



The Actuary India

Magazine of the Institute of Actuaries of India

July 2025

Ruin Theory

**How close is a
company to ruin?**

Explaining Actuaries

**The Art of Explaining
Actuarial Jargon to
Your Grandma**



Retirement Planning

**Does a Safe
withdrawal rate exist?**

24th GCA

**Evolution Journey of
Critical Illness Products in Asia**



Dear Readers,

July is winding down on an exciting note for some of you who have secured exam passes. Congratulations to you and to the new qualifiers! To those who missed it by a whisker, do not fret. You are doing well, and success is a few months away. Here's something to take your mind off the exams.

At TAI, we have some thought-provoking articles this month. When we think of retirement, we always think about pensions, annuities and drawdowns. Safe Withdrawal Rate (SWR) at 4% is probably so deeply engrained in our memories from all the literature and spreadsheets online. Arpan Bedgai asks is it relevant internationally and at all times, [does it really exist at all?](#)

Ruin Theory can be baffling with its Greek letters and calculus. But it is still a very useful tool for understanding how uncertainties can impact the solvency of companies. Sutirna Chakraborty explains [ruin theory with an example and simulations](#).

As a fraternity, actuaries are stereotyped as nerdy but poor communicators. We often struggle when asked what we do by people who are not actuaries! Bani Dhir narrates her struggles with [translating our actuarial language to plain English](#) through a delightful trip down memory lane beginning with a family conversation two decades ago.

If you work on or are interested in IFRS17 (IND AS117), remember to make use of the Communities section and join the [discussion on IND AS117](#). If you intended to attend some events but missed them or want to recap what was presented, you will find notes [here](#), and if you want to destress after study or work, as always there is our humour section and a new picture puzzle.

Most importantly, your voices matter! Let us know what you think of the articles you read, do comment or write to us and keep the discussions alive, and share your ideas and articles with us.

Rajeshwarie Iyer

Editor, The Actuary India

Magazine of the Institute of Actuaries of India

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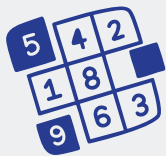
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Features

Does a Safe withdrawal rate exist?

In this article, Arpaan G Begdai questions the reliability of the Safe Withdrawal Rate (SWR) as a universal rule for retirement planning. He explores how personalized, flexible approaches may offer better outcomes, especially in self-funded retirement landscapes like India.



Introduction

The internet is buzzing with discussions on the notion of "Safe Withdrawal Rate (SWR)", as countless articles and debates fill financial media as well as retirement and investment-focused forums. Amid this digital fervour, a critical question that comes to my mind is:

Does a safe withdrawal rate truly exist?

Especially when the variables influencing it, such as, market returns, inflation, longevity, and personal circumstances are so deeply interconnected.

In one of my earlier articles, I explored the concept of the "Net Replacement Ratio" and examined where India stands in the global retirement landscape. Building on that foundation, this piece delves into another cornerstone of retirement planning: the "Safe Withdrawal Rate". It studies whether a one-size-fits-all thumb rule can realistically be defined for every individual. The article also unpacks the various factors that shape the SWR and explores some alternatives and / or modifications to the standard SWR rule which can make it more practical. Introducing some flexibility might serve retirees better, particularly in economies where state support is limited and financial planning must be more self-reliant.

What is Safe Withdrawal Rate (SWR)?

Safe Withdrawal Rate (SWR) is the assumed rate at which a retiree is expected to withdraw funds from its retirement corpus and at the same time ensuring that the corpus lasts the member's entire life time. Typically, it is designed to balance the need for current income with long-term financial sustainability, taking into account some essential factors, such as, longevity, inflation, and market fluctuations. Certainly, the list here is not exhaustive and there are lot more factors affecting it, especially, those factors which are unique to individuals.

4% SWR rule

A commonly cited rule of thumb in retirement planning is the 4% rule, introduced by U.S. financial advisor William P. Bengen in 1994. According to this guideline, a retiree can withdraw 4% of their initial retirement corpus in the first year, and then adjust that amount annually for inflation to maintain purchasing power.

