse rates and consumer complaints.

Structural Challenges – Why the Model is Fraying at the Edges

On the surface, bancassurance still looks like a success story. Banks continue to rake in lucrative commissions, insurers enjoy massive premium inflows, and regulatory frameworks now allow greater flexibility. But beneath this apparent stability lies a system increasingly weighed down by its own contradictions. Much like an old bridge carrying more weight than it was designed for, the traditional bancassurance model in India is starting to creak—subtly, but unmistakably.

1. The Incentive Mismatch: Sales Pressure vs. Customer Needs

Let's start with the core problem that no one likes to say out loud: bancassurance is often driven more by revenue targets than by customer protection goals.

Bank staff especially in private sector institutions are routinely assigned

insurance sales targets as part of their performance KPIs. These aren't just "nice to have" goals; in many branches, they're non-negotiable. Promotions, bonuses, and even team ratings can hinge on This misalignment creates a domino effect:

- Customers buy policies they don't fully understand
- Lapse rates increase, especially in years 2 and 3
- Claims get disputed due to non-disclosure or lack of clarity
- Customer complaints rise, followed by regulatory scrutiny
- Banks become reluctant to push pure protection products due to lower commissions

The model begins to cannibalize itself.



Figure 3 Lack of customer needs understanding

2. Fragmented Customer Journey: A Jarring Experience

One of the biggest ironies of bancassurance is that the customer journey—supposedly seamless—is often fragmented and jarring.

This disconnect occurs because the bancassurance model is still largely designed around selling, not servicing. Banks are great at the first 30 minutes of the customer lifecycle. The rest of the journey—renewals, endorsements, claims, grievances—remains someone else's problem.

Without an integrated service layer that allows banks and insurers to co-own the customer experience, trust will continue to erode.

3. Product Complexity Meets Low Financial Literacy

Insurance products, especially life and health, are inherently complex. Riders, exclusions, sum assured, waiting periods, pre-existing clauses, investment risks (in ULIPs), surrender values... the list goes on. Unfortunately, in India, financial literacy remains worryingly low, particularly when it comes to risk-based products.

When a bank staff member who is not a full-time insurance advisor—tries to explain these complexities, the result is often confusion or oversimplification. Add to this the fact that many customers trust the bank implicitly and don't ask too many questions. The result? Poorly understood policies with a false sense of security.

4. Servicing Gaps: Nobody Takes Ownership

One of the most common complaints in bancassurance is: “I don’t know who to approach.” The policy was bought from the bank, but the bank refers complaints to the insurer. The insurer asks for documents the bank never provided. The customer is caught in limbo.

5. Over-Reliance on Human Selling

Another deeply rooted structural challenge is the model’s dependence on human interactions. Despite all the technological advancements, most bancassurance sales today are still executed via relationship managers, personal bankers, or branch heads. While human interaction can enhance trust, it also creates bottlenecks:

- Sales quality is inconsistent across branches
- Training and product knowledge vary widely
- Employee churn leads to broken customer follow-ups
- Manual processes result in slower policy issuance and servicing

6. Technology Debt and Data Silos

Despite having access to rich data on customer demographics, income, spending patterns, and financial behavior, most banks still rely on cold-calling scripts and generic product pitches to sell insurance. This is not a tech problem—it’s a mindset problem.

The average bancassurance model is sitting on an enormous technology debt:

- CRM systems of banks and insurers don’t talk to each other
- Data is not centralized, so personalization is absent
- Leads are manually handed over, with no lead scoring or journey tracking
- Real-time underwriting is rarely available
- Predictive analytics, AI nudging, or event-based triggers are barely used

7. Regulatory Friction and Dual Compliance

The Indian financial sector operates in a tightly regulated space—and rightly so. But for bancassurance, regulation often becomes a double-edged sword.

Banks are governed by the Reserve Bank of India (RBI), while insurers fall under the purview of the Insurance Regulatory and Development Authority of India (IRDAI). While both regulators work toward financial stability and consumer protection, their frameworks are not always harmonized.

This leads to:

- Ambiguity on who is responsible for what in customer grievances
- Confusion around documentation requirements, especially for KYC

- Slower innovation due to regulatory approvals from two bodies
- Challenges in launching bundled or hybrid financial products

What bancassurance needs is a regulatory bridge—a coordinated framework that encourages innovation while ensuring strong customer safeguards. Regulatory sandboxes, joint circulars, and shared compliance portals could be part of this transformation.

Technology and Bancassurance: From Distribution to Ecosystem

Technology is central to metamorphosis because it transforms the nature of distribution, servicing and customer engagement. The essential components are interoperable application programming interfaces, shared data platforms and embedded insurance flows within banking journeys. APIs enable real time access to customer KYC, account behaviour and transactional signals that can feed rapid underwriting engines. Data lakes create profiles that support personalised recommendations and predictive servicing. Embedded finance permits protection to be offered contextually at the point of need, for example during loan disbursements, card purchases or travel bookings.

Digital channels extend the advisory capability of banks. Conversational

interfaces, in app education modules and claim trackers can substitute for some transactional interventions while reserving human specialists for complex advisory moments. Important safeguards must accompany technical integration. Data usage must be consent based and privacy preserving. Algorithmic underwriting must be transparent and subject to audit to prevent inadvertent discrimination. Technology should augment human judgment and not replace ethical accountability in advisory relationships.

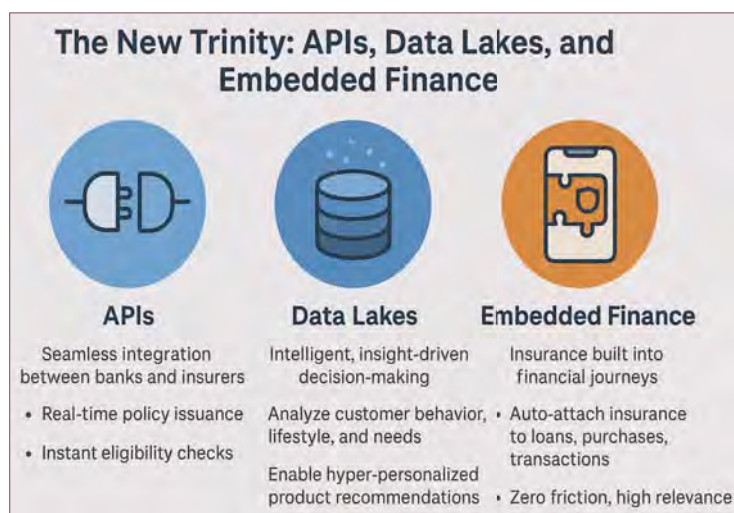


Figure 4 New Trinity of bancassurance

Talent and Culture Realignment: The Missing Human Link

India's smaller cities and towns contain the bulk of under insured population. The opportunity in Tier II and Tier III markets is not only commercial but also social. These markets exhibit rising aspirations, growing digital adoption and greater desire for financial stability. Rural and regional banking networks, post offices and cooperative banks are underused distribution channels that can be mobilised with suitable products and supporting infrastructure.

Successful models in these markets will combine vernacular communications, assisted digital onboarding and simple product design. Micro health covers, livelihood protection for small traders and bundled credit life for small loans are examples of products that fit naturally into these economies. Partnerships with microfinance institutions, self help groups and local cooperatives can amplify trust. Claims processes in these geographies must be simplified and fast tracked to avoid reputational damage from one poor experience.

IRDAI's Vision 2047 and the Role of Bancassurance

The regulator's long horizon vision provides a strategic anchor for the sector. Insurance for all by 2047 will require channels that can reach diverse populations, offer affordable products and support claims at scale. Bancassurance, if redesigned, can be central to this mission. The regulator should continue to support open architecture, enable sandboxes for responsible experimentation and promote outcome based metrics. At the same time IRDAI must insist on better disclosures, parity in onboarding among insurers and unified grievance frameworks that reduce customer confusion in co distributed products.

Roadmap for Metamorphosis – A 7-Point Strategy

Bancassurance must evolve from a sales-driven model to a customer-first ecosystem aligned with India's "Insurance for All" vision. This transformation demands a bold, structured roadmap that shifts focus from transactions to trust, volume to value, and builds a future-ready framework through a strategic 7-point metamorphosis plan.



Figure 5 A 7-points Strategy

1. Platformification of Bancassurance: Build the Digital Rails

What needs to change:

Most banks today operate as *manual conduits* for insurer products. There is little integration, limited real-time capability, and practically no digital co-creation. This must change. Bancassurance must become a platform, not a pipeline.

Action Points:

- Develop **shared digital platforms** powered by open APIs that allow insurers and banks to collaborate in real time—on product offers, lead tracking, underwriting, policy issuance, and claims.
- Integrate these platforms into mobile banking apps, net banking dashboards, and bank RM apps.

- Build **plug-and-play architecture** so multiple insurers can co-exist, compete, and co-innovate within the same bank ecosystem.

Impact:

Customers experience instant policy issuance, pre-approved cover offers, and automated claims—all from their bank app. Banks gain lower turnaround time and better data. Insurers reduce acquisition cost and improve servicing quality.

2. Open Architecture With True Enforcement: Choice, Not Compulsion

What needs to change:

While the IRDAI mandates open architecture, most banks continue to offer a *single insurer's product*, defeating the very purpose of consumer choice. This must evolve from compliance lip-service to genuine enablement.

Action Points:

- Mandate that all bank branches and digital portals display options from at least 2-3 insurers for every insurance category.
- Introduce neutral product comparison tools within banking interfaces, with feature-based sorting and ratings.
- Ensure banks rotate training and marketing visibility equally across insurer partners.

Impact:

Consumers feel empowered. The product landscape becomes competitive. Mis-selling reduces as insurers are chosen based on merit, not back-end contracts.

3. Embedded and Contextual Insurance: Meet Customers Where They Are

What needs to change:

Most customers do not actively seek insurance. But they do seek financial transactions—loans, investments, savings, travel, and e-commerce. This is where insurance must show up—contextually, seamlessly, and invisibly.

Action Points:

- Embed insurance into life events and transaction triggers:
 - Home loan → credit life cover
 - Flight ticket → travel insurance
 - Senior citizen FD → health plan suggestion
 - New salary account → term plan nudge
- Enable AI-based nudges based on transaction behavior, life stage, or risk profiling.

Impact:

Insurance becomes part of life, not a post-facto add-on. Uptake improves organically. Banks can cross-sell

meaningfully. Insurers gain contextual relevance.

4. Protection Score for Every Customer: Democratizing Awareness

What needs to change:

The average customer doesn't know if they're underinsured, overpaying, or at risk. They need a simple, intuitive dashboard—like a credit score but for protection.

Action Points:

- Launch a Protection Health Index in mobile banking and net banking platforms.
- Score based on: income-to-cover ratio, age-appropriate protection, health coverage adequacy, and claim history.
- Offer personalized nudges to close coverage gaps—e.g., “Your current health coverage is ₹3L. Based on age and location, you need ₹8L. Explore top-up options.”

Impact:

Protection becomes visible and actionable. Customers engage more deeply with their policies. Banks become wellness partners, not sellers. Renewals and upsells improve naturally.

5. Bancassurance Relationship Specialists: Put People at the Core

What needs to change:

Frontline bank staff often lack the training, bandwidth, or confidence

to advise on complex insurance products. This results in poor advisory and mis-selling. The solution is specialization, not generalization.

Action Points:

- Appoint dedicated, certified insurance advisors in bank clusters or high-footfall branches.
- Build clear career paths and ethical scorecards: not just for sales, but for persistency, claim success, and customer satisfaction.
- Empower them with AI tools, co-branded CRMs, and virtual assistants to handle 80% of queries instantly.

Impact:

Customer experience improves. Trust in bank advisors strengthens. Insurance becomes a high-touch, high-trust engagement—not a number game.

6. Unified Customer Experience Layer: One Journey, Many Insurers

What needs to change:

Today, bancassurance journeys are fragmented. Sales may happen via the bank, but claims and service happen with the insurer—causing confusion, frustration, and broken trust.

Action Points:

- Create a co-branded, unified service layer that integrates insurer data into the banking interface.

- Let customers access policy documents, claim forms, servicing status, and renewal prompts all in one place.
- Use chatbots, WhatsApp integration, and IVR flows for 24/7 assistance, regardless of insurer.

Impact:

Insurance becomes easy to manage. The bank stays involved beyond the sale. Insurers benefit from reduced service calls. Customers feel seen and supported.

7. Outcome-Based Governance: Reward Impact, Not Volume

What needs to change:

Most bancassurance success is still measured in **premium collection**. But volume does not equal value. Growth must now be evaluated based on **real protection impact**.

Action Points:

- Introduce KPIs beyond sales:
 - o 13th/25th month policy persistency
 - o % of policies claimed without disputes
 - o Customer satisfaction and complaint resolution score
 - o Claim turnaround time
- Conduct branch-level bancassurance audits to reward ethical practices and penalize mis-selling patterns.

Impact:

The culture changes—from “sell more” to “protect better.” Regulation becomes proactive, not punitive. Institutions begin to align with long-term customer well-being.

Metamorphosis is not about tweaking the old. It is about building something fundamentally better—in structure, spirit, and impact. This 7-point roadmap does not promise overnight results, but it lays down

the scaffolding for a bancassurance model that is ethical, inclusive,

Conclusion – Metamorphosis, Not Mutation

Bancassurance has demonstrated its capacity to expand insurance reach in India. Its future relevance depends on the willingness of banks, insurers and regulators to undertake a disciplined metamorphosis. This includes redesigning incentives, bridging data silos, strengthening governance, and elevating the quality of advisory.

Technology can accelerate this transformation but must be deployed with safeguards that protect privacy and prevent exclusion. If implemented conscientiously, a reimagined bancassurance model will do more than increase premium volumes. It will contribute to a more resilient financial system in which protection is embedded in everyday financial interactions. The goal is orderly growth that privileges customer welfare as the principal metric of success. 

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Runner-up
D. Subrahmaniam Award Essay Writing Competition**Need for metamorphosis of Bancassurance for orderly growth – The Way Forward” – Compressed Version****Abhishek Subiraj Borkar**

abhishek.borkar.ba@gmail.com

He is Insurance Agent with 4 years of sales experience in Insurance Sector – Life Insurance Corporation of India. He is Licentiate, Associate & Fellowship Diploma from Insurance Institute of India, currently pursuing Actuarial Science.

Abstract

This publication highlights current state of bancassurance sector in India, lists down challenges that are the cause for hindering growth in bancassurance sector such as operational inefficiencies, understanding insurance mis-selling as per IRDAI guidelines & real-life cases of insurance mis-selling. Once we understand issues with bancassurance channel, we present a proposed model for bancassurance reform in 4 key areas. Each area needs extensive rework, along with implementation of new rules which can later get implemented to other insurance distribution channels. Mathematical calculations are used to explain commission structure. This article is a compressed version of the initial essay submitted on 20th May 2025 for the following essay topic – “Need for metamorphosis of Bancassurance for orderly growth – The Way Forward”

Keywords

Bancassurance, Insurance Penetration, IRDAI, SEBI, AMFI, Intermediary, Insurer, InsurTech, Annual Report, IRDAI Handbook, Public Disclosures, Commission, Mutual Funds, GNPA, Retention Ratio, Mis-selling, Circulars, Reforms, Licensing, III, Accountability, NOC, Transparency, Corporate Agents, KYD

Introduction

Insurance is a push product. The benefits of insurance must be explained properly to the insured. Once done, insurance agreement based on Utmost Good Faith can be finalized between the insured & the insurance company. Insurance sale is not the end, but is actually the start of a long-term journey towards trust, guidance, claim commitment & settlement, after sales servicing which includes auditing existing insurance policies. This long-term

commitment requires the help of multiple insurance intermediaries.

1) Understanding Bancassurance

Bancassurance is an agreement between the bank & an insurance company, which allows the insurance company to sell their insurance products to the bank customer base, which are mostly the banks account holders.

This sale of insurance product can be done by the bank employees or via the relationship managers appointed by the bank for their HNI bank account holders or by a person appointed by the insurance company at the respective bank branch.

This model benefits the insurance company by increasing sales, receiving a broader client base such of bank account holders without increasing their sales agency or expenses. The bank here acts as an

intermediary & benefits by receiving commission, that add to bank's revenue.

Rather than receiving consultations from different insurance agents or intermediaries, the customer can

visit their nearest bank & receive an overview of different insurance products under one roof.

1.1) Bank Branches, ATM & CRMs across India

If we check the total number of bank

branches across India, as of FY2023-24, as available from RBI Trends & Progress of Banking in India (Annual)^[4], then the details are provided below

Appendix Table IV.12: Branches and ATMs of Scheduled Commercial Banks

(At end-March 2024)

		Branches					ATMs and CRMs		
Sr. No.	Name of the Bank	Rural	Semi-urban	Urban	Metropolitan	Total	On-site	Off-site	Total
1	2	3	4	5	6	7	8	9	10
	Public Sector Banks	29,208	23,463	16,119	16,069	84,859	77,033	57,661	1,34,694
1	Bank of Baroda	2,874	2,087	1,481	1,784	8,226	8,417	2,634	11,051
2	Bank of India	1,868	1,464	823	932	5,087	5,329	2,800	8,229
3	Bank of Maharashtra	612	719	547	608	2,486	1,865	36	1,901
4	Canara Bank	3,103	2,750	1,901	1,844	9,598	8,198	3,958	12,156
5	Central Bank of India	1,604	1,335	770	794	4,503	2,857	1,144	4,001
6	Indian Bank	1,984	1,526	1,174	1,160	5,844	4,336	601	4,937
7	Indian Overseas Bank	908	964	656	690	3,218	2,774	731	3,505
8	Punjab and Sind Bank	582	294	370	318	1,564	1,009	26	1,035
9	Punjab National Bank	3,925	2,481	1,997	1,724	10,127	7,794	4,337	12,131
10	State Bank of India	8,091	6,531	4,048	3,863	22,533	24,513	39,067	63,580
11	UCO Bank	1,113	872	639	592	3,216	2,249	228	2,477
12	Union Bank of India	2,544	2,440	1,713	1,760	8,457	7,692	1,999	9,691

Notes: 1. Population groups are defined as follows: 'Rural' includes centers with population of less than 10,000. 'Semi-urban' includes centers with population of 10,000 and above but less than of one lakh. 'Urban' includes centers with population of one lakh and above but less than of ten lakh, and 'Metropolitan' includes centers with population of ten lakh and above. All population figures are as per census 2011.

2 Data on branches exclude 'Administrative Offices'.

Source: Central Information System for Banking Infrastructure (erstwhile Master Office File System) database, RBI.

Diagram-1 (Above) Branches & ATMs of public sector banks - RBI Trends & Progress of Banking in India (Annual)^[4] ^[5] Appendix IV.12

Appendix Table IV.12: Branches and ATMs of Scheduled Commercial Banks (Continued)

(At end-March 2024)

		Branches					ATMs and CRMs		
Sr. No.	Name of the Bank	Rural	Semi-urban	Urban	Metropolitan	Total	On-site	Off-site	Total
1	2	3	4	5	6	7	8	9	10
	Private Sector Bank	8,924	14,088	9,593	12,086	44,691	45.438	34.446	79,884
1	Axis Bank Ltd	923	1,564	1,291	1,742	5,520	6.244	9.760	16,004
2	Bandhan Bank Ltd	2,100	2,352	1,152	693	6,297	433	5	438
3	Catholic Syrian Bank Ltd.	66	367	156	193	782	683	48	731
4	City Union Bank	152	281	173	189	795	1.140	537	1,677
5	DCB Bank Ltd.	82	111	123	126	442	413	5	418
6	Dhanalakshmi Bank Ltd.	20	112	71	58	261	239	41	280
7	Federal Bank Ltd.	215	739	288	261	1,503	1.678	335	2,013
8	HDFC Bank Ltd.	1,547	3,019	1,759	2,405	8,730	11.649	9.289	20.938
9	ICICI Bank Ltd.	1,361	1,809	1,306	1,913	6,389	9.994	7.189	17,183
10	IDBI Ltd	432	631	480	460	2,003	2,317	986	3,303
11	IDFC Bank Ltd.	60	268	400	477	1,205	853	311	1,164
12	IndusInd Bank Ltd.	305	657	748	850	2,560	1.820	1.136	2,956
13	Jammu and Kashmir Bank	537	178	108	175	998	943	626	1,569
14	Karnataka Bank Ltd	217	213	236	253	919	916	579	1,495
15	Karur Vysya Bank Ltd.	137	331	165	250	883	1,463	799	2,262
16	Kotak Mahindra Bank Ltd.	325	307	425	889	1,946	1,766	1.525	3,291
17	Nainital Bank Ltd	55	34	47	34	170	-	-	-
18	RBL Bank Ltd.	65	72	96	311	544	359	36	395
19	South Indian Bank Ltd.	110	460	183	206	959	909	412	1,321
20	Tamilnad Mercantile Bank Ltd.	119	257	88	88	552	498	660	1,158
21	Yes Bank Ltd.	96	326	298	513	1,233	1.121	167	1.288

Notes: 1. Population groups are defined as follows: 'Rural' includes centers with population of less than 10,000. 'Semi-urban' includes centers with population of 10,000 and above but less than of one lakh. 'Urban' includes centers with population of one lakh and above but less than of ten lakh, and 'Metropolitan' includes centers with population of ten lakh and above. All population figures are as per census 2011.

2 Data on branches exclude 'Administrative Offices'.

3 -NIL

Source: Central Information System for Banking Infrastructure (erstwhile Master Office File System) database, RBI.

Diagram-2 (Above) Branches & ATMs of scheduled commercial banks - RBI Trends & Progress of Banking in India (Annual) ^[4] ^[5] Appendix IV.12

Appendix Table IV. 12: Branches and ATMs of Scheduled Commercial Banks (Concluded)

(At end-March 2024)

		Branches					ATMs and CRMs		
Sr. No.	Name of the Bank	Rural	Semi-urban	Urban	Metropolitan	Total	On-site	Off-site	Total
1	2	3	4	5	6	7	8	9	10
	Foreign Banks	124	143	158	355	780	603	566	1,169
1	AB Bank Pic	-	-	-	1	1	-	-	-
2	American Express Banking Corp.	-	-	-	1	1	-	-	-
3	Australia And New Zealand Banking Group Limited	1	-	1	1	3	-	-	-
4	Bank of America. National Association	-	-	-	4	4	-	-	-
5	Bank of Bahrain & Kuwait B.s.c.	-	1	-	3	4	-	-	-

Diagram-3 (Above) Branches & ATMs of scheduled commercial banks - RBI Trends & Progress of Banking in India (Annual) ^[4] ^[5] Appendix IV.12

As per IRDAI FY2023-24, we observe the following

- Total Life insurer offices in India as on 31st March 2024 – 11,517
- Total Non-life insurer offices in India as on 31st March 2024 – 9,821

As per RBI Trends & Progress of Banking in India (Annual), we observe the following

- Public sector bank branches – as of 26th December 2024 – 84,859
- Private sector bank branches – at end March-2024 – 44,691
- Foreign bank branches - at end March-2024 – 780

Simultaneously, we need to understand the present state of bancassurance in India & the standing of other insurance intermediaries in terms of New

Business performance as per Insurance Intermediaries.

2) New Business performance of Insurance Intermediaries in India

As per IRDAI Annual report FY2021-22, FY2022-23 & FY2023-24, list of intermediaries across India, who are licensed & bringing new insurance business as in percentage of premium.

Table II.9: New Business Performance of Insurance Agents and Intermediaries in Life Insurance (2021-22)

(Figures in percentage or Premium)

		Individual New Business			Group New Business		
No.	Type of Intermediary	LIC#	Sector	Total	LIC#	Sector	Total
1	Individual Agents	96.26	22.87	55.01	3.00	0.71	2.45
2	Corporate Agents						
	i. Banks	2.63	54.79	31.94	1.06	21.47	5.92
	ii. Others*	0.09	3.44	1.96	0.01	5.94	1.42
3	Brokers	0.05	3.41	1.94	0.16	4.42	1.18
4	Direct sale	0.19	12.59	7.16	95.76	66.76	88.86

(Figures in percentage or Premium)							
	Type of Intermediary	Individual New Business			Group New Business		
No.		LIC#	Sector	Total	LIC#	Sector	Total
5	Online direct sale	0.16	2.29	1.36			
6	Micro Insurance Agents	0.47	0.04	0.23		0.70	0.17
7	CSCs		0.01	0.01			
a	Web Aggregators		0.33	0.19			
9	IMF	0.14	0.18	0.17			
10	Point of Sales	0.01	0.05	0.03			
	Total	100.00	100.00	100.00	100.00	100.00	100.00
	Referrals		0.02	0.01			

Does not include its overseas new business premium.
 * Any entity other than banks but licensed as a corporate agent.
 Note: 1. New business premium includes first year premium and single premium.
 2. The leads obtained through referral arrangements have been included in the respective channels.

Diagram-4 (Above) – IRDAI Annual Report FY2021-22^[2] Page No-60

Table II.14: Business Performance of Intermediaries in Life Insurance (2022-23)							
(Figures in percentage or Premium)							
Sl. No.		Individual New Business			Group New Business		
	Type of Intermediary No.	Private Sector	Public Sector	Industry	Private Sector	Public Sector	Industry
1	Individual Agents	23.08	96.14	52.76	1.38	3.62	3.10
2	Corporate Agents-Banks	53.15	2.98	32.77	19.73	3.97	7.65
3	Corporate Agents-others	3.87	0.10	2.34	11.92	0.01	2.79
4	Brokers	5.11	0.10	3.07	6.91	0.07	1.67
5	Direct Business	13.15	0.00	7.81	59.00	92.33	84.55
6	MI agents	0.01	0.28	0.12	1.06	0.00	0.25
7	CSCs	0.01	0.13	0.06	0.00	0.00	0.00
8	Web Aggregators	0.06	0.00	0.04	0.00	0.00	0.00
9	IMF	0.18	0.14	0.16	0.00	0.00	0.00
10	Online	1.33	0.13	0.84	0.00	0.00	0.00
11	Point of Sales [PoS]	0.05	0.00	0.03	0.00	0.00	0.00
	Total Individual Business	100.00	100.00	100.00	100.00	100.00	100.00

Note: 1. New business premium includes first year premium and single premium.
 2. The leads obtained through referral arrangements have been included in the respective channels.

Diagram-5 (Above) – IRDAI Annual Report FY2022-23^[3] Page No-67

Table II.9: Contribution of Agents and Intermediaries in Life Insurance New Business Premium (2023-24)*(Figures In percent of Premium)*

Sl. No.	Type of Intermediary	Individual New Business			Group New Business		
		Private Sector	Public Sector	Total	Private Sector	Public Sector	Total
1	Individual Agents	22.69	96.00	50.90	2.17	4.91	4.15
2	Corporate Agents- Banks	51.98	2.85	33.07	22.94	1.64	7.52
3	Corporate Agents- others	3.14	0.11	1.98	11.77	0.01	3.26
4	Brokers	4.85	0.21	3.06	7.38	0.10	2.11
5	Direct Business	16.11	0.00	9.91	54.94	93.34	82.74
6	MI agents	0.01	0.23	0.09	0.80	0.00	0.22
7	CSCs	0.01	0.29	0.12	0.00	0.00	0.00
8	Web Aggregators	0.02	0.00	0.01	0.00	0.00	0.00
9	IMF	0.17	0.16	0.16	0.00	0.00	0.00
10	Online	0.96	0.15	0.65	0.00	0.00	0.00
11	Point of Sales (PoS)	0.06	0.01	0.04	0.00	0.00	0.00
	Total Business	100.00	100.00	100.00	100.00	100.00	100.00

Note: 1 New business premium includes first year premium and single premium.

"Life insurance business of Sahara India Life Insurance Company Ltd (SILIC) is transferred to SBI Life Insurance Company Ltd (SBI Life) by IRDAI vide its Order dt. 2.6.2023 and the above data / information for the FY 2023-24 does not include data / information pertaining to SILIC".

Diagram-6 (Above) – IRDAI Annual Report FY2023-24^[1] Page No-81

Diagram-4,5 & 6 confirms that corporate agent – banks are seeing only 1% premium business growth each financial year since FY2021-22 in individual new business, whereas individual agents are able to surpass both in business, trust & accountability.

Individual agents contribute 50.90% of premium growth towards individual new business, followed by banks & direct businesses. If we consider channel wise – life insurance – individual new business in terms of number of policies issued, then as per IRDAI's Publication of Handbook 2023-24^[6], Part-V Index 99,

- No of policies issued by individual agents in FY2023-24 are 2,19,18,052
- No of policies issued by corporate agents – banks in FY2023-24 are 42,16,601
- No of policies issued by direct selling are 8,94,692

Bank are not able to generate enough sales in spite of having vast bank branches across India.

3) Challenges Hindering Orderly Growth

Under this section, we will talk about a few challenges that are hindering the orderly growth in bancassurance segment.

3.1) Operational Inefficiencies

Other Financial Products

The primary focus of a bank will be on range of loan disbursements, fixed deposits investments, mutual fund investments, debit cards, credit cards processing, EMI along with minimizing GNPA (Gross Non-Performing Assets). Insurance sales are often looked as secondary objectives. This conflict of interest can lead to disturbance, which causes problems towards insurance sales & servicing.

Insurance Servicing

Insurance products are becoming complex day by day, with each

insurance company adding higher number of benefits under one insurance plan & there is even higher complexity under health insurance plans. Each segment needs an expert who can guide bank account holders. Majority life insurance company struggle to maintain retention ratios above 70% over 61st month period & onwards.

From the perspective of the insured or the nominee, a life insurance contract gets fulfilled only at the time of claim, such as maturity claim or death claim. As majority staff members appointed by a bank are stationed only in bank branch, the insured or the customer has to make frequent visits to the branch office.

Claim handling & claim payment process are responsibilities of the insurance company, but the support of insurance intermediary is often forgotten at such instances. Insurance servicing cannot be put under a 9am to 5pm job schedule. An insurance intermediary is considered as an expert, therefore sub-standard oversight will lead to doubt regarding insurance purchase.

3.2) Understanding Mis-selling

As per IRDAI circular dated 1st August, 2016, Reference No - IRDA/CAGTS/CIR/MSL/152/08/2016^[12], the focus was on complaints of mis-selling & unfair business practices by banks & NBFC.

Top 5 highlights are presented below

- Compulsory bundling of insurance products with bank's products when a customer approached for housing or other loans.
- When a customer approached for availing bank locker facility, banks insist on purchasing insurance policy & at times makes it a condition for locker allotment.
- Insurance policies were issued without the consent of a customer, even when the customers have not signed the document & / or the policy document were issued with incorrect contact details.
- Single premium policies were issued in lieu of fixed deposit receipts stating that this is give better benefits than fixed deposits.
- Regular premium policies were issued in place of single premium policies & renewal premiums were debited from their bank account without any notification or intimation, assuring that they will get double the payment after the select period.

A news article by Neil Borate on MINT^[14] dated 13th October, 2019 shares a different outlook where an individual, named Nitin Balchandani, who was a customer service manager with ICICI Prudential Life Insurance Co. Ltd based in Udaipur, he quit his job due to company's push to sell. As per the article, later in 2018, a PIL mentions the pressure within banks to meet third-party targets such as sale of insurance policies.

Such instances eventually cause customers to doubt & stay away from an important risk transfer financial product.

4) Proposed Model for Bancassurance Reform

The proposed model explained below should only be implemented for Corporate Agents – Banks at the start. Later, proposed model can be applied to other insurance intermediaries.

4.1) Elevated Sales Standard

III (Insurance Institute of India) conducts flagship exams for Licentiate, Associate & Fellowship exams across India. As per IRDAI annual report FY2023-24^[1], Insurance Institute of India awarded Associate certificate to 2301 candidates & Fellowship was awarded to 1837 candidates. Candidates with Associate & Fellowship certification should be granted new license by IRDAI for the following,

- Appointment of III Fellowship qualified insurance officer at every bank branch. This is done to improve insurance related accountability, increase document trackability & increase on-field knowledge of the recruited fellowship candidate.
- The above process will work on a licensing model & commission will be paid on trail-based only. Existing upfront commission or salary-based model will be removed for bancassurance sector.
- Every bancassurance policy sold must be reviewed & stamped by the appointed fellowship candidate. Even if the respective candidate leaves the license, or shifts to another bank branch, he

or she having certified insurance sales, will carry the accountability of the bancassurance policy sold, & receive trail commission on their approved insurance sale, as long as that policy is in-force.

- The license number / diploma number, allotted by IRDAI via Insurance Institute of India, will be used for identification of the respective candidate.

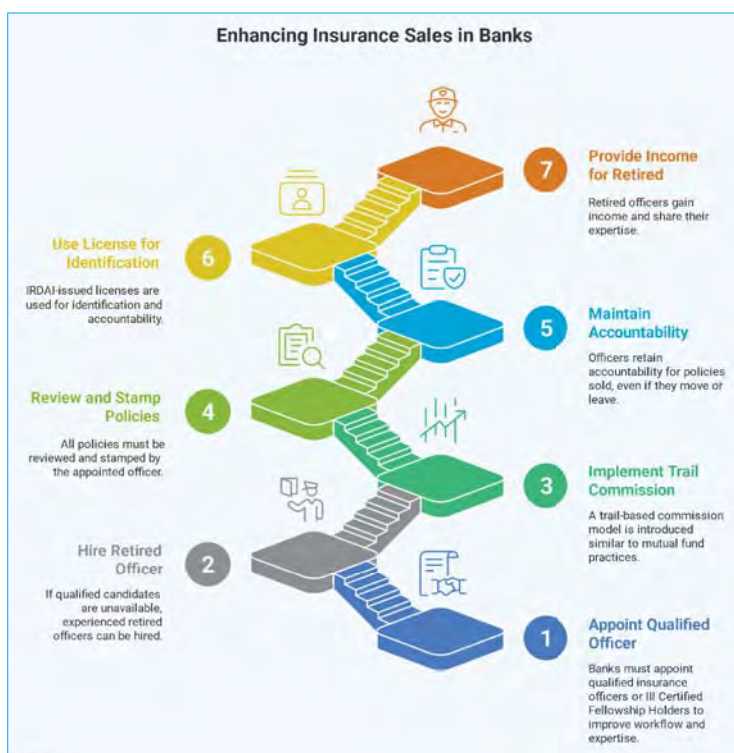


Diagram 9 (Above) – Elevated Sales Standard for enhancing insurance sales in banks

4.2) Product Sales & Commission Structure

The mutual fund industry in India, initially worked by making upfront commission to mutual fund distributors (MFD) on sale of mutual funds. AMFI (Association of Mutual Funds in India) circulars along with SEBI (Securities & Exchange Board of India) introduced trail-based commission rules & regulations that will be in favor of the investor. We will directly jump how insurance

commission should make use of trail-based commission structure.

- Upfront commission model to be removed & new trail-based commission model will be introduced for bancassurance sector initially
- One-time fee of not more than 1000/- will be paid only to the bank channel – on every new insurance policy sold only once. This Rs 1000/- will be paid from

the commission only & not as an additional payout for new business. Renewal business will not receive any one-time fee & cannot charge any additional fee.

- The policy holder will have complete right & authority to change insurance intermediary, from the “BANK” to other insurance intermediary who are holding valid license at the time of change of intermediary process
- The transfer of intermediary must be done via a letter with signature of the policy holder or HUF head of family or the karta, as per Indian laws or via email directed to the grievances department of the respective insurance company
- The transfer of insurance intermediary must be acknowledged by the insurer within 10 working days, & upcoming servicing protocols, client management, premium notification & other operations will be the responsibility of the new insurance intermediary. The bank will need to maintain records of all change of intermediary transactions for 5 years for record keeping per IRDAI guidelines
- There will be cooling off period of 4 months, where no trail commission payment will be paid to the new insurance intermediary, to whom the policy is transferred. This 4-month commission will be considered as forfeited by the insurer.

- The transferred insurance policy cannot be surrendered for at least 1 year unless in case of medical emergency, where surrender value is required or in case of death of the policy holder. This is to prevent the new insurance intermediary to convince the existing policyholder to cancel old policy & purchase a new policy to receive trail-based commission from next month
- The working of this trail-based commission is explained below using an example. This example is created on excel.

Working of Trail-based commission structure with & without change in Insurance intermediary is mentioned on the next page with examples



Diagram 10 (Above) – Product Sales & Commission Structure

Example-1 – Trail-based Commission without change in insurance intermediary

Insurance Policy Term = 15 Years |
Insured Entry Age = 30 years

Insurance PPT = 15 years | Yearly
Premium Amount = Rs 55,000/-

Upfront Commission % = 35% of Rs
55,000/-

Insurance Cover = 10 Lakh

New Business	Policy Term		15 years
	PPT		15 years
Date	Age	Insurance Coverage	Yearly Premium (excluding GST)
01/01/2025	30	10,00,000/-	₹ 55,000.00
01/01/2026	31	10,00,000/-	₹ 55,000.00
01/01/2027	32	10,00,000/-	₹ 55,000.00
01/01/2028	33	10,00,000/-	₹ 55,000.00
01/01/2029	34	10,00,000/-	₹ 55,000.00
01/01/2030	35	10,00,000/-	₹ 55,000.00
01/01/2031	36	10,00,000/-	₹ 55,000.00
01/01/2032	37	10,00,000/-	₹ 55,000.00
01/01/2033	38	10,00,000/-	₹ 55,000.00
01/01/2034	39	10,00,000/-	₹ 55,000.00
01/01/2035	40	10,00,000/-	₹ 55,000.00
01/01/2036	41	10,00,000/-	₹ 55,000.00
01/01/2037	42	10,00,000/-	₹ 55,000.00
01/01/2038	43	10,00,000/-	₹ 55,000.00
01/01/2039	44	10,00,000/-	₹ 55,000.00

Table-1 (Example-1 - Yearly Premium Calculation)

Working of Payout Structure for 1 Year – From 01-01-2025 to 31-12-2025

New Business	Total Commission Payable	₹ 19,250.00
Year 1	One Time Upfront Payout	Pending Payout Bifurcation
Jan-25	₹ 1,000.00	₹ 604.17
Feb-25	0	₹ 1,604.17
Mar-25	0	₹ 1,604.17
Apr-25	0	₹ 1,604.17
May-25	0	₹ 1,604.17
Jun-25	0	₹ 1,604.17
Jul-25	0	₹ 1,604.17
Aug-25	0	₹ 1,604.17
Sep-25	0	₹ 1,604.17
Oct-25	0	₹ 1,604.17
Nov-25	0	₹ 1,604.17
Dec-25	0	₹ 1,604.17
Total Commission Payout		₹ 19,250.00

Table-2 (Example-1 – Commission Payout Structure.

Example-2 – Trail Based Commission with change in broker after 6 months

Insurance Policy Term = 15 Years |
Insured Entry Age = 30 Years

Insurance PPT = 15 years | Yearly
Premium Amount = Rs 55,000/-

Upfront Commission % = 35% of Rs
55,000/-

Insurance Cover = 10 Lakh

New Business	Policy Term		15 years
	PPT		15 years
Date	Age	Insurance Coverage	Yearly Premium (excluding GST)
01/01/2025	30	10,00,000/-	₹ 55.000.00
01/01/2026	31	10,00,000/-	₹ 55.000.00
01/01/2027	32	10,00,000/-	₹ 55.000.00
01/01/2028	33	10,00,000/-	₹ 55.000.00
01/01/2029	34	10,00,000/-	₹ 55.000.00
01/01/2030	35	10,00,000/-	₹ 55.000.00
01/01/2031	36	10,00,000/-	₹ 55.000.00
01/01/2032	37	10,00,000/-	₹ 55.000.00
01/01/2033	38	10,00,000/-	₹ 55.000.00
01/01/2034	39	10,00,000/-	₹ 55.000.00
01/01/2035	40	10,00,000/-	₹ 55.000.00
01/01/2036	41	10,00,000/-	₹ 55.000.00
01/01/2037	42	10,00,000/-	₹ 55.000.00
01/01/2038	43	10,00,000/-	₹ 55.000.00
01/01/2039	44	10,00,000/-	₹ 55.000.00

Table-3 (Example-2 - Yearly Premium Calculation)

Working of Payout Structure for Year 1 & Year 2 – From 01-01-2025 to 31-12-2026

New Business	Total Commission Payable	Change in Insurance Intermediary	₹ 12,833.33
Year-1	One Time Upfront Pay-out		Pending Payout Bifurcation
Jan-25	₹ 1,000.00	-	₹ 604.17
Feb-25	0	-	₹ 1,604.17
Mar-25	0	-	₹ 1,604.17
Apr-25	0	-	₹ 1,604.17
May-25	0	-	₹ 1,604.17
Jun-25	0	Yes	₹ 1,604.17
Jul-25	0	-	₹ 0.00
Aug-25	0	-	₹ 0.00
Sep-25	0	-	₹ 0.00
Oct-25	0	-	₹ 0.00
Nov-25	0	-	₹ 1,604.17
Dec-25	0	-	₹ 1,604.17
Total Commission Pay-out			₹ 12,833.33
Renewal Business	Total Commission Payable	Change in Insurance Intermediary	₹ 19,250.00
Year-2	One Time Upfront Pay-out		Pending Pay-
Jan-26	₹ 0.00		₹ 1,604.17
Feb-26	0		₹ 1,604.17
Mar-26	0		₹ 1,604.17
Apr-26	0		₹ 1,604.17
May-26	0		₹ 1,604.17
Jun-26	0		₹ 1,604.17
Jul-26	0		₹ 1,604.17
Aug-26	0		₹ 1,604.17
Sep-26	0		₹ 1,604.17
Oct-26	0		₹ 1,604.17
Nov-26	0		₹ 1,604.17
Dec-26	0		₹ 1,604.17
Total Commission Pay-out			₹ 19,250.00

Table-4 (Example-2 – Commission Payout Structure)

4.3) Accountability in Distribution

To confirm accountability, a self-declaration must be signed by the seller. If insurance sales are done via corporate bank channel, then mandatory disclosure of the RM / Bank staff / Fellowship candidate / sales officer name, mobile number, license number, email Id along with corporate agents – banks license number must be printed on the document for traceability along with stamp & seal of the member who approved & certified insurance sale.

Incase of any queries, conflicts, mis-selling or doubts regarding insurance policy sale, then this is notified to the insurance company or the bank, either via email or by written letter submitted at the bank branch or at an insurance company branch office, the distribution channel will be traced using above mentioned accountability pattern & trail-based commission will be stopped for the entire bank for a duration of 6 months.

All future trail-based commission for new business, renewal business & one-time upfront payout of Rs 1000/- for new insurance policy will be forfeited for the duration of 6 months.

Occurrences of repeated cases in regards of “Accountability in distribution” will lead to ban of corporate agents – bancassurance license for a duration of 5 years. IRDAI as a regulator who will decide on release of ban.



Diagram 11 (Above) – Accountability in Bancassurance Distribution

5) Implementation of Universal Individual Agent License

Existing license allows an insurance agent to work with one life insurance company, one general insurance company & one standalone health insurance company (SAHI). This agent will be educated & trained only on selected number of insurance products. This eventually leads the agents trying to take new agent logins on spouse & on his children who are above 18 years old & higher conflicts if there is any issue to maintain minimum business standard.

- Similar to how mutual fund industry allows all AMC registration after NISM certification of NISM-Series-

4.4) Customer Centric Audit Systems

Simple record keeping procedures can be implemented to keep in touch with existing insurance policyholders such as

- A NOC (No-Objection Certificate) is mandatory after 12 months. This must be validated by the policyholder digitally via Aadhar based OTP verification process.
- This NOC confirms that the policyholder or the insured, agrees in Utmost Good Faith that he / she knows the insurance product, it was purchased by them after disclosing all information crucial at the time of insurance purchase & the policy purchased aligns with their purpose & goal as per risk profiler questionnaire.

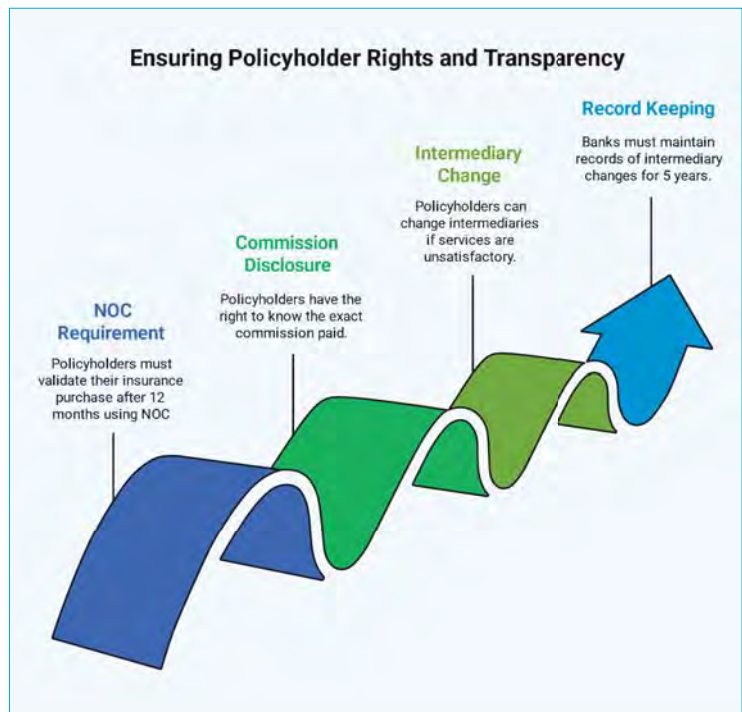


Diagram 12 (Above) – Policyholder Rights & Transparency

VA: Mutual Fund Distributors Certification Examination.

IRDAI needs to implement similar infrastructure for the insurance sector. This will benefit insurance agents, insurance companies, insurance penetration as follows

- Banks are already taking advantage by using their vast network of existing branch offices across India.
- “Universal Individual Insurance Agency License” will allow new insurance companies to not rely & anchor themselves only to banks & insurance brokers who already dominate the insurance space.
- Working with international established companies will also encourage intermediaries to focus on client meeting rather than insurance sales, a benchmark that will reduce insurance fraud & mis-selling.

6) Implementation of “Distribution Channel & Intermediary Grievances Towards Insurance Company or Insurer-Employed Representatives”

This concept works on one simple thought. Intent of fraud, scam, mis-selling is not always intermediary dependent but can be by the insurance company or insurance company employed representatives too.

It is surprising that IRDAI in the last 25 years never thought about seeking clarification from the intermediaries who officially know more about the working of the insurance company than IRDAI ever will.

The motive to establish such a department within every insurance company across India is that

- “Principle of Utmost Good Faith” is the foundation of trust between

insurance company & the policyholder.

- IRDAI public disclosure, IRDAI circulars & guidelines keep insurance companies on check for any discrepancy
- There is free pass to all insurance company employees, managing directors, sales managers, relationship managers or operation teams – who manage individual agents, career agents, insurance brokers, web-aggregators across India.
- If non-disclosures, frauds, negligence, scams related to claims or at the time of filing the proposal form are expected from intermediaries & customers & policyholders alike, then there’s a possibility of negligence, fraud, scams & other similar issue to surface from employees, sales managers, branch heads, or operations teams of insurance companies too.

Why is implementation of “Distribution Channel & Intermediary Grievances Towards Insurance Company or Insurer-Employed Representative” a necessity?

- Existing insurance intermediaries can reveal grievances related to commission payout, delay in commission payout, discrepancy in trail commission or upfront commission for business registered but not counted due to insurance company’s internal laws & regulations.
- Any commission withheld without any justification, any reduction in commission payout

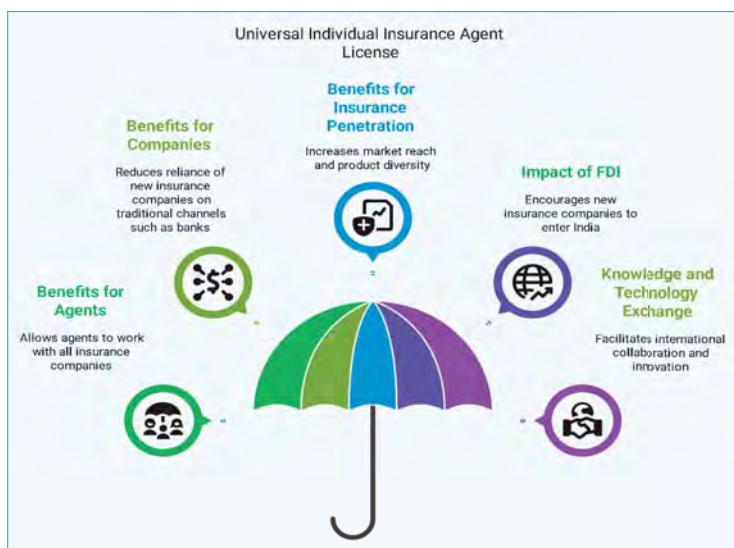


Diagram 13 (Above) – Universal Individual Insurance Agent License

or issues related to internal company politics can be negated immediately. An insurance intermediary has the right to transfer guidance related liability risk on the insurance company on withholding of insurance commission against the business brought by the intermediary.

- Any lead or business allocation conflicts where key insurance intermediaries are not kept in loop with ongoing insurance company investigation regarding existing client cases, can be resolved immediately.
- Any discrepancy where the insurance company is not following IRDAI rules, guidelines & regulations can be immediately put in front of IRDAI or insurance company's board of directors.
- In case of lack of support from a relationship manager or sales manager, or due to any threatening act by seniors or supervisors to increase insurance sales towards an insurance intermediary can be brought to notice of the insurance company.
- Policy servicing conflicts such as Insurer's back-office delays, claim rejections handled without intermediary involvement or Poor grievance redressal support given to the intermediary's client base will lead to reputational loss for the insurance intermediary.

If an independent survey is conducted by IRDAI, for seeking clarification on any of the above related grievances experienced by all registered insurance intermediary due to insurance company or insurance

company employed representative, then IRDAI will severely remove mis-selling, fraud & internal politics within all insurance companies within 2 years.

If IRDAI expects transparency in the insurance sector, then one sided hearing, only from the insurance company or the policyholders regarding insurance sector is not enough. The intermediary as per law, must have rights to express their grievances against the insurance

company or company employees & this must be included under "IRDAI's Public Disclosures", how do existing insurance intermediaries view the corporate governance of an insurance company, that they are working with.

To improve insurance market in India for the next 75 years, IRDAI needs to make behemoth changes to rules, guidelines, regulations that couldn't be implemented in the last 20 years. All eyes are going to be on IRDAI for the next 5 years. **TJ**

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Emerging Risks and Innovative Solutions

**Alok Patel**

alokp@gicre.in; aalok.office@gmail.com

Alok holds a B.E. in Civil Engineering and is a Fellow (Non-Life) of the Insurance Institute of India, with additional qualifications in reinsurance, marine, cargo insurance, disaster management, and extreme event modelling. He has over 15 years of professional experience across property, engineering and marine reinsurance, in the insurance and reinsurance market.

Abstract

The general insurance industry in India is facing unprecedented pressure from emerging risks, particularly climate-induced events that are increasing in frequency, severity, and geographic concentration. Traditional indemnity-based insurance models, which rely on post-loss assessment and historical data, are proving inadequate in delivering timely financial relief and inclusive risk protection. This paper examines the evolving landscape of emerging risks in Indian general insurance and proposes PRANA (Parametric Risk Assurance for Natural Assets) as an innovative, climate-responsive insurance framework. PRANA is a parametric insurance model that delivers rapid, transparent payouts triggered by objective environmental indicators such as rainfall intensity, temperature thresholds, and vegetation stress indices. Designed for micro, small,

and medium enterprises, informal workers, and urban households in climate-exposed regions, PRANA leverages public data infrastructure, digital payment systems, and public-private risk pools. The paper outlines the conceptual design, governance structure, implementation framework, and expected socio-economic impact of PRANA, positioning it as a scalable solution to bridge India's climate protection gap.

Keywords

Emerging Risks, Parametric Insurance, Climate Risk, General Insurance, PRANA.

1. Introduction

The risk environment confronting the general insurance industry has undergone a fundamental transformation over the last decade. Conventional insurance models were developed in an era characterized by relatively stable risk patterns, incremental change, and the

availability of long-term historical data to support actuarial pricing. In contrast, the contemporary risk landscape is dominated by emerging risks that are nonlinear, systemic, and highly interconnected. Climate change, cyber threats, geopolitical instability, environmental liability, pandemics, and rapid technological advancement have altered both the nature and scale of loss events. These risks evolve faster than regulation, defy traditional classification, and frequently result in economic losses that far exceed insured values.

India presents a particularly complex manifestation of these challenges. Rapid urbanization, population density, informal economic activity, and high climate sensitivity have created concentrated pockets of vulnerability. Indian cities increasingly experience extreme rainfall leading to urban flooding, prolonged heatwaves affecting productivity and health,

and localized water stress disrupting livelihoods and small enterprises. Despite this growing exposure, general insurance penetration in India remains modest, especially among households, microenterprises, and informal workers. Where coverage exists, it is often poorly aligned with the actual risk profile and fails to deliver timely post-event liquidity.

Traditional indemnity-based insurance products rely on physical loss assessment, documentation, and claims adjustment. While suitable for certain classes of risk, this approach struggles in the context of climate-driven events that affect large numbers of policyholders simultaneously and require immediate financial relief. Delays in claim settlement reduce the effectiveness of insurance as a resilience mechanism and increase dependence on government relief measures.

This paper argues that addressing India's emerging climate risks requires a paradigm shift in insurance design. Insurance must evolve from a reactive indemnity mechanism into a proactive, data-driven instrument of resilience. Within this context, the paper proposes PRANA (Parametric Risk Assurance for Natural Assets), a parametric insurance framework specifically designed to address localized climate risks in India's urban and semi-urban environments.

2. Emerging Risks in Indian General Insurance

Emerging risks are characterized by uncertainty, rapid evolution, and

limited historical loss data. In the Indian general insurance context, climate-related risks have emerged as the most immediate and financially material category.

2.1 Climate-Induced Catastrophic Events

Climate change has intensified the frequency and severity of extreme weather events in India. Short-duration, high-intensity rainfall has resulted in repeated urban flooding in major cities, causing damage to residential properties, small businesses, transportation networks, and public infrastructure. Unlike traditional riverine floods, urban flooding is highly localized, unpredictable, and difficult to model using conventional catastrophe frameworks.

2.2 Heatwaves and Temperature Extremes

India has experienced a significant rise in the number of heatwave days, with temperatures frequently exceeding historical thresholds. Heat stress affects labor productivity, disrupts small-scale economic activity, and increases health-related expenditures. Informal workers, street vendors, and gig economy participants are particularly vulnerable, yet they remain largely uninsured against income disruption caused by extreme heat.

2.3 Localized Drought and Water Stress

Changes in rainfall distribution and declining groundwater levels have

resulted in drought-like conditions even in urban and peri-urban areas. Small manufacturing units, service establishments, and households dependent on reliable water supply face operational disruptions and increased costs.

These climate risks share three defining characteristics: limited actuarial data, high correlation across insureds, and the need for rapid post-event liquidity. As a result, they are poorly served by traditional indemnity insurance models.

3. Limitations of Conventional Insurance Models

Conventional general insurance products are built around the principle of indemnity, whereby compensation is linked to the assessment of actual loss suffered. While this approach provides precision in theory, it introduces several limitations when applied to emerging climate risks.

First, claims settlement timelines are often prolonged due to the need for loss surveys, documentation, and dispute resolution. In climate events affecting thousands of policyholders simultaneously, this process becomes operationally strained, delaying financial relief. Second, administrative and loss adjustment costs can be disproportionately high relative to claim size, particularly for micro and small enterprises. Third, concerns around moral hazard and fraud necessitate additional controls, further increasing friction.

From an insurer and reinsurer perspective, climate risks pose

accumulation challenges and capital volatility. Pricing uncertainty, basis risk, and the absence of credible long-term data make it difficult to deploy capacity efficiently. These constraints highlight the need for alternative risk transfer mechanisms that prioritize speed, transparency, and scalability.

4. Parametric Insurance as an Alternative Risk Transfer Mechanism

Parametric insurance represents a fundamental departure from indemnity-based models. Instead of compensating for assessed loss, parametric insurance provides predefined payouts upon the occurrence of an objectively measured event. Triggers may include rainfall levels, wind speeds, temperature thresholds, or seismic intensity.

The primary advantages of parametric insurance include rapid payout, administrative efficiency, and transparency. Because payouts are linked to independent data sources, the need for claims adjustment is eliminated, reducing both cost and delay. For emerging climate risks, parametric insurance is particularly well-suited, as it converts complex physical phenomena into measurable financial triggers.

However, parametric insurance also introduces challenges, notably basis risk—the possibility that a policyholder experiences loss without a trigger being met, or vice versa.

Effective parametric design therefore requires careful calibration, granular geographic resolution, and robust governance.

5. PRANA – Parametric Risk Assurance for Natural Assets

PRANA (Parametric Risk Assurance for Natural Assets) is proposed as a purpose-built insurance framework designed to address the growing gap between climate-induced losses and effective financial protection in India. Unlike conventional insurance mechanisms that rely on post-loss assessment and indemnification, PRANA adopts a parametric approach that delivers predefined payouts triggered by objectively measurable environmental events. The core philosophy of PRANA is that, in the context of climate shocks, speed, certainty, and accessibility of funds are often more critical for resilience than precise loss quantification.

5.1 Rationale for PRANA

India's climate risk profile is increasingly characterized by high-frequency, localized events such as intense urban rainfall, prolonged heatwaves, and micro-droughts. These events may not always result in catastrophic asset destruction but frequently cause income disruption, temporary business closure, health stress, and livelihood instability. Traditional insurance products are poorly suited to address such impacts for several reasons.

First, indemnity-based policies require physical damage assessment,

documentation, and claims adjustment, which significantly delays payouts. In the aftermath of climate events, especially those affecting thousands of small policyholders simultaneously, insurers face operational bottlenecks that reduce the effectiveness of insurance as a recovery mechanism. Second, loss adjustment costs can be disproportionately high relative to claim size for micro and small enterprises, making such segments economically unattractive for insurers. Third, informal workers and low-income households often lack the documentation or asset ownership structures required to access conventional insurance products.

PRANA is designed to overcome these structural limitations by reframing insurance as a *liquidity and resilience instrument* rather than a post-loss compensation tool. By linking payouts to independently verifiable environmental parameters, PRANA eliminates the need for loss verification and enables near-immediate financial relief following a climate shock.

5.2 Conceptual Design of PRANA

At its core, PRANA operates on predefined triggers that convert environmental stress into automatic financial payouts. These triggers are selected based on their relevance to localized climate risks and their availability from credible public data sources. The design emphasizes simplicity, transparency, and auditability to ensure trust among

beneficiaries, insurers, reinsurers, and public authorities.

PRANA focuses on three primary climate stressors:

- **Urban Flooding:** Triggered by rainfall intensity exceeding a predefined threshold within a specified time window, such as rainfall above 150 millimeters in 24 hours recorded at designated weather stations.
- **Heatwaves:** Triggered by sustained temperature thresholds, such as a three-day rolling average of maximum temperatures exceeding 42 degrees Celsius.
- **Localized Drought and Water Stress:** Triggered by vegetation stress indices, soil moisture levels, or rainfall deficits measured over defined periods.

Each trigger is calibrated at a granular geographic level, such as municipal wards or urban clusters, to ensure relevance and reduce basis risk. The payout amount is pre-agreed and standardized, enabling beneficiaries to know in advance the financial support they will receive if a trigger event occurs.

5.3 Trigger Calibration and Basis Risk Management

One of the most critical challenges in parametric insurance is basis risk—the mismatch between actual loss experienced by the insured and the occurrence of the parametric trigger. PRANA addresses this challenge

through careful trigger calibration and geographic granularity.

Trigger thresholds are not set uniformly across regions but are customized based on historical climate patterns, urban infrastructure capacity, and vulnerability profiles. For example, rainfall thresholds for triggering payouts in coastal cities may differ from those in inland urban centers due to differences in drainage infrastructure and soil absorption capacity.

Additionally, PRANA employs multi-source data validation to enhance trigger accuracy. Data from the Indian Meteorological Department is supplemented with satellite imagery from the National Remote Sensing Centre and, where available, municipal sensor networks. This layered data approach improves reliability and reduces disputes regarding trigger activation.

5.4 Target Beneficiaries and Coverage Philosophy

PRANA is explicitly designed for segments that are either underinsured or entirely excluded from conventional insurance markets. These include micro, small, and medium enterprises operating in flood-prone commercial zones, informal workers whose livelihoods are sensitive to climate conditions, and low-income urban households exposed to heat and water stress.

Coverage under PRANA is intentionally standardized rather than bespoke. This standardization

reduces administrative complexity and enables scale. Policyholders select coverage tiers based on affordability and risk exposure, with payouts designed to cover short-term income disruption, emergency expenses, or immediate recovery costs rather than full asset replacement.

To enhance affordability, PRANA allows for partial premium subsidization through municipal risk pools, state disaster response funds, or climate adaptation budgets. Individuals and business collectives may opt for top-up coverage layers to enhance protection.

5.5 Operational Framework and Payout Mechanism

Operational efficiency is central to PRANA's value proposition. Once a trigger threshold is breached and validated through approved data sources, payouts are automatically initiated without requiring any action from the policyholder. This eliminates claims filing, documentation submission, and survey processes.

Payouts are transferred directly to beneficiaries through digital payment systems such as Unified Payments Interface or Direct Benefit Transfer channels. The objective is to ensure that funds reach policyholders within 48 to 72 hours of trigger confirmation. This rapid disbursement capability transforms insurance from a delayed reimbursement mechanism into a real-time resilience tool.

5.6 Governance Structure and Risk Pooling

PRANA adopts a public–private governance framework to ensure sustainability, credibility, and scale. The proposed structure involves collaboration among state or municipal disaster management authorities, participating general insurers, and reinsurance partners.

Public authorities play a role in defining risk priorities, facilitating access to beneficiary databases, and enabling premium support where appropriate. Insurers contribute underwriting expertise, operational infrastructure, and customer service capabilities. Reinsurers provide risk capacity, portfolio diversification, and technical support in trigger calibration and accumulation management.

This shared governance model aligns incentives across stakeholders and embeds PRANA within broader climate risk management and disaster financing strategies.

5.7 Role of Reinsurance and Capital Backing

Reinsurance is a foundational pillar of the PRANA framework. Given

the correlated nature of climate risks, reinsurers play a critical role in absorbing peak exposures and stabilizing loss volatility. Parametric structures are particularly attractive to reinsurers due to their transparent triggers, defined loss limits, and reduced moral hazard.

PRANA portfolios can be supported through traditional reinsurance treaties, parametric reinsurance layers, or alternative risk transfer instruments such as catastrophe bonds. Over time, pooled PRANA portfolios may also facilitate access to international climate finance and disaster risk funding mechanisms.

5.8 Expected Impact and Strategic Significance

The implementation of PRANA is expected to generate multi-dimensional benefits. For beneficiaries, PRANA provides fast, predictable financial support during climate shocks, reducing dependence on informal borrowing or delayed government relief. For insurers, it offers a scalable, low-administration product with controlled loss ratios. For governments, PRANA

complements disaster relief efforts by providing a pre-funded, rules-based financial safety net.

Beyond immediate financial protection, PRANA represents a strategic shift in how insurance is positioned within India's climate adaptation agenda. By integrating data, technology, and collaborative governance, PRANA demonstrates how insurance can evolve into a proactive instrument of resilience in the face of escalating climate uncertainty.

6. Conclusion

Emerging climate risks require innovative insurance solutions that prioritize speed, transparency, and inclusion. PRANA represents a pragmatic response to India's evolving risk landscape, repositioning insurance as a proactive resilience mechanism rather than a reactive indemnity tool. By leveraging parametric design, public data infrastructure, and collaborative governance, PRANA offers a scalable pathway to strengthen India's climate resilience and bridge the protection gap. 

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Runner-up
Technical Paper Writing Competition (General Branch)

Emerging Risks and Innovative Solutions: A Strategic Framework for Transforming India's Non-Life Insurance Sector


Sudhir Pawar

sudhirpawar@uiic.co.in

PGDM from Institute of Management Technology Nagpur and BTech from MMMEC Gorakhpur. Fellow of Insurance Institute of Indi. Certificate in Foundations of Casualty Actuarial Science. 15 years 1 months of experience in Non Life Insurance Sector working with United India Insurance Co Ltd as 2010 Direct Recruit officer. Currently posted at Ahmedabad as Chief Business Manager, Business Office-IV.

Introduction

India's risk landscape is rapidly changing, driven by climate uncertainties and digital disruption. This shift highlights "emerging risks": high-impact, evolving, and often misunderstood exposures that challenge conventional insurability. These risks, ranging from climate change and cyber incidents to AI-driven liability and supply chain fragility, are increasingly material and intense.

The magnitude of this challenge was starkly revealed by two incidents in 2020: Cyclone Amphan, which caused an estimated \$14 billion in economic damage but only resulted in approximately ₹1,767 crore (~\$235 million) in insured losses, exposing a massive protection gap; and the severe cyber invasion at Dr. Reddy's Laboratories, which

underlined the vulnerability of technologically advanced enterprises. Despite India emerging as the second most targeted nation for cyberattacks globally, cyber insurance penetration remains alarmingly low, especially among MSMEs.

As India targets becoming a \$5 trillion economy, its risk ecosystem cannot afford to be underprepared. The general insurance industry, a key guardian of economic assets, faces constraints such as limited actuarial data, sluggish product innovation, and extremely low public awareness. Globally, insurers are responding with innovations like parametric insurance, AI-powered underwriting, and embedded insurance. In India, steps like the IRDAI's Regulatory Sandbox and microinsurance pilots are promising but nascent. The Minister of Finance has recently stressed the need for digital transformation and the

development of innovative insurance products for emerging risks like cyber fraud.

This article explores the dual aspects of emerging risks and innovative solutions in the Indian non-life insurance space, aiming to answer key questions about the dominant risks, the industry's preparedness, replicable global innovations, and country-specific solutions.

Mapping the Risk Horizon: The Emerging Threat Landscape in India

Emerging risks, as defined by HannoverRe, are "new or future risks whose hazard potential is not yet reliably known and whose implications are difficult to assess". The traditional risk spectrum (fire, motor, marine, health) is now being overshadowed by those harder to predict and quantify.

1.1. Climate and Environmental Risks

India is identified as the seventh most vulnerable country to climate change and a climate hotspot, with over 75% of Indian districts vulnerable to extreme weather. Climate change poses immediate and compounding risks, especially with over 70% of the population dependent on climate-sensitive sectors like agriculture. Extreme weather events occurred on 86% of the days in the first nine months of 2023, affecting all states and Union Territories. These events resulted in the deaths of 2,923 people and affected 1.84 million hectares of crop area. Urban flooding, sea level rise, and prolonged droughts increasingly cause losses to property and infrastructure. In 2023, natural catastrophes in India caused \$12 billion in economic losses, above the previous 10-year average of \$8 billion. Despite growing exposures, penetration of catastrophe insurance is negligible outside of government crop insurance schemes.

1.2. Cybersecurity and Data Privacy Threats

India's rapid digital adoption, with approx. 806 million active digital users as of February 2025, makes it a prime target for cyber threats. Major cyberattacks in 2024 included BSNL's data breaches, Angel One's personal data leak, and WazirX's hack. The average cost of a data breach in India was approximately ₹18 crore (~\$2.2 million) per incident in 2023. Despite these trends, cyber insurance penetration remains low. The growth of digital

and physical world interdependency, along with the deployment of IoT and AI, will translate into new cyberattack threats.

1.3. Medical Risks

Medical risks encompass several areas:

- **Mental Health:** Approximately 1 in 8 people globally live with a mental disorder.
- **Obesity:** Global obesity rates have sharply increased, with 20% of adults worldwide expected to be obese by 2025 (18% for men, 21% for women). High BMI is a risk factor for non-communicable diseases (diabetes, stroke, etc.), which will substantially increase healthcare costs and impact health insurance policies.
- **Pandemic:** Global interconnectedness increases the spread of new viruses, leading to risks of healthcare system overload and supply shortages, as materialized during COVID-19. The pandemic affected several lines of business for the insurance industry (business interruption, financial lines, life, and health) but could also spur new demand for pandemic-related coverage.
- **Resistance to antibiotics:** Ranked by the WHO as a top ten threat to global health in 2019. In the same year, about 1.27 million deaths were directly attributable to antibiotic resistance. These "superbugs" may create substantial claims for Life and Health policies.

1.4. Technological Risks

As automation and AI become mainstream, new liability categories are emerging. The legal framework for AI-related liability in India is evolving but lacks comprehensive guidelines.

- **Insurtechs related risk:** The rapid growth of InsurTechs introduces risks alongside their benefits of enhanced efficiency and market penetration. Key risks include:
 - **Data privacy and compliance:** Misuse of customer data without consent, leading to mis-selling and loss of sensitive data.
 - **Algorithmic bias and fairness:** AI/ML algorithms may generate unintentional biases, leading to unfair policy recommendations.
 - **Underwriting inaccuracy:** Reliance on AI/ML in underwriting introduces the possibility of erroneous and biased risk assessment, exposing both consumers and insurers to financial losses.

1.5. Supply Chain and Business Continuity Risks

India's integration into global supply chains exposes it to vulnerabilities. Disruptions from events like the Russia-Ukraine war and COVID-19 lockdowns have led to significant supply chain failures. SMEs, which contribute 30% of India's GDP, are particularly exposed to business interruption risks without adequate insurance. Traditional business interruption policies often do not cover non-damage disruptions.

1.6. Geopolitical Risks

Geopolitical tensions, civil unrest, and regulatory changes pose rising risks. Global instabilities can cause economic volatility and heighten risks related to property damage, business interruptions, and supply chain disruptions. Political risk insurance remains nascent and mostly limited to multinational commercial contracts.

1.7. Social shifts

Rapid urbanization in years to come will increase the magnitude and severity of claims involving infrastructural losses and overpopulation. Changes in demographics, such as an increasing aging population and permanent migrations, drastically influence demand for property, life, and health insurance, bolstering the need for novel products.

Barriers to Readiness – Why the Current System Falls Short

The Indian non-life insurance industry struggles to keep up with new and fast-changing risks like climate change, cyber threats, and health emergencies.

2.1 Old-Fashioned Risk Assessment and Poor Data

Most Indian insurers rely on outdated, traditional methods that are backward-looking and not suited for volatile emerging risks. There is a significant lack of good data:

- Climate-related data is not available for all regions and lacks long-term records.

- Cyber risk data is incomplete due to underreporting.
- Health and pandemic data is scattered, often delayed, and inaccurate.

This reliance leads to mispriced products, underinsured segments, and heightened exposure to systemic losses. For instance, cyber underwriting relies on generic exposure metrics, lacking the sophistication of developed markets that use real-time threat intelligence and cyber hygiene scoring. Similarly, parametric insurance implementation is hampered by the absence of validated high-frequency weather data across many geographies.

2.2 Lack of Coordination in the Industry

Managing new risks requires strong teamwork, but data sharing among insurers is very limited. Key issues include:

- No common platforms for sharing claims or customer data (e.g., in retail health or small business insurance).
- Short-term technology partnerships.
- Little support for research on new types of risk.

This lack of coordination prevents combined efforts to address large-scale challenges like natural disasters or cyberattacks.

2.3 Low Awareness and Trust Among Customers

Many people and small businesses, especially farmers, gig workers,

and micro-enterprises, do not buy available insurance products, as they are often the most at risk. Reasons include:

- Lack of full understanding of the impact of emerging risks.
- Lack of trust in insurers due to past issues with claim delays or complex policy terms.
- Unaffordability of newer types of coverage.

Consequently, high-risk sectors remain underinsured or uninsured.

2.4 Technology Gaps and Outdated Systems

Many established companies still use old technology that cannot handle real-time claims updates, usage-monitoring devices, AI fraud detection, or blockchain-based smart contracts. This technological gap hinders innovation and the ability to scale new offerings quickly.

2.5 Shortage of Skilled People

Emerging risks require new skill sets in data science, cybersecurity, artificial intelligence, and climate science. However, most insurance companies rely on traditional skill sets, facing challenges such as:

- Not enough trained professionals for complex, modern risks.
- Few programs for upskilling staff.
- A mindset that resists change.

2.6 Affordability Issues

Newer risk covers are often priced high due to difficulty in predicting usage. Additionally, non-life insurance offerings are often perceived as an

expense, and government schemes don't always include new risks like cybercrime. To improve accessibility, companies need flexible pricing, installment provisions, and closer work with public programs.

Global as well as Domestic Innovations – What's Working?

Global innovations offer replicable models for India, addressing existing barriers.

3.1. Parametric and Index-Based Insurance

Parametric insurance pays a predetermined amount based on measurable triggers (e.g., wind speed, rainfall), enabling faster and more transparent claims. It is widely adopted globally for climate risks (e.g., Caribbean Catastrophe Risk Insurance Facility). In India, pilot projects exist under schemes like the Pradhan Mantri Fasal Bima Yojana (PMFBY), and some insurers offer heat-based index products for vulnerable populations. These products expedite payments and reduce claims disputes.

3.2. Cyber Risk Solutions and Managed Services

Cyber insurance is moving from simple indemnity to holistic risk management offerings that include:

- Continuous monitoring and threat intelligence.
- Incident response support.
- Risk scorecards.

Global insurers have partnered with cybersecurity firms to bundle

insurance with active defense services. In India, similar models are emerging, often facilitated by InsurTech platforms providing real-time cyber risk analytics.

3.3. Usage-Based and On-Demand Insurance

Premiums in Usage-Based Insurance (UBI) are linked to actual usage or risk behavior, successfully employed in motor insurance using telematics. On-demand insurance can be activated for specific periods. In India, micro-duration travel, gadget, and health insurance products are available through apps and e-wallets. These innovations increase penetration and customer engagement, particularly among gig workers and digitally savvy millennials.

3.4. Artificial Intelligence and Big Data Analytics

AI and big data are revolutionizing insurance by enabling:

- Predictive modeling for emerging risks.
- Automated claims processing.
- Real-time risk monitoring.

Global reinsurers have invested heavily in AI platforms for climate and cyber risk assessment. Indian insurers are leveraging government data initiatives like Digital India and partnering with data analytics firms to enhance actuarial models and customer profiling.

3.5. Regulatory Sandboxes and Innovation Hubs

Regulators worldwide, including the Insurance Regulatory and

Development Authority of India (IRDAI), have created Regulatory Sandboxes to allow for piloting new products under relaxed norms. IRDAI's sandbox, launched in 2019, has enabled trials of telematics-based motor insurance, parametric policies, and digital claim settlement.

3.6. Collaborative Ecosystems and Embedded Insurance

Embedded insurance integrates products seamlessly into the purchase of goods or services, offering instant coverage at the point of need (e.g., Amazon, Uber). Indian fintechs and e-commerce platforms are partnering with insurers to embed microinsurance in loans, electronics, and travel products, improving penetration among underserved segments.

Tailored Innovative Solutions for India: Bridging Gaps with Contextual Approaches

While global innovations provide models, India's unique landscape demands contextualized, data-driven solutions.

4.1. Strengthening Data Infrastructure and Sharing Ecosystems

- Establish centralized risk data repositories integrating climate, cyber, health, and supply chain data through public-private partnerships, supported by the Ministry of Electronics and Information Technology (MeitY) India Data Accessibility and Use Policy (IDAU, 2022).
- Incentivize real-time data collection using IoT, remote

sensing, and satellite technologies (e.g., India's National Remote Sensing Centre data).

- Promote data-sharing frameworks aligned with the Personal Data Protection Bill (PDPB) 2019.

4.2. Regulatory Modernization and Agile Governance

- Expand and accelerate IRDAI's Regulatory Sandbox program.
- Develop standardized minimum coverage and claim settlement guidelines for emerging risks.
- Institutionalize continuous industry-regulator dialogue platforms.

4.3. Enhancing Market Awareness and Financial Literacy

- Launch coordinated awareness programs targeting MSMEs and rural populations, modeled on National Centre for Financial Education (NCFE) initiatives.
- Partner with trade bodies like CII and FICCI to embed emerging risk education.
- Utilize digital platforms with vernacular content, learning from the success of the PM Jan Dhan Yojana's digital outreach.

4.4. Product Innovation and Flexible Coverage Models

- Develop modular insurance products with customizable add-ons for risks like cyber and climate impacts.
- Scale usage-based and on-demand insurance models

leveraging India's vast smartphone user base and successful InsurTech startups.

- Implement parametric insurance schemes tied to localized weather data, inspired by PMFBY's parametric pilot.
- Integrate risk mitigation services such as cybersecurity assessments into insurance offerings.

4.5. Leveraging Technology and Insurtech Partnerships

- Invest in AI, machine learning, and blockchain for underwriting, fraud detection, and claims automation.
- Encourage InsurTech collaboration through government-backed initiatives like Startup India and IRDAI's innovation challenges.
- Promote blockchain-based policy management systems to enhance transparency, validated by pilots from companies like PolicyBazaar.
- Facilitate interoperability standards to connect stakeholders.

4.6. Building Talent and Capacity

- Collaborate with academic institutions and professional bodies to design specialized courses on emerging risk management and InsurTech.
- Promote interdisciplinary hiring (actuarial science, data analytics, cybersecurity).

- Establish and incentivize continuous learning programs and innovation labs.

4.7. Affordability and Inclusiveness

- Scale microinsurance products, supported by government schemes like PMJAY and PMFBY, which cover over 50 million low-income beneficiaries combined.
- Utilize risk pooling mechanisms and catastrophe bonds to lower premiums, inspired by India's participation in the World Bank's Catastrophe Deferred Drawdown Option (Cat DDO) program.
- Embed insurance in digital payment and loan platforms targeting MSMEs, following successful pilots by fintechs like Paytm and PhonePe.
- Offer flexible premium payment plans.

Roadmap and Actionable Recommendations for Transforming India's Non-Life Insurance Sector

A comprehensive, strategic, and phased response is necessary for India's non-life insurance industry to adapt swiftly to emerging risks.

5.1. Foundation Building

Immediate priorities include strengthening data infrastructure, regulatory enablement, and market awareness.

- **Data Infrastructure Development:** Establish centralized risk data repositories by leveraging institutions like ISRO's National Remote Sensing

Centre and NITI Aayog initiatives for real-time data aggregation (e.g., remote sensing for flood risks).

- **Regulatory Enhancements:** Scale IRDAI's Regulatory Sandbox with clearer guidelines and introduce standardized definitions and claim settlement benchmarks for emerging risks to build trust and reduce ambiguity.
- **Awareness Campaigns:** Scale up campaigns like the GICOUNCIL's "Achha Kiya, INSURANCE LIYA". Use strategic partnerships with NCFE, CII, FICCI, and digital media in regional languages for deeper penetration, modeled on the PM Jan Dhan Yojana's success.

5.2. Innovation and Product Expansion

Focus on broadening product portfolios, embedding technology, and building human capital.

- **Modular and Usage-Based Products:** Pilot modular products with tailored coverage components (e.g., cyber add-ons for MSMEs, parametric weather coverage) and Usage-Based Insurance for the gig economy, leveraging telematics and data analytics.
- **Technology Integration:** Accelerate the adoption of AI, machine learning, blockchain, and big data analytics through collaborations with InsurTech startups and government

incubation programs like Startup India and IRDAI's innovation challenges.

- **Talent Development:** Partner with academic institutions and professional bodies (ISSC, Actuarial Society of India) to develop specialized courses and certifications, building a talent pipeline for evolving challenges.

5.3. Scaling and Inclusion

Expand insurance penetration, enhance affordability, and institutionalize innovation.

- **Microinsurance and Embedded Models:** Scale microinsurance products integrated with fintech platforms (e.g., Paytm, PhonePe) and NBFCs, linking insurance with digital wallets and e-commerce.
- **Risk Pooling and Financial Instruments:** Develop robust risk pooling mechanisms and alternative financing, such as catastrophe bonds, through collaboration with reinsurers and international financial institutions. India's engagement with the World Bank's Catastrophe Deferred Drawdown Option (Cat DDO) offers an example for augmenting fiscal resilience.
- **Continuous Regulatory Dialogue:** Institutionalize forums between IRDAI, insurers, technology partners, and academia to enable timely policy adjustments and coordinated responses to novel risks.

5.4. Cross-Cutting Recommendations

- **Consumer-Centric Approach:** Build trust through transparent communication, clear policy terms, and robust grievance redressal, demystifying emerging risk products.
- **Collaboration and Ecosystem Building:** Foster multi-stakeholder platforms for co-creation of solutions, pooling expertise, and faster diffusion of innovations.

India's non-life insurance industry is at a pivotal juncture. The confluence of climate change, digital dependency, and socio-economic transitions has expanded the nation's risk landscape far beyond conventional perils. The sector must evolve from a reactive model into a proactive risk-management framework built on data, innovation, and collaboration.

Strengthening data ecosystems, modernizing regulation, nurturing skilled professionals, and leveraging technology will be crucial to closing India's protection gap. Through inclusive design and responsible innovation, insurers can align with the national objective of *Insurance for All by 2047*, positioning the industry as a partner in resilience and sustainable development. 


Merit Winner
Technical Paper Writing Competition (Health Branch)

Insurance for Mental Illness: Reality Check and Way Forward


Om Prakash Prasad

omprakashp@gicre.in

Om Prakash Prasad is the Senior Manager (Finance) at General Insurance Corporation of India with nearly 13 years of industry experience (Reinsurance Accounting/Underwriting/Investment). He is enthusiastic about researching, developing, and contributing to knowledge in the areas of Finance, Insurance and Reinsurance.

Abstract

Mental health, long shrouded in stigma, has emerged as a major public health and economic challenge in India. Nearly one in seven Indians suffers from a mental disorder, yet over 70% remain untreated. Despite the Mental Healthcare Act (2017) mandating parity between mental and physical illness in insurance coverage, implementation remains superficial—limited largely to inpatient care, with minimal awareness and poor utilisation. Insurer hesitation, actuarial uncertainty, and social stigma further widen the protection gap. This paper examines the intersection of mental health and financial inclusion, analysing policy evolution, systemic gaps, and the barriers impeding effective insurance coverage. It highlights the economic impact of untreated mental illness, reviews IRDAI's regulatory directives, and

proposes stakeholder-specific recommendations for inclusive, scalable mental health insurance models. True health equity, the study argues, will be achieved only when mental health coverage becomes an integral pillar of universal health protection, not an afterthought.

Keywords

Mental Health Insurance, Parity Legislation, Universal Health Coverage, Inclusive Health Insurance Models, Regulatory Reform.

1. Introduction

At the peak of her fame, a renowned Indian actress opened up about her struggle with depression, shedding light on an often-invisible illness. Her story challenged the stigma surrounding mental health in India, highlighting that even those who appear to have it all can suffer silently.

If someone so successful could feel overwhelmed, what about the countless others facing similar battles without support or financial security? Mental health issues, though unseen, are deeply impactful. Yet many wrongly believe they're ineligible for life insurance due to conditions like anxiety or depression. This shouldn't be the case mental illness must not be a barrier to financial protection.

1.1: Mental Health and Its Economic Impact in India

Mental health is closely tied to a nation's economic well-being, and India stands to face significant economic setbacks due to rising mental health issues. As of 2017, over 14% of India's population experienced mental health disorders, with older adult women being the most affected. Globally, over 322 million people were estimated to suffer from depressive disorders as of 2015.

1.2: Prevalence of Depression, Stress, and Anxiety

In India, one in seven individuals is affected by a mental health condition. Depression, a major global health concern, is a leading cause of disability and can result in suicide if untreated. Contributing factors include childhood trauma, intimate partner violence, and environmental exposures like lead. A recent study found that 74% of Indians experienced stress, while 88% reported symptoms of anxiety, including fatigue, elevated heart rate, and concentration issues. These numbers have surged since the COVID-19 pandemic.

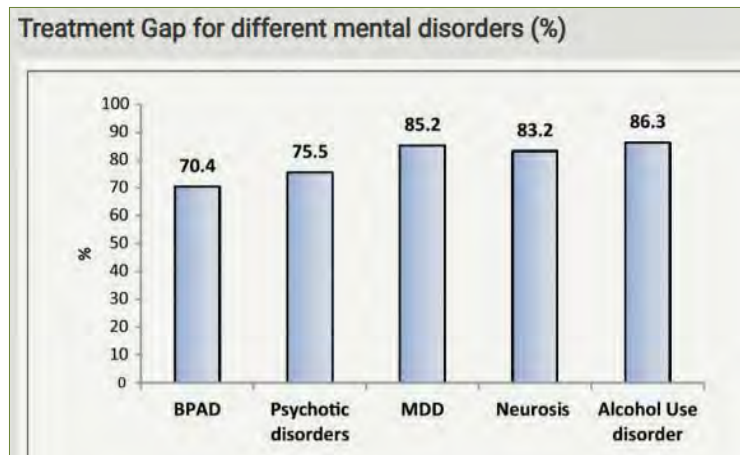
1.3: Workplace Stress on the Rise

Work-related stress has sharply increased, with nearly 90% of professionals reporting stress due to information overload and fragmented communication. Improving mental health literacy at work and introducing timely support systems are crucial. Without action, workplace stress could become a major public health crisis with severe economic implications for India.

The National Mental Health Survey 2015–16 found that about 15% of Indian adults need mental health support, with one in 20 affected by depression. Despite this, mental health remains largely excluded from financial planning and insurance considerations. Conditions like anxiety, depression, and bipolar disorder impact overall health just like physical illnesses. Recognising this, the Mental Healthcare Act of

2017 required insurers to cover mental health treatment on par with physical ailments. Still, the stigma persists. Many avoid applying for insurance due to fears of rejection, higher premiums, or ineligibility. But these concerns are often unfounded mental health conditions should not be a barrier to life insurance.

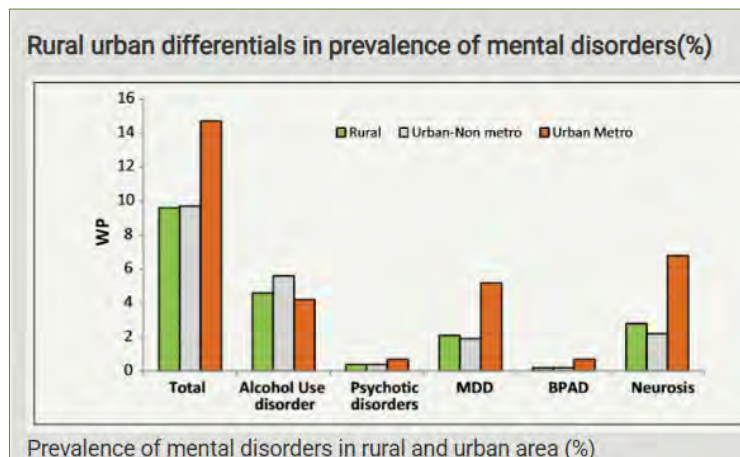
Table 1: Treatment Gap for different mental disorders (%)



Source: <https://indianmhs.nimhans.ac.in/phase1/nmhs-results.php#>

The above table shows the treatment gap ranges from 70% to over 86%, indicating a systemic failure in delivering mental health services. Alcohol use disorder and depression (MDD) have the largest gaps, which is alarming given their high prevalence and impact. Even severe conditions like psychosis and BPAD see substantial treatment shortfalls.

Table 2: Rural urban differentials in prevalence of mental disorders (%)

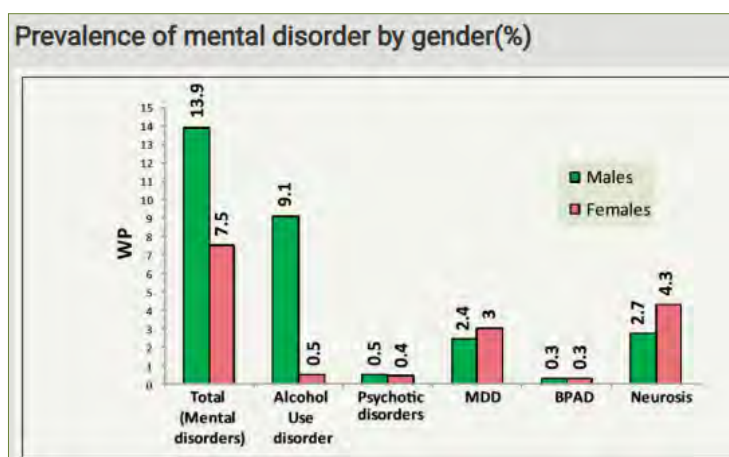


Source: <https://indianmhs.nimhans.ac.in/phase1/nmhs-results.php#>

The chart shows Urban Metro areas consistently show higher rates of most mental disorders, especially depression, neurosis, and overall mental illness. Urban-non-metro areas top the list for alcohol use disorders. Rural areas have the lowest reported prevalence for most disorders.

This disparity may be due to a combination of urban stress, greater awareness and diagnosis in cities, or reporting biases where rural mental health issues are underdiagnosed or underreported.

Table 4: Prevalence of mental disorder by gender (%)

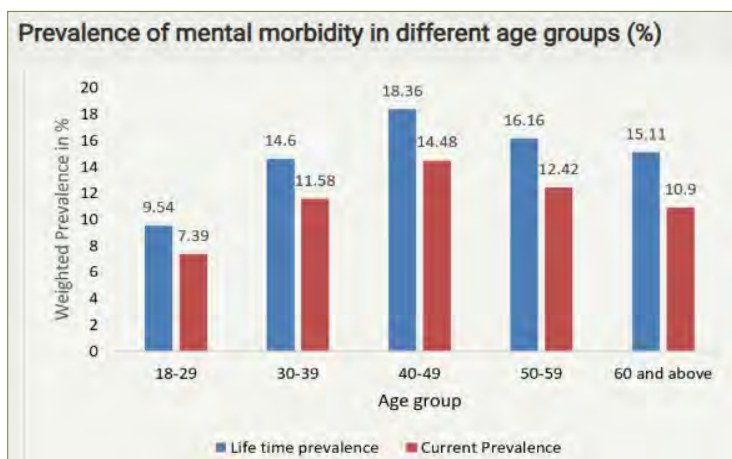


Source: <https://indianmhs.nimhans.ac.in/phase1/nmhs-results.php#>

The above chart shows that Men have a higher overall mental disorder prevalence, largely driven by alcohol use disorders. Women are more affected by mood-related conditions, including major depression and neurosis.

Disorders like psychosis and bipolar disorder show no significant gender disparity.

Table 3: Prevalence of mental morbidity in different age groups (%)

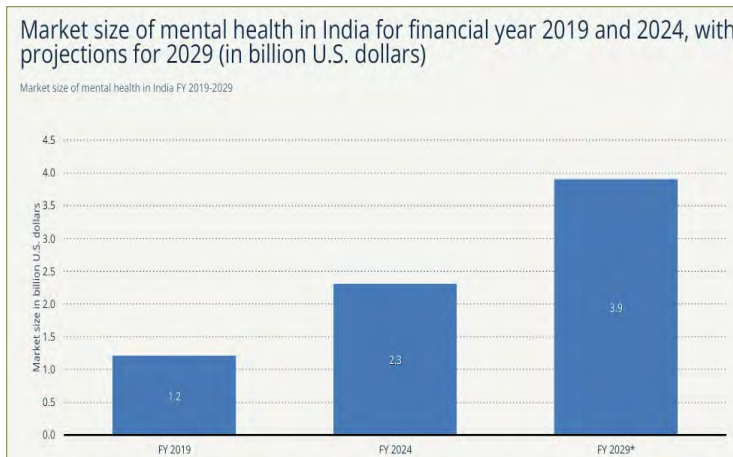


Source: <https://indianmhs.nimhans.ac.in/phase1/nmhs-results.php#>

The above chart shows Mental health challenges peak in mid-life, particularly among individuals aged 40–49. Young adults (18–29) show the lowest prevalence, though still significant. Older adults (60+) also face a substantial mental health burden, underscoring the need for age-inclusive mental health services. These trends highlight the importance of targeted mental health interventions at different life stages, especially for middle-aged populations.

2. Understanding Mental Illness and Insurance Needs

Mental illnesses encompass a wide variety of cognitive, emotional, and behavioural disorders that significantly hinder an individual's functioning and proper role in society. Some of these include, but are not limited to, depression, anxiety disorders, bipolar disorder, schizophrenia, obsessive-compulsive disorder (OCD), and post-traumatic stress disorder (PTSD).

Table 5: Market size of mental health in India

Source: Redseer, Mental Health in India Report, downloaded from Statista

The above chart shows that the market size of mental health services in India is expected to more than triple from 2019 to 2029, highlighting increasing demand and investment in mental health awareness, infrastructure, and services.

2.1 The Nature of Mental Illness and Financial Risk

Unlike most physical illnesses, which tend to follow a more predictable course, mental illnesses can often be chronic, episodic, and recurrent. Management comprises a complex combination of psychotherapy, medication, rehabilitation, and occasionally inpatient treatment.

2.2 Demand-Side Barriers to Insurance Coverage

On the demand side, lack of awareness and stigma serve as major deterrents to mental health insurance uptake. A significant proportion of individuals suffering from mental illness either do not seek insurance or

underutilise it due to embarrassment, shame, or fear of discrimination. Many patients and families are unaware that mental illnesses can be covered by insurance at all, especially in low- and middle-income countries (LMICs) like India.

2.3 Supply-Side and Insurer Hesitance

From the insurer's perspective, underwriting mental illness entails higher uncertainty, difficulty in fraud detection, and long-term cost exposure. Actuarial data for mental diseases is less reliable, and the variety of diagnoses increases the difficulty. Many insurers so either ignore mental diseases, offer only partial coverage, or create mental health riders with severe limits.

Coverage in high-income nations still depends on the use of management techniques including prior authorisation, visit restrictions, or limited provider networks. Many

health insurance plans still exclude outpatient consultations and therapy sessions, which are fundamental components of mental health treatment in LMICs.

3. The Indian Scenario: Policies, Gaps and Progress

India's approach to mental healthcare has changed dramatically over the last twenty years first from institutionalisation to a right-based approach, to the recent emphasis on financial inclusion. Yet, even with pathbreaking legislations and regulatory prods, insurance coverage for mental illness in India is patchy in coverage and poorly implemented.

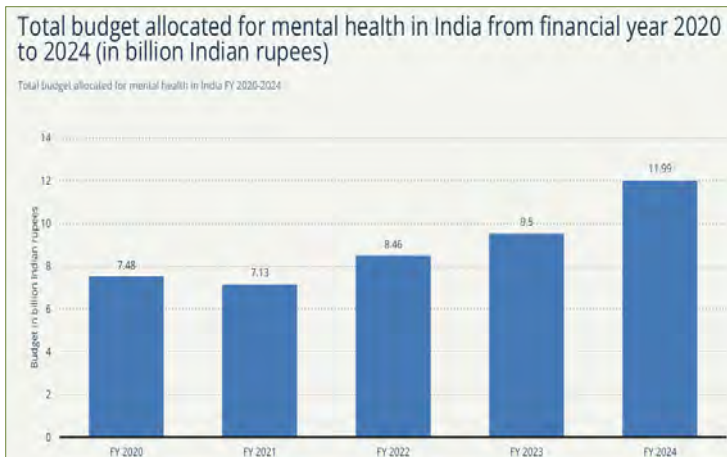
We can see from the Table 6 that the budget for mental health in India has steadily increased from FY 2021 onwards, reaching nearly ₹12 billion in FY 2024. This reflects growing recognition of mental health as a policy priority, especially in the post-pandemic period.

3.1 The Regulatory and Legal Framework

The Mental Healthcare Act, 2017 was a turning point as it directed insurance firms to give coverage to mental illness on a par with physical sickness. Section 21(4) of the Act categorically states:

"Each insurer will provide insurance for treatment of mental illness on the same terms as it provides for treatment of physical illness."

Following the MHCA, the Insurance Regulatory and Development Authority of India (IRDAI) advised

Table 6: Budget allocation for mental health

Source: Market Brew; Union Budget (India), Mental health in India Report, downloaded from Statista.

insurers in 2018 to comply; numerous insurers started adding mental health coverage in group and individual health policies.

Further to earlier orders, The Indian insurance Regulator IRDAI vide order No: 327/IRDAI/HLT/MHCA/CIR/220/10/2022 Dated 18th October 2022 directed all Insurers (except ECGC, AIC) to provide cover for Mental Illness under Health Insurance policies to comply with the provisions of the Mental Health Care Act, 2017 (MHC Act-2017) with immediate effect.

Still, other studies and news stories since then have exposed weaknesses in awareness, product design, and enforcement. Only a small number of insurers offered significant outpatient mental health coverage. Most policies limited benefits to inpatient hospitalisation, which is seldom the main course of treatment for mental diseases.

3.2 Ground Reality: Coverage Remains Superficial:

Indian insurance schemes have several flaws even following government intervention:

- **Limited coverage to hospitalisation:** While most mental health treatment is outpatient in character, most insurance only covers psychiatric hospitalisation. Many plans exclude chronic psychiatric disorders like schizophrenia or substance misuse or demand extensive waiting times (2–3 years).
- **No outpatient therapy coverage:** Psychological counselling, psychotherapy, and rehabilitation core components of mental health treatment are rarely included.
- **Lack of standardisation:** Unlike procedures for diabetes or

cancer, there is no standardised care pathway or claim process for mental illness, leading to denial of claims.

3.3 Low Awareness and Utilisation

Less than 10% of Indian policyholders knew, according to a 2023 NIMHANS poll, that mental diseases were covered under health insurance. Most respondents thought mental illness was excluded by default.

3.4 Product Innovation: Some Progress:

Notwithstanding the flaws, several insurers have acted creatively. Mental wellness riders with counselling help have been brought in by Niva Bupa, Care Health, and Aditya Birla Health. Though with somewhat large caps, Digit Health and Star Health have developed mental health coverage add-ons.

3.5 Public Sector and Social Welfare Programmes

Covering a limited number of mental health disorders, including psychosis and epilepsy, Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (PM-JAY) India's largest publicly sponsored health insurance offers inpatient treatment.

Moreover, the **Employees' State Insurance Scheme (ESIS)**, which covers over 13 crore beneficiaries, lacks structured coverage for outpatient mental health services and psychiatric rehabilitation.

4. Challenges in Mental Health Insurance

Although legislative and regulatory progress has been made worldwide and in India, a range of linked issues still limit the complete realisation of mental health insurance. These difficulties cover cultural stigma, actuarial difficulty, policy inertia, and service delivery restrictions.

4.1 Social Views and Stigma

The social stigma associated with mental illness is one of the most ubiquitous obstacles. Many communities view mental illness as either personal weakness, spiritual failure, or even criminal activity or as something else quite different. This causes underreporting, hiding, and denial of symptoms, therefore discouraging people from getting insurance or seeking treatment even under coverage.

Stigma also influences the broad coverage offering ability of insurance firms. The ongoing notion that mental health claims are more likely to be false or overstated fuels tighter exclusions, more rigorous claim reviews, and less product innovation.

4.2 Underwriting and actuarial difficulties

Mental health disorders vary widely, are chronic, and are hard to forecast. This poses great difficulties for companies trying to:

- **Quantify risk:** Actuarial models usually depend on past data and predictability, which is rare for

mental diseases, especially in LMICs.

- **Assess treatment cost and degree of severity.** Mental health therapy differs greatly in length, severity, and response from fixed-cost procedures.
- **Track moral hazard:** Insurance worries concerning moral hazard are raised by the subjective character of mental health symptoms, which makes it challenging to support claims.

Furthermore, discouraging insurers from creating strong actuarial models to underwrite these risks efficiently is the lack of consistent epidemiological and cost data.

4.3 Inadequate and Fragmented Regulations

Though laws such as India's Mental Healthcare Act (2017) exist, their execution and enforcement are lacking. Many times, lacking monitoring systems to guarantee parity compliance are regulatory agencies. For example, IRDAI has issued guidelines but hardly punished non-compliance or released thorough analyses on insurer performance.

Non-quantitative treatment limitations (NQTLs) continue to be a legal loophole in nations like the United States that lets insurers restrict access to care without breaking official parity rules.

4.4 Outpatient Care Exclusion

Most mental health care is provided outpatient, with repeated visits, therapy sessions, and psychotropic

drug prescriptions. However, most insurance plans worldwide are inpatient-centric, which makes them inappropriate for providing actual psychiatric treatment.

The reasons behind this exclusion are: high heterogeneity in therapy cost and frequency; difficulty in claim verification; and unstandardised treatment approaches.

4.5 Lack of Provider Networks

The lack of accredited, insurer-empanelled mental health professionals especially in rural areas adds still another obstacle. Policyholders might discover that qualified providers are limited to a few urban hospitals or psychiatrists even if mental health coverage is provided.

The lack of mental health specialists aggravates this issue. India has less than 1 psychiatrist per 100,000 far less than the WHO-recommended requirement of 3 per 100,000.

4.6 Lack of Mental Health Literacy

Low mental health literacy affiliates both customers and insurance companies. Under current programs, patients are often not aware of their rights or benefits; moreover, insurers often lack the specific knowledge to review psychiatric claims which leads to:

- Low rates of claim for mental health benefits
- Misconceptions about inclusions and exclusions;
- The coverage given does not match patient needs.

4.7 Inadequate Integration with Primary Health Care

Mental illness remains a specialist service instead of being incorporated into primary healthcare systems. This puts mental illness treatment into separate silos, making insurance coverage tricky. The absence of standard clinical pathways further hinders claim handling and pricing.

5. Recommendations for Stakeholders

A sustainable and inclusive mental health insurance framework demands a coordinated effort across all stakeholders' governments, insurers, healthcare providers, employers, and civil society. This section outlines targeted strategies for each group.

5.1 For Government and Regulators

Enforce Compliance with MHCA (2017)

- Conduct periodic audits of insurer coverage for mental illness.
- Publicise non-compliant companies to encourage market discipline.

Expand Public Health Insurance to Outpatient Mental Health

- Integrate outpatient psychiatric services into **Ayushman Bharat PM-JAY**.
- Offer subsidies for mental health riders in **ESI**, **CGHS**, and state health insurance schemes.

National Mental Health Coverage Guidelines

- IRDAI, in collaboration with MoHFW, should publish

minimum standard benefits for psychiatric coverage covering diagnostics, therapy, hospitalisation, and rehab.

Build Mental Health Infrastructure

- Increase budget allocation to mental health to at least 5% of total health spending (currently <1% in India).
- Invest in training psychiatrists, psychologists, and mental health nurses.

5.2 For Insurance Companies

Design Inclusive Products

- Cover both inpatient and outpatient services.
- Introduce **modular policies** to allow customisation based on customer needs.

Improve Mental Health Literacy

- Conduct public awareness campaigns.
- Include detailed, easy-to-understand mental health clauses in policy documents.

Empanel Mental Health Professionals

- Collaborate with hospitals, therapy clinics, and digital mental health startups to expand provider networks.

Adopt Technology for Risk Management

- Use telepsychiatry and AI-based tools for cost containment, fraud prevention, and scalable customer support.

5.3 For Employers and Corporations

Integrate Mental Health into Group Insurance Plans

- Offer counselling sessions and therapy coverage.
- Embed mental wellness initiatives into HR frameworks, especially post-COVID.

Address Workplace Triggers

- Build supportive environments that de-stigmatise mental health.
- Implement work-life balance, peer support, and burnout-prevention programs.

5.4 For Civil Society and NGOs

Drive Awareness and Demand

- Educate communities about rights under the Mental Healthcare Act.
- Use media, street plays, and digital platforms to tackle stigma and misinformation.

Support Legal and Policy Advocacy

- Collaborate with public interest litigators and consumer forums to ensure insurer accountability.
- Push for greater budgetary allocations to mental health services.

Enable Access through Community-Based Models

- Work with micro-insurance schemes for underserved groups.
- Train community health workers as mental health first responders and insurance navigators.

5.5 For Academia and Research Institutions

Fill Data and Policy Gaps

- Conduct longitudinal studies on the impact of mental health insurance on treatment outcomes.
- Research the cost-effectiveness of different coverage models.

Build Interdisciplinary Dialogues

Facilitate forums between psychologists, actuaries, policymakers, and technologists to co-create solutions.

An ecosystem-based approach is essential to bring real change. Without buy-in and innovation from all stakeholders, insurance for mental illness will remain a policy on paper, not a protection in practice.

6. Conclusion

Mental health is no longer a marginal issue it is a defining public health challenge of our time. Despite growing awareness, systemic efforts to integrate mental health into financial protection frameworks, especially insurance, remain inadequate. The gap between legal intent and operational reality is stark: although laws like the Mental Healthcare Act (2017) in India mandate parity, actual insurance coverage is fragmented, shallow, and inaccessible to those who need it most.

India finds herself at a turning point. Rising mental health issues brought on by pandemics, social stress, and economic volatility make the argument for strong insurance

coverage even more. A strong basis comes from legislative support via MHCAI and regulatory projects by IRDAI. But now the responsibility is on insurers, government agencies, companies, and civil society to carry out policies.

This essay has suggested a multifarious model for development covering inclusive product design, more rigorous control, public-private cooperation, and digital innovation.

Though demanding, the road ahead is vital. Completely inadequate is universal health care without mental health protection. Only until insurance plans treat the mind as well as the body will true health equity be reached. Mental health ought to be their pillar rather than a footnote in insurance programs. **TJ**

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 Runner-up

Technical Paper Writing Competition (Health Branch)

Insurance for Mental Illness – Reality Check and Way Forward

**Ankur Patil**

ankur.patil@orientalinsurance.co.in

The author, with degrees in Engineering and an MBA, holds specialized diplomas in Marine, Fire, and Health Insurance, along with an FIII qualification. His expertise spans Corporate Health Underwriting, Vehicle Insurance, Bancassurance, and general insurance administration. With notable contributions in business development and marketing, his background and insights make him a credible voice in the insurance sector.

Abstract

Mental health insurance has evolved from exclusion to legal mandate, yet real-world access remains limited. This essay examines the state of mental health insurance in India within a global context, highlighting the disconnect between policy progress and actual utilization—mental disorders account for 15% of the disease burden but under 1% of insurance claims. It explores challenges across age groups, including limited outpatient coverage, stigma, design gaps, and access barriers. Drawing from laws, insurer products, global models, and market data, the paper identifies systemic obstacles and outlines ten strategic recommendations—from stricter IRDAI enforcement and standard protocols to telehealth expansion, OPD inclusion, and awareness campaigns. Despite positive trends, especially post-COVID, India stands at a turning point. The paper argues

for a shift from compliance to compassionate, integrated mental health coverage—viewing mental illness not as an exception, but as a core healthcare need. This change is essential, ethical, and economically sound.

Keywords

Mental Health Insurance, Insurance Parity, Mental Healthcare Act 2017, Outpatient Mental Health Coverage, Barriers to Mental Health Access, Coverage for Vulnerable Populations, Policy-to-Practice Gap in Health Insurance.

Introduction

“There is no health without mental health.”— World Health Organization

Mental health has gained global recognition, yet insurance coverage still lags behind that of physical illnesses. Nearly **one billion people** suffer from mental disorders, resulting in **over \$1 trillion** in lost

productivity annually. The **COVID-19 pandemic** exacerbated this burden, revealing major gaps in mental health services—especially in low-income countries.

India reflects these global issues. Despite the **Mental Healthcare Act, 2017**, access to treatment and insurance coverage remains limited. This paper critically examines mental health insurance in India and worldwide, identifies key coverage gaps, explores age-specific challenges, and offers strategic recommendations for policymakers and industry leaders.

The Global Landscape of Mental Health Insurance

Mental and behavioral disorders account for **15% of global years lived with disability**, yet only **~2% of government health budgets** are allocated to mental health—**under 1% in many low-income countries**. This chronic underfunding leads to a

vast treatment gap: in some regions, **over 80%** of people with mental illnesses receive no formal care or insurance support.

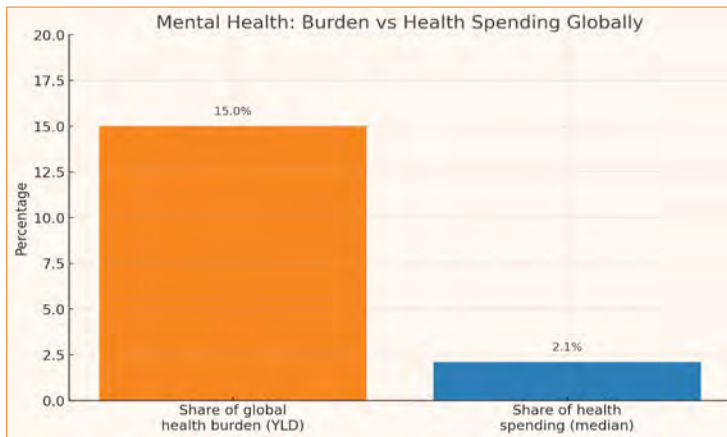


Figure 1: Mental disorders make up ~15% of global years lived with disability, yet receive only ~2% of government health spending. This stark gap underscores the persistent underfunding of mental health in healthcare systems.

To address these gaps, countries have enacted **parity laws** and reforms:

- **U.S.:** The Mental Health Parity Act (2008) and the Affordable Care Act mandate equal coverage for mental and physical health.

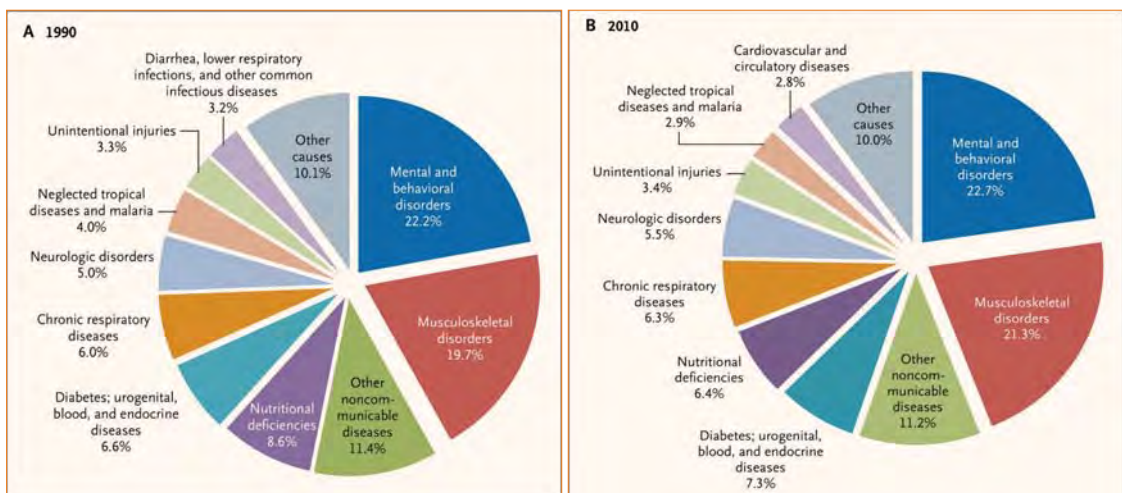
- **Europe:** Universal healthcare offers basic coverage, but access is often limited by long wait times and therapist shortages.
- **Australia/Canada:** Public-private hybrid models offer basic mental health coverage through public plans, supplemented by private

insurance for extended care.

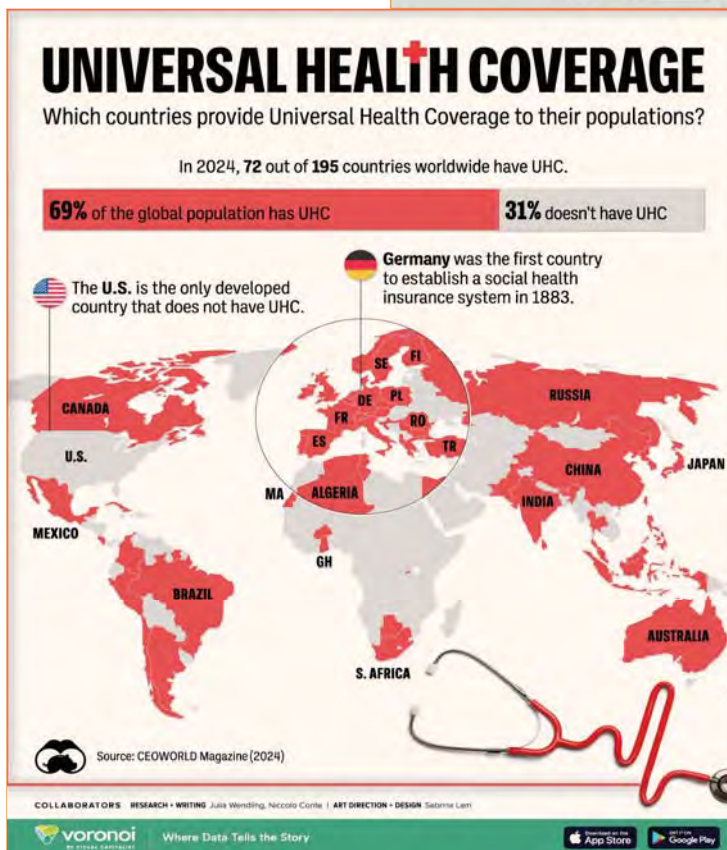
Key global trends include:

- **Parity Legislation:** ~80% of countries have standalone mental health policies, but enforcement often varies and may exclude certain insurance plans.
- **Coverage Gaps:** Hospitalization and medication are commonly covered; **long-term therapy and outpatient care** are not.
- **Post-COVID Demand:** Mental health claims rose **30–50%**, especially for anxiety and depression. **Tele-mental health** services have expanded globally.
- **Economic Argument:** WHO reports **12 billion workdays lost** yearly to mental illness. Every **\$1 invested** in treatment yields **\$4 in economic returns**. The WHO's **Mental Health Action Plan** urges countries to integrate mental health into **Universal Health Coverage by 2030**.

Infographic 1 below compares global YLD burden in 1990 and 2010. While leading conditions changed slightly over time, mental health has consistently ranked high.



Despite progress, large disparities remain—particularly in **low- and middle-income countries**. Stigma, lack of provider networks, and fear of disclosure continue to hinder access. Mental health coverage often exists in **theory**, not in **practice**. India's case, with strong policy ambition but execution challenges, offers lessons in how regulation can drive systemic transformation.



Infographic 2: A world map highlighting countries with and without universal health coverage, emphasizing the global disparities in healthcare access.

Source: CEOWORLD Magazine

<https://www.visualcapitalist.com/which-countries-have-universal-health-coverage/>

Infographic 3: Overview of the Mental Healthcare Act, 2017, emphasizing decriminalization of suicide, rights of persons with mental illness, and provisions for advance directives.

Mental Health Insurance in India: Current Scenario

India's mental health insurance has rapidly evolved—from exclusion to mandatory inclusion. The **Mental Healthcare Act (MHCA), 2017** recognized mental healthcare as a right and mandated **parity in insurance coverage** (Section 21(4)). IRDAI followed with a **2018 directive** prohibiting blanket exclusions of mental illness.

Compliance was initially poor, prompting **Delhi High Court intervention in 2021**, after which IRDAI issued a stricter circular (Oct 2022) requiring all policies to cover mental illness. In **February 2023**, IRDAI further mandated that all general and standalone health

insurers launch at least **one standardized product** covering mental illness, disabilities, and HIV/AIDS.

Insurers such as **ICICI Lombard, Star Health, New India, and United India** responded with specialized products (₹4–5 lakh coverage) that include some **OPD psychiatric benefits**.

Table 1: Examples of Mental Health Insurance Products in India (Post-2022)

Insurer (Product)	Coverage Highlights
ICICI Lombard (Special Shield)	Sum insured ₹4-5 lakh; Covers hospitalization for mental illness on par with physical illnesses; No pre-policy medical test up to age 45; 2-year waiting period for pre-existing mental conditions.
IFFCO Tokio (Health Protector - Special Needs)	Sum insured ₹4-5 lakh; Designed for individuals with mental or developmental disabilities; May require medical screening; 2-year waiting on pre-existing.
SBI General (Diyyang Suraksha)	Sum insured ₹4-5 lakh; Tailored for "Diyyang" (differently abled) including mental illness; Guaranteed issuance (no denial) but with waiting periods for existing conditions.
Star Health (Star Mental Health) Note: hypothetical name	Sum insured ₹3-10 lakh; OPD benefit for psychiatric consultations and counseling (limited number of sessions per year); Inpatient cover for acute episodes with no sublimits; Wellness program with tele-counseling.
Niva Bupa (Empower Mind add-on)	Add-on cover to base policy; Provides outpatient coverage for psychologist/psychiatrist fees up to a limit; Covers prescribed psychiatric medications; No claim bonus unaffected by mental health claims (to encourage usage).

Source: IRDAI filings and company product brochures (2022–2023).

Despite these reforms, **utilization remains low**. The **Mental Health Report 2025** (Marsh McLennan–Mpower) found **only 1 in 100 health claims** are for mental illness, despite it constituting **10–15%** of India's disease burden. As Ashish Singhal puts it, "coverage is mandatory, but the reality on the ground is different"—with benefits largely limited to hospitalization. **Routine**

therapy and counseling remain uncovered in most policies.

Key Barriers and Gaps

Awareness Gaps:

42% of respondents didn't know their policy covered mental illness. Many hospitals also lack clarity, with no standardized claim procedures. As Dr. Harish Shetty notes, both patients and providers are unaware, causing confusion and underutilization.

Hospitalization-Centric Coverage:

Most policies only cover **inpatient care (>24 hours)**. Outpatient therapy—where most treatment occurs—is rarely reimbursed unless an OPD rider exists. This mismatch limits benefit usage.

Limited Access to Network Care:

Even when hospitalization is covered, access is restricted. Network hospitals with psychiatric units are scarce, especially outside metros. Claims from **non-network or rehab centers** are often denied. Insurers also require a psychiatrist's recommendation for admission—difficult in emergencies or underserved regions.

Subtle Exclusions Persist:

Though broad exclusions are banned, **addiction treatment, suicide attempt injuries, and rehab stays** are frequently excluded. Dr. Shetty notes denials are common even after suicide attempts, despite MHCA's decriminalization—highlighting the need for **clearer regulatory guidance**.

Pre-existing Conditions:

Insurers historically imposed **2–4 year waiting periods** or outright rejections. The **2023 IRDAI guidelines** prohibit rejections for mental illness, but **underwriting remains cautious**—with loadings or restrictions still common.

Denials for Unrelated Conditions:

Some claims (e.g., cardiac care) have been denied due to undisclosed psychiatric history. This reinforces stigma, deters disclosure, and undermines parity. True inclusion requires **cultural shifts in underwriting and claims handling**.

Data and Pricing Limitations:

Mental health insurance lacks robust claims data, limiting **actuarial modeling**. Insurers fear **adverse selection** and **overuse**, resulting in conservative OPD limits and higher premiums. With **18% GST and admin costs**, therapy claims can cost more than paying out-of-pocket. As Dr. Bhabatosh Mishra explains, a ₹1,000 therapy session may effectively cost ₹1,500 via insurance.

Mental Health Insurance Across Age Groups

Mental health risks vary across life stages, requiring age-sensitive insurance models. From childhood developmental issues to working-age stress to elderly dementia care, mental health coverage must be adapted to meet distinct needs. This section reviews key mental health concerns and insurance realities across age groups.

Children and Adolescents

Mental illness often starts early—**1 in 7 adolescents (10–19 years)** globally suffer from disorders like anxiety, ADHD, autism, and depression. In India, social media, pandemic disruptions, and academic stress have increased youth mental health issues. Suicide is now a **leading cause of death among those aged 15–29**, and **half of all mental illnesses begin by age 14**.

Children under 18 rely on family or government health plans. Historically, pediatric psychiatric care had little coverage.

Definition Limitations: The **MHCA excludes intellectual disabilities** from the definition of “mental illness,” which means many insurers don’t

cover **autism, intellectual disorders, or learning disabilities**. However, newer specialist plans (e.g., **IFFCO Tokio’s Health Protector – Special Needs**, **Royal Sundaram’s Divyang Plus**) have included these conditions. Regular policies still often remain silent on them.

Low Hospitalization Use: Most pediatric treatment is outpatient (therapy, meds, special education), not hospitalization. Exceptions exist (e.g., OCD or anorexia), but most plans only reimburse inpatient care unless OPD riders are added. Few families opt for these due to higher premiums.

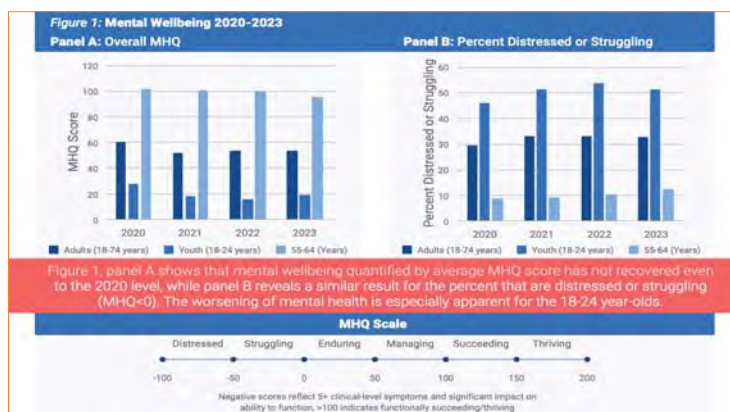
Stigma and Diagnosis Gaps:

Parental stigma leads to under-diagnosis. Claims are rare, and even pediatricians and schools have only recently started referrals. Teenagers hesitate to access counseling due to fear of exposure. As awareness improves, tele-counseling and anonymous services may increase usage.

Preventive Programs: Some insurers offer early mental well-being programs. **Star Health’s Mind and Body Wellness** includes online yoga and meditation. These aren’t therapy substitutes but offer supportive care. Insurers could partner with schools to offer insured mental health checkups or counseling.

Children remain **insurance-vulnerable**, with needs focused on continuous outpatient care rather than acute episodes. While ICU stays after suicide attempts may be reimbursed, regular therapy isn’t. The solution lies in **outpatient youth mental health products**, pre-authorized claims, and school-linked systems. As awareness and public advocacy grow, so will demand.

Infographic 4: The infographic below highlights the mental health challenges faced by Indian youth, emphasizing the need for targeted insurance coverage.



Infographic 4: Youth mental health in India (18–24) was **lower in 2023 than during the first COVID wave**, underscoring the urgent need for targeted mental health coverage.

Source: Sapien Labs – Mental State of India Report, Oct 2023.

<https://sapienlabs.org/wp-content/uploads/2023/11/Mental-State-of-India-Report-October-2023.pdf>

Working-Age Adults

Adults (18–60 years) are the most impacted demographic in both **mental illness burden and insurance relevance**. This group faces anxiety, burnout, and substance abuse, driven by work, education, and life stressors. WHO notes **15% of the working-age population globally** has a mental disorder. In India, prevalence was **13%** per a 2016 survey. Untreated illness results in absenteeism, poor performance, and lifestyle-related conditions like hypertension.

Insurance Sources:

Group Insurance (Employers): Large corporates offer EAPs and must now cover psychiatric hospitalization. Some provide **OPD counseling allowances** (e.g., ₹20,000/year), but this remains metro-centric. Many employees are unaware their plans include mental health, and confidentiality concerns deter usage. While insurers share only anonymized data, fear persists.

Individual Insurance: Post-2018, individual policies include mental illness but mostly inpatient coverage. OPD cover is rare unless added. Insurers now bundle **tele-counseling apps**, e.g., **Magma HDI's virtual therapy**, **Future Generali's all-in-one policy**.

Tech-savvy, urban youth are driving usage—**women opt for mental health add-ons 27% more** than men, and **usage is highest among 25–35 age group**. As Siddharth Singhal (Policybazaar) notes, younger consumers favor digital therapy platforms.

Claims and Gaps: Claims typically relate to **mood and anxiety disorders**, brief hospitalizations, or suicidal episodes. Outpatient treatments are often paid out-of-pocket. Detox-related claims are allowed; **de-addiction camps usually aren't**. Common co-morbidities like postpartum depression are only partially covered—**hospitalization, yes; outpatient counseling, often no**.

Progress is visible—mental health claims are **rising**, especially post-COVID. Business interest and urban awareness (e.g., workplace webinars) are helping. But **stigma, disclosure fears, and hospitalization-based claims design** still hinder full access. Suggested solutions include **cashless OPD therapy networks** and stricter parity enforcement to prevent disclosure penalties.

Eldery (Sixty Plus)

Seniors face both long-standing psychiatric conditions (like bipolar disorder) and age-related issues (like dementia). Globally, **20% of seniors** have a mental or neurological disorder; in India, it's **10.9%**. Issues like **depression and Alzheimer's** often go undiagnosed, assumed to be part of aging.

Insurance Realities:

Coverage usually comes through **senior citizen plans** or continued family policies. Post-2018, insurers cannot exclude pre-existing psychiatric conditions but **impose waiting periods** (e.g., **2 years at National Insurance**). If diagnosed post-policy, treatment is usually covered.

The bigger issue is **access and suitability**:

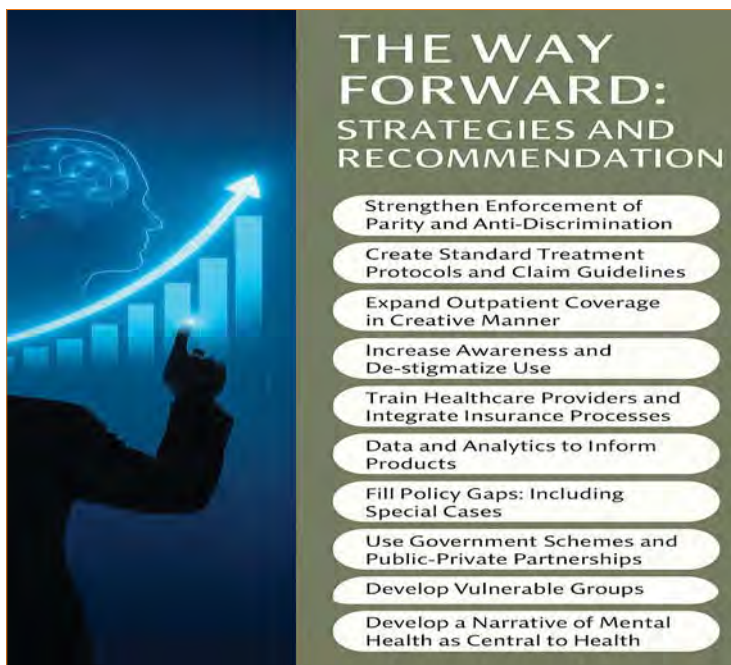
- **Long-term care (e.g., dementia care)**—home nursing, memory care—is **not covered**.
- Indian insurance focuses on **acute hospitalization**, unlike developed countries with long-term care products.
- OPD benefits (e.g., **Tata AIG's Medicare Premier**) are underused.
- Most elders rely on **public clinics or pay out of pocket**; psychotherapy remains rare due to cost and awareness.

Affordability and stigma further worsen the issue:

- **Poor seniors** often lack coverage despite schemes like **Ayushman Bharat**, which includes inpatient mental illness treatment.
- **Middle-class seniors** without retiree insurance face high costs.
- Many avoid seeking help due to fear of stigma, and families often **avoid using insurance** to sidestep documentation of psychiatric illness.

The Way Forward: Strategies and Recommendations

Moving from mandated inclusion to meaningful access for mental health insurance in India requires coordinated action across stakeholders—regulators, insurers, providers, employers, and advocates. The following are key strategies to bridge this gap:



Strengthen Enforcement of Parity and Anti-Discrimination

IRDAI must regularly audit mental health coverage, especially claims practices, and penalize unjust denials. Clear guidance should clarify that **self-harm exclusions** cannot be used to deny claims for diagnosed mental illness, aligning with the **MHCA's decriminalization of suicide**. The mandate to not reject proposals based on mental illness should be monitored, with **insurers reporting rejected applications and reasons** to ensure transparency.

Standardize Treatment Protocols and Claims Process

Lack of standard treatment norms complicates mental health claim approvals. Industry bodies and psychiatrists should define protocols (e.g., 8–12 therapy sessions for moderate depression; hospitalization for suicidal cases), helping insurers

design products and evaluate claims. Standardized, confidential **claim forms for psychiatric care** will also reduce confusion and denials.

Expand OPD Coverage Creatively

Without outpatient coverage, mental health insurance remains superficial. Options include:

Session-limited therapy coverage (e.g., 10 sessions/year with co-pay) to avoid hospitalization costs.

- **Tele-mental health tie-ups** (e.g., unlimited psychologist chat/calls) to increase low-cost access—some insurers already offer this.
- **Preventive wellness incentives** like rewards or discounts for completing stress management programs.
- **Mental health-only OPD riders** as a lower-cost add-on for those not needing full OPD coverage.

Boost Awareness and Reduce Stigma

Insurers should run campaigns (e.g., around **World Mental Health Day**) to clarify coverage and normalize use. **Anonymized success stories**, marketing materials, and onboarding info can help. Employers must ensure HR communicates EAP and mental health benefits clearly, with reassurances of **confidentiality**—including options for **direct reimbursement to employees** for sensitive cases.

Train Providers and Integrate Mental Health into Claims

Hospitals need **staff training** to manage psychiatric claims properly. TPAs should include psychiatrists in claim evaluation teams. If psychiatric consults are part of inpatient care (e.g., a cardiac patient with depression), they should be **seamlessly billable**. This integration improves acceptance and reduces rejections.

Invest in Mental Health Insurance Data

Insurers must collect and analyze mental health claims—diagnosis, cost, relapse, etc.—to inform pricing. A **centralized anonymized repository** (via General Insurance Council) can help. Partnerships with institutes like **National Insurance Academy** or mental health researchers can demonstrate cost-effectiveness (e.g., therapy reduces hospitalization), improving product design and actuarial confidence.

Fill Policy Gaps – Including Special Cases

- **Addiction treatment** could be included under strict conditions

(e.g., lifetime limit, certified centers).

- **Attempted suicide-related care** must be covered, per MHCA's decriminalization.
- Ensure **continuity of care** during insurance transitions (e.g., employer to personal), with no new waiting periods. **Portability rules** may need updates to support this.

Leverage Government Schemes and Public-Private Partnerships

Government support can include **reinsurance backstops** for high-risk mental health claims, or incentives for insurers providing broad mental health benefits. Enhancing **Ayushman Bharat** facilities to include mental health infrastructure will expand access. Public insurers (like NIACL) can pilot comprehensive models, encouraging private sector replication.

Target Vulnerable Populations

Insurance must reach **rural, low-income**, and **chronic mental illness sufferers**. For the poor, **Ayushman Bharat** can expand to include outpatient mental care via **Health and Wellness Centres**.

Community insurance pilots (e.g., subsidized local psychiatrist visits) can demonstrate scalable models. Awareness efforts must ensure caregivers know about new mental health-focused products.

Build a Cultural Shift Toward Mental Health Inclusion

Insurers must internalize mental health as integral to overall health—not a secondary or suspect claim

type. Reporting success indicators (e.g., how many received care) can build this mindset. Leadership buy-in—like insurer CEOs endorsing mental health apps—can drive systemic change.

India must now transition mental health coverage from a **mandated benefit** to a **routinely used one**. This requires **policy refinement, training, awareness, improved coverage design, and data-driven iteration**. The journey from exclusion to inclusion is underway—what's needed now is acceleration and alignment of efforts across the insurance ecosystem.

Conclusion

The journey of mental health insurance—from invisibility to legal entitlement—has been swift and significant. Globally, mental health is now central to Universal Health Coverage, and India has been a leading example with the **Mental Healthcare Act (MHCA), 2017, and regulatory mandates that prohibit the exclusion of mental illness from insurance. This landmark shift reaffirms the principle: mental health is health.**

Yet, parity on paper does not guarantee parity in practice. As our analysis shows, **coverage remains partial, access is restricted, and utilization is low**. Deep-rooted stigma, ill-fitting product design, and systemic care shortages hinder real-world impact. As one expert noted, "Every health insurance policy includes mental health now... but the system is designed to fail mental health patients." Legal mandates

alone aren't enough—**systems must work in practice.**

The way forward demands **coordinated, long-term commitment** across stakeholders—regulators, insurers, providers, employers, and public health actors. For insurers, this is not just a compliance exercise but an opportunity: offering **comprehensive, compassionate mental health coverage** can enhance **trust, brand loyalty, and competitive differentiation**. It also positions insurers as key partners in India's public health and CSR goals.

Importantly, expanding mental health coverage is not a financial liability. On the contrary, **early intervention** reduces catastrophic episodes and co-morbidities, stabilizing long-term claim ratios. The **economic, social, and business cases** for robust mental health coverage are increasingly aligned.

India—and the world—now stands at a critical juncture. The foundation is laid; the next few years will be pivotal in turning promises into practice. With **visionary leadership, cross-sector collaboration, and empathetic product design**, we can ensure mental health patients receive the **same financial protection and dignity** as those with physical illnesses.

Achieving this will mark not just an industry milestone, but a **mature, humane shift**—toward a healthier, more resilient, and emotionally empowered society.

"Mental health insurance isn't just a policy clause — it's the next frontier of inclusive, humane healthcare."

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Note: All references are based on publicly available and freely accessible sources as of the date of writing.

Runner-up

Technical Paper Writing Competition (Life Branch)

Insurance Coverage for Gig Workers and the Self-Employed: Challenges and Solutions



Om Prakash Prasad

omprakashp@gicre.in

Om Prakash Prasad is the Senior Manager (Finance) at General Insurance Corporation of India with nearly 13 years of industry experience (Reinsurance Accounting/Underwriting/Investment). He is enthusiastic about researching, developing, and contributing to knowledge in the areas of Finance, Insurance and Reinsurance.

Abstract

The rise of the gig economy and the expansion of self-employment have reshaped global labour markets and fostered unprecedented flexibility but also exposed millions of workers to social and economic vulnerabilities. Gig workers and self-employed individuals represent a significant portion of the global workforce, particularly in developing economies, often without access to essential insurance protections such as health, life, disability, and pension coverage. This essay investigates the multidimensional challenges and practical solutions for extending insurance coverage to these unprotected labour segments. In response, a range of innovative insurance solutions is emerging worldwide. These include microinsurance, parametric coverage, embedded and platform-based group policies, usage-based premium models, and blockchain-powered

smart contracts designed to align with gig workers' variable incomes and mobile lifestyles.

The essay concludes that ensuring universal insurance for gig and self-employed workers requires a reimagined social contract one that aligns with today's digital, flexible labour markets while treating social protection as a basic right.

Keywords

Gig Economy, Social Protection, Inclusive Insurance Models, Platform Work Regulation.

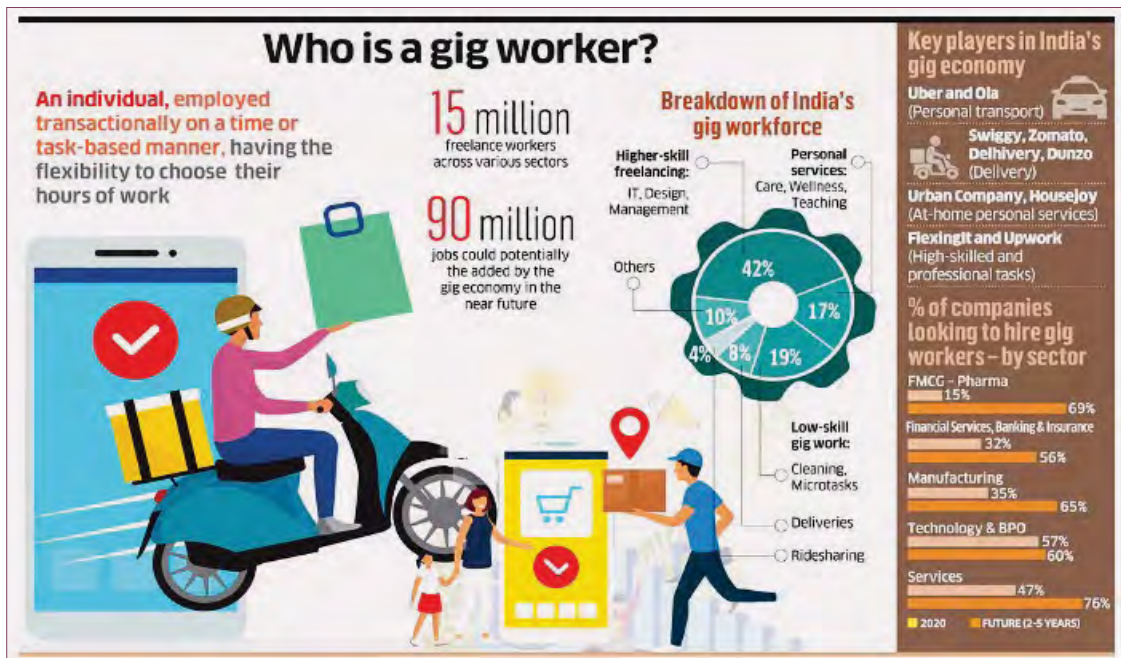
1. Introduction

The gig economy, defined by short-term and flexible work arrangements typically enabled by digital platforms, is expanding rapidly in India. Estimates suggest that gig workers could rise significantly from 7.7 million in 2020–21 to around 23.5 million by 2029–30, driven by sectors like e-commerce,

transport, and delivery services. Key enablers include widespread digital access (936 million internet and 650 million smartphone users), a booming startup ecosystem, and growing urban demand for convenience services. Additionally, a large pool of low-cost labour, rising unemployment, and shifting work preferences, particularly among youth seeking flexibility and work-life balance, fuel this growth despite concerns over low wages and limited social protections.

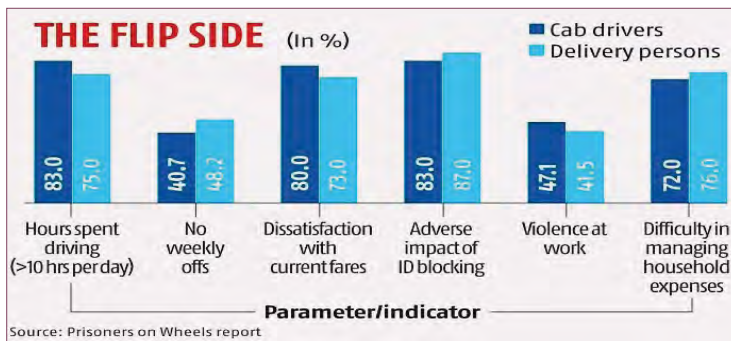
By 2030, the gig economy is anticipated to play a significant role in India's economic landscape, contributing approximately 1.25% to the nation's GDP. Over the long term, it will generate nearly 90 million jobs. Gig workers could account for about 4.1% of the total workforce by then, positioning themselves as an essential part of India's evolving labour market.

Picture 1: Who is a gig worker?



Source: <https://crackittoday.com/current-affairs/gig-workers/>

Picture 2: Gig workers as Cab drivers and Delivery persons



Source: People's Association in Grassroots Action & Movements/Prisoners On Wheels

Gig workers and self-employed individuals account for a rising and varied portion of the workforce worldwide. With a disproportionately high number in underdeveloped nations, the World Bank (2020) estimates that informal workers,

including gig and self-employed people, account for almost 60% of worldwide employment. Over 90% of India's workforce alone is considered informal; the gig economy helps create roughly 1.5 million employees yearly. Technological

platforms like Uber, Fiverr, DoorDash, and TaskRabbit have reshaped the boundaries of labour in sophisticated nations by providing flexibility but usually at the sacrifice of social and economic security.

Gig work, where employees usually engage in on-demand services such as transportation, food delivery, home maintenance, content creation, and consulting, captures a range of jobs made possible by digital platforms. Often labelled independent contractors or freelancers, these individuals differ from regular employees who gain legally mandated rights such as minimum pay, health insurance, paid leave, and retirement benefits. Though not usually active on digital platforms, self-employed people have similar problems,

especially with social insurance coverage.

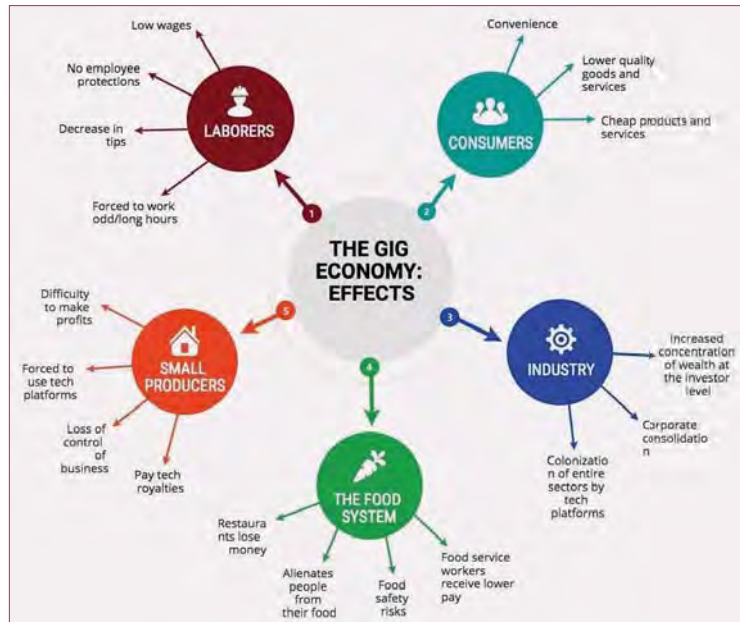
Despite their economic importance, gig and self-employed workers remain mostly left out of the social safety systems supporting conventional employment systems. Coverage for health, life, disability, unemployment, or pensions is still limited and insufficient. Given the unstable and uncertain character of gig and self-employed labour, which often involves significant income fluctuation, occupational risk, and job insecurity (International Labour Organization, 2021), this insurance gap is particularly alarming.

The COVID-19 epidemic highlighted even more these weaknesses. Gig and self-employed workers suffered most from the lack of employer-sponsored insurance and state benefits. Throughout the crisis, many discovered they lacked paid sick leave, unemployment insurance, or emergency healthcare. The epidemic thus exposed the shortcomings of current social security systems in accommodating non-standard types of employment, acting as a stress test for them.

Globally, attempts to close the insurance gap have been disorganised and erratic. Some countries have experimented with extending existing schemes to informal workers, while others have introduced entirely new mechanisms. For example, the European Commission's 2021 proposal to reclassify certain platform workers as employees marked a significant policy shift, while countries like India

have launched digital registries like the E-Shram portal to improve targeting of social security benefits (Ministry of Labour and Employment, 2022). Similarly, mobile-based microinsurance schemes have gained traction in Africa and South Asia, leveraging technology to enhance outreach and affordability.

Picture 3: The Gig Economy Effects



Source: <https://www.drishtiias.com/to-the-points/paper3/gig-economy-2>

Gig workers in India face several challenges, including job insecurity and income volatility, with many experiencing irregular work and unpredictable earnings that hinder financial planning and access to credit. A significant regulatory gap leaves them without legal protection for fair wages, timely payments, or decent working conditions, placing them in a grey zone between formal and informal labour. Over 25% report delayed payments, further exacerbating financial stress. Additionally, many lack access to social benefits like healthcare and insurance and express limited opportunities for skill development

and career advancement, especially among younger, ambitious workers.

This essay explores the multidimensional challenges of extending insurance coverage to gig and self-employed workers and evaluates practical and policy-based solutions. Integrating international evidence, sectoral insights, and innovative models offers a comprehensive perspective on how to build a more inclusive and resilient insurance architecture. Key themes addressed include the demographic profile and needs of these workers, the shortcomings of existing insurance systems,

Picture 4: Gig Economy Pros & Cons

Source: <https://online.maryville.edu/blog/what-is-the-gig-economy/>

regulatory and institutional barriers, and emerging coverage models such as platform-based group insurance, microinsurance, and portable benefits.

The central thesis of this essay is that extending meaningful insurance coverage to gig and self-employed workers is not merely a matter of regulatory reform it requires rethinking the very foundations of social protection in a digital and decentralised world of work. This discussion is situated at the intersection of labour economics, social policy, digital innovation, and development strategy.

2. The Insurance Gap: Status Quo

Despite their growing economic significance, gig workers and self-employed individuals remain some of the most under-protected segments of the labour force. Traditional insurance systems developed in the

industrial age are largely incompatible with the realities of informal, flexible, and autonomous work. As a result, these workers experience significant gaps in health, accident, life, unemployment, and retirement coverage. This section examines the scale and contours of this insurance gap globally.

2.1 Health Insurance: Limited Reach and Accessibility

In many countries, access to health insurance is contingent on formal employment. Employer-sponsored insurance is the dominant model in the U.S., parts of the EU, and several Asian countries. Gig and self-employed workers, lacking a stable employer, are typically ineligible.

In India, most informal workers lack health insurance, although government schemes like Ayushman Bharat have improved access. The scheme provides coverage of INR 5 lakh (~USD 6,000) for

hospitalisation, yet gig workers are not automatically enrolled, and many are unaware of eligibility.

2.2 Occupational Injury and Accident Insurance: Sporadic and Inadequate

Occupational risks are particularly high in gig sectors like food delivery, ride-hailing, construction, and domestic work. However, the lack of employer recognition often leaves gig workers outside formal accident and disability schemes.

2.3 Unemployment and Income Protection: Almost Non-Existent

The most glaring gap is the lack of **unemployment insurance** for non-standard workers. Traditional schemes are built on the assumption of stable, full-time employment with consistent employer contributions. Gig workers with fragmented and irregular incomes rarely qualify.

In India, unemployment protection is virtually non-existent for gig and self-employed workers. Although the Employees' State Insurance Scheme (ESIS) provides short-term cash benefits to formal employees, informal workers are excluded.

2.4 Life and Pension Insurance: Deep Structural Exclusion

Gig and self-employed workers face old age without adequate income support without consistent contributions to pension funds or social security systems.

India's Atal Pension Yojana (APY) and Pradhan Mantri Shram Yogi Maandhan (PM-SYM) offer pension coverage for informal workers. However, as of 2023, fewer than 10

million people had enrolled in PM-SYM out of an estimated 400 million eligible workers.

Life insurance penetration among gig and self-employed workers is also low. A report by Swiss Re (2021) estimated that life insurance coverage among informal workers in South Asia and Sub-Saharan Africa was less than 5%, owing to affordability and trust issues.

3. Challenges to Insurance Coverage

Although it is commonly known that gig and self-employed people are not included in conventional insurance systems, closing this disparity is not easy. Extending insurance coverage faces many obstacles, from legal, financial, institutional, technological, and behavioural. This section delves further into these difficulties.

3.1 Legal and Regulatory Ambiguity

- The legal way gig and self-employed workers are categorised is one of the most basic challenges. Labour laws in most nations are written around the dichotomy of “employee” and “employer.” Often categorised as independent contractors, gig workers deviate from this system and are thus not qualified for benefits mandated by their employers.
- The 2020 Social Security Code in India provides social security plans and distinguishes legally between “gig” and “platform” workers. Implementation is lacking, nevertheless, and specifics, including funding

sources and contribution shares, remain unclear.

This legal limbo creates regulatory uncertainty, discouraging insurers and platforms from adopting long-term coverage models. It also complicates data sharing, tax treatment of benefits, and enforcement of insurance mandates.

3.2 Financial Constraints and Affordability

Affordability is the most cited reason for low insurance uptake among gig and self-employed workers. These workers generally earn less than formal employees, and their income is often irregular and unpredictable.

In India, enrollment in voluntary pension schemes like PM-SYM is low partly because monthly contributions, though modest, are unaffordable for workers who earn on a day-to-day basis.

Moreover, insurance premiums are typically front-loaded, requiring regular and sometimes large payments. This structure does not align with the cash flow patterns of gig work, where income can vary week-to-week or even day-to-day.

3.3 Administrative Complexity and Portability

Gig workers often work for multiple platforms, change jobs frequently, and may be geographically mobile. This challenges insurance systems designed for static, long-term employment relationships.

- The portability of benefits is limited. In most cases, insurance purchased through one platform is not transferable to another,

leading to fragmentation and coverage lapses.

- A gig worker driving for Uber and Ola may receive accident insurance from each platform but not a comprehensive or cumulative benefit. If the worker leaves both, they lose all protection.
- In decentralised countries like India, where social security is partly administered at the state level, inter-state mobility further complicates access to benefits.

The administrative systems required to track multiple employers, varied incomes, and mobile identities are either underdeveloped or non-existent in many regions. Centralised databases like India’s E-Shram portal are promising but face integration challenges.

3.4 Lack of Awareness and Financial Literacy

Even where affordable insurance products are available, many gig and self-employed workers do not subscribe due to limited awareness or distrust of financial institutions.

- Misconceptions and past negative experiences such as denied claims or complex exclusions further fuel reluctance. In countries like Nigeria and Indonesia, informal workers often perceive insurance as a scam or luxury product.
- Language difficulties, poor digital literacy, and lack of human middlemen like brokers or agents who might translate products in lay terms aggravate the situation.

3.5 Platform and Insurer Trust Deficit

- Workers with mistrust sometimes view platforms that provide insurance as part of incentive programs. They see these advantages as transient or deceptive methods to keep workers instead of sincere welfare initiatives.
- Insurance products must be straightforward, open, and technologically accessible, with quick and fair claims settlement systems to handle this. Public endorsements and third-party monitoring also help build trust.

3.6 Fragmented Institutional Responsibilities

Another challenge is the fragmentation of responsibility across government ministries and departments. In many countries, labour, finance, insurance, and social welfare departments operate in silos.

In India, multiple ministries oversee different parts of the insurance ecosystem: pensions by PFRDA, health by the Ministry of Health, and accident coverage by state labour departments leading to policy incoherence.

This institutional fragmentation results in overlapping schemes, duplicated databases, and inefficient fund utilisation, undermining the scalability and sustainability of insurance models for informal workers.

3.7 Political Economy and Policy Inertia

Lastly, the gig and self-employed workforce often lack the political

clout to influence policy. Their fragmentation, lack of unions, and dispersed nature reduce their visibility in public discourse and electoral politics.

- In contrast to salaried employees or industrial workers, gig workers rarely stage successful collective actions, although notable exceptions include Uber driver strikes in the U.K. and U.S.
- Policymakers may also hesitate to regulate platforms aggressively due to fears of stifling innovation, deterring foreign investment, or losing digital competitiveness.

As a result, reforms are often incremental, piecemeal, or piloted without scaling, failing to keep pace with the exponential growth of the gig economy.

4. Innovative Insurance Models

The growing mismatch between traditional insurance structures and the realities of gig and self-employed work has catalysed a wave of innovation. These new models aim to overcome fundamental problems, including affordability, access, portability, and trust, using digital technology, behavioural insights, and creative finance ideas. This part reviews worldwide developments in insurance, specifically for non-standard workers.

4.1 Microinsurance: Low-cost, targeted protection

With low rates and limited coverage meant for low-income or irregular earners. It limits policy complexity and customises benefits to real needs, addressing affordability.

4.2 Parametric Insurance: Speed and Transparency

Parametric insurance pays out based on predefined triggers (e.g., rainfall, hospitalisation, number of workdays lost) without requiring detailed damage assessments. This is ideal for gig workers with uncertain income flows and limited documentation.

Parametric models enhance speed and transparency, though accurate calibration and fraud prevention are crucial.

4.3 Embedded Insurance: Seamless Integration with Services

Embedded insurance refers to policies bundled with other products or services, making insurance passive, accessible, and contextually relevant. Paytm (India) offers accident and hospitalisation insurance bundled with wallet usage or train ticket bookings.

This model reduces purchase friction and decision complexity, enhancing uptake among time-poor gig workers.

4.4 Platform-Based Group Insurance: Risk Pooling through Aggregation

Digital platforms, with their scale and data, can negotiate favourable group insurance terms for their workers.

Zomato, Uber, Zepto, and Swiggy in India offer group health and accident insurance to drivers and delivery partners. These policies are often co-financed by the platforms and activated upon joining.

Group insurance reduces premiums via risk pooling, but coverage is basic unless backed by regulation.

Moreover, portability remains an issue when workers exit the platform.

4.5 Usage-Based and On-Demand Insurance: Pay-as-You-Go Models

Usage-based insurance (UBI) aligns premiums with actual activity or risk exposure. This is ideal for part-time gig workers who do not work consistently.

Such models improve affordability and align with gig workers' fluctuating incomes. However, they require real-time data integration and regulatory flexibility.

4.6 Behavioural Innovations and Incentive-Linked Products

Designing insurance products that nudge positive behaviour is critical for uptake and sustainability. These nudges are like

Default enrolment: Automatically enrol informal workers into insurance or savings schemes while still allowing them to opt out.

Simplified choices: Presenting fewer, clearer insurance options to avoid decision fatigue.

Mobile reminders: SMS or app notifications prompt workers to renew policies or make micro-payments regularly.

Behavioural incentives match consumer goals with insurer interests by enhancing financial discipline and risk-reducing ability.

5. Conclusion

The gig and self-employed workforce are no longer a fringe phenomenon. It is a defining feature of the modern economy. These workers are shaping

urban mobility, fuelling e-commerce, delivering healthcare, educating students, and encrypting tomorrow's digital infrastructure. However, they remain among the most vulnerable due to systemic exclusion from social insurance systems designed for the formal sector workforce.

The future of social protection will not lie in one-size-fits-all models but in **adaptive, multi-tiered systems** that reflect the flexibility of work, the diversity of risks, and the

heterogeneity of workers. Technology is a powerful enabler, but it must be complemented by policy intent and institutional capacity.

Protecting the 21st-century worker requires incremental reform and a rethinking of the social contract. Insurance must evolve from being a privilege of the formally employed to a fundamental right of all contributors to the economy, irrespective of the contract they sign or the platform they log into. **TI**

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Additional Note: This document has been prepared using publicly accessible information gathered from the internet, including Google and various academic databases. It is intended for public dissemination and seeks to contribute to the ongoing dialogue surrounding the growth and evolution of the insurance sector in India. By ensuring broad accessibility, the document aims to benefit a diverse audience through the insights and strategies it presents.

Merit Winner

G V Rao Memorial Essay Competition

The Role of Learning and Development in the Indian Insurance Sector



Baishakhi Roy

boishakhi.chakraborty@gmail.com

Baishakhi Roy is a senior Learning & Development and Organisation Development professional with extensive experience in capability building, leadership development, and cultural transformation within the general insurance sector.

Abstract

The Indian insurance sector is undergoing rapid transformation driven by regulatory reforms, digital disruption, and evolving customer expectations. Learning and Development (L&D) has emerged as a strategic enabler of organizational capability rather than a peripheral support function. This paper examines the role of L&D in strengthening workforce performance, enabling digital adaptation, reinforcing compliance and governance, enhancing customer-centricity, and fostering innovation and leadership development within the Indian insurance industry. Using a qualitative, conceptual approach based on secondary sources, industry practices, and institutional frameworks, the paper analyses how structured learning interventions

contribute to sustainable performance and long-term resilience. The findings suggest that insurers that embed learning into core business processes are better positioned to respond to complexity, uphold ethical standards, and build future-ready leadership pipelines.

Keywords

Learning and Development, Indian Insurance Sector, Capability Building, Compliance Training, Digital Transformation.

Introduction: Learning and Development in a Changing Industry

The Indian insurance industry has experienced significant structural and operational change over the past decade. Liberalisation, digital innovation, shifting customer expectations, and heightened

regulatory oversight have collectively altered the definition of organisational success. Insurers are now evaluated on agility, compliance integrity, service quality, and innovation capability, rather than scale alone. Within this evolving landscape, Learning and Development (L&D) has assumed a central role as a mechanism for capability building. Traditional training focused on product knowledge and compliance has evolved into holistic capability development encompassing digital fluency, customer experience management, ethical judgment, and leadership readiness.

Enhancing Performance and Productivity

Performance in insurance is reflected in operational accuracy, underwriting precision, claims efficiency, and quality of customer interaction. L&D

has shifted from episodic training to continuous performance enablement. Product mastery is central, as agents and service staff with deeper product understanding demonstrate higher trust and relationship-building capability. Continuous process training on claims, fraud identification, and service workflows has improved turnaround times and reduced errors. Behavioural learning has gained emphasis as emotional intelligence, communication, and empathy strongly shape customer perception. Learning analytics now support performance oversight, linking learning outcomes to operational indicators such as resolution rates and customer satisfaction.

Adapting to Digital Transformation

Digital transformation is now embedded operationally within Indian insurance. Online issuance, automated underwriting, AI-assisted claims, and digital grievance systems require workforce readiness. L&D bridges technology and human capability by offering mobile-enabled learning, AI-personalised pathways, simulation-based technology adoption, and microlearning for distributed sales networks. Digital training now extends to agents and partners through platforms offering real-time product and compliance updates. As regulators advance platforms like Bima Sugam, L&D ensures employees understand

system navigation, data flows, and customer communication.

Strengthening Compliance and Governance

Insurance operates within one of India's most regulated environments. Compliance training has evolved from rule memorisation to judgment-based learning. Scenario-based modules, role-specific compliance pathways, and case-based discussions help employees internalise governance principles. Institutions such as IRDAI, III, and NIA embed structured learning cycles and certifications, reinforcing continuous professional development. Values-based onboarding and leadership modelling position compliance as a cultural expectation rather than a mandated activity.

Fostering Customer-Centricity and Service Excellence

Customer-centricity has become a strategic differentiator. L&D develops both technical and behavioural competencies essential for high-touch insurance interactions. Simulation-based learning prepares employees for emotionally charged situations, particularly in claims. Story-driven modules cultivate empathy by linking decisions to real-world customer impact. Channel-specific learning ensures consistent communication across digital and in-person touchpoints. Insights from grievance teams increasingly inform

training needs, making customer experience capability adaptive and responsive.

Driving Innovation and Leadership Development

Innovation encompasses product evolution, process improvement, and service redesign. L&D enables innovation by legitimising experimentation and facilitating cross-functional collaboration. Peer learning and enterprise knowledge platforms accelerate the diffusion of effective practices. Leadership development frameworks blend formal learning, coaching, and rotational assignments, building system-wide thinking and ethical judgment. Certifications from institutions like III complement internal leadership journeys, while innovation lab immersion equips future leaders to operate in ambiguous, fast-changing environments.

Conclusion: Learning as Strategic Infrastructure

The future readiness of the Indian insurance sector depends on sustained capability development. L&D functions as strategic infrastructure supporting performance, digital integration, governance alignment, customer experience, and leadership development. Insurers that embed learning within organisational systems, rather than treating it as

isolated training, are better positioned to navigate complexity. Learning serves as both a stabilising force and a catalyst for transformation. 

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I/we (Full Name of **the Author(s)**)

1)

2)

3)

hereby declare that I/we are the author(s) of the paper titles “.....”

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I/we further declare that this paper has been submitted only to the Journal of the Insurance Institute of India and that it has not been previously published nor submitted for publication elsewhere.

I/we accept responsibility for the statistics presented in the article, and the Institute may refer specific queries about the statistics to me/us as needed.

I/we have duly acknowledged and referenced all the sources used for this paper. I/we further authorize the editors to make necessary changes in this paper to make it suitable for publication.

I/we undertake to accept full responsibility for any misstatement regarding ownership of this article.

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Courses offered by College of Insurance (COI)

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 - The Post Graduate Diploma in Health Insurance (PGDHI) is a one year part time post graduate (two semesters) program.
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CC1 - Certificate course in Life Insurance Marketing

- **Duration of the course - 4 months**
- **Mode of Teaching** - Self-study + 3 days Online Contact Classes
- **Total hours of Teaching** - 18 hours for Online Contact Classes (to solve queries)
- **Exam pattern** - Assignments + MCQ Final Exam

CC2 - Advanced Certificate in Health Insurance – Virtual

- **Duration of the course - 4 months** [3 hours (morning) session on **Saturday** and **Sunday**]
- **Mode of Teaching** - Virtual Training
- **Total hours of Teaching** - 90 hours
- **Exam pattern** - Project Work + MCQ Final Exam

CC3 - Certificate Course in General Insurance

- **Duration of the course - 3 months** [full day session (6 hours) on **Saturday** and half day session in morning (3 hours) **Sunday**]
- **Mode of Teaching** - Virtual Training
- **Total hours of Teaching** - 100 hours
- **Exam pattern** - Weekly Exam + MCQ pattern

CC4 - Certificate Course in Investigation and Fraud Detection in Life Insurance

- **Duration of the course - 3 days** [full day session (6 hours)]
- **Mode of Teaching** - Virtual Training
- **Total hours of Teaching** - 15 hours for Online Contact Classes
- **Exam pattern** - MCQ pattern

CC5 - Certificate Course on Application of Artificial Intelligence and Generative Application AI in Insurance

- **Duration of the course** - Basic Level – **2 days**, Advanced Level – **3 days**
- **Mode of Teaching** - Virtual Training
- **Total hours of Teaching** - Basic Level – **6 hours**, Advanced Level – **9 hours**

NOTES

[illegible]

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