While this rule provides a useful starting point, it is crucial to recognize that it is merely a benchmark, not a one-size-fits-all solution. The applicability and sustainability of the 4% rule can vary significantly depending on:

- Investment returns: Assuming low-risk instruments like government bonds, for the purpose of mathematical illustration below.
- Inflation rates: Higher inflation can erode purchasing power more rapidly than anticipated.
- Individual circumstances: Factors such as retirement age, individual health, and lifestyle choices can all affect the post-retirement duration and hence impact the adequacy of the fixed withdrawal rate.

In the following section, we explore how the retirement corpus evolves under different scenarios, focusing on a range of investment return and inflation rate combinations. This analysis underscores the importance of customizing withdrawal strategies to reflect personal circumstance and macro-economic conditions.

Mathematical illustration of the 4% rule

The illustration is produced for four scenarios. Scenario 1 is the base scenario and the other scenarios are iterations to the base, assuming marginal changes to the base assumptions.

Does a Safe withdrawal rate exist?

Assumption	Scenario 1 (Base)	Scenario 2 (Higher inflation)	Scenario 3 (Lower Risk-free rate)	Scenario 4 (Higher inflation + lower risk-free rate)
Near risk free rate (Pre-tax)	6.80% p.a.	6.80% p.a.	5.80% p.a.	5.80% p.a.
Near risk free rate (Post-tax)	5.00% p.a.	5.00% p.a.	4.00% p.a.	4.00% p.a.
Inflation rate	6.00% p.a.	7.00% p.a.	6.00% p.a.	5.00% p.a.

Why the above financial assumptions have been chosen?

The 6% inflation rate reflects India's 25-year average CPI trend and also aligns with long-term patterns in other developing economies. While recent monetary policy may lead to some short-term easing, current CPI trend still hovers around this level. Therefore, assumption adopted adds a prudent buffer, ensuring retirement planning remains resilient under sustained inflationary conditions. Similarly, Risk-free rate (RFR) is assumed considering the fact that majority individuals will be risk-averse post-retirement and prefer investment in FDs or government bonds and / or other less risky assets, especially when the retirement corpus forms a majority portion of the individual's total assets. Even today, the general perception amongst a lot of retired individuals, is to opt for FDs over mutual funds and / or bonds due to perceived familiarity and safety. Some of the reasons why a base assumption of 6.80% is justified are:

- FD rates are usually anchored with repo rates, i.e., usually 50-75 bps over the repo rate (for retirees),
- The FDs have offered a return ranging 6.50%-7.50% over the past two decades,
- The expected return offers 75-100bps real return over the long run, aligning with the long-term expectations.

Additionally, considering a tax rate of approximately 25%–30% on interest income, the post-tax RFR is adjusted accordingly and reflected in the table.

Following additional assumptions have also been considered to perform the mathematical illustrations:

- Normal retirement age (NRA) = 60
- RFR is assumed to be constant throughout the retirement duration,
- There are no defaults and / or failure in the interest income,
- The funds are withdrawn at middle of the year, though in reality these may be withdrawn randomly. This assumption has been made to avoid mathematical complications,
- The retiree solely relies on the retirement corpus and makes no additional money infusion throughout the term,
- It is assumed that the member's annual withdrawal will fully cover all emergency / contingent expenses, and lifestyle related discretionary expenses,
- Individual retires at NRA with a fixed corpus size of INR 5 crore, for all scenarios below,
- Some of the assumptions above may not truly reflect the real world but have been adopted to simplify mathematical illustration of this rule.

The results under each of the four scenarios are presented below.

Scenario 1 – Base scenario

The individual retires with a retirement corpus of INR 5 crs. A fixed 4% withdrawal at the age 60 means that the individual withdraws INR 20 lacs (i.e. 4% of the initial corpus), leaving a balance of INR 4.80 crs. However, because the corpus earns interest both before and after the withdrawal, the year-end balance rises to approximately INR 5.04 crs, slightly higher than the original amount.

Subsequently, in the year 2, the individual withdraws INR 21.20 lacs, i.e., initial 20 lacs plus inflation adjustment of 6.00% resulting in additional withdrawal of 1.20 lacs (20 lacs x .06). The year end corpus is then around INR 5.08 crs even higher than year 1 end.

Similarly, in the year 3, the individual withdraws INR 22.47 lacs and the outstanding balance at the end of Year 3 will be approximately INR 5.10 crs.

This pattern continues until either the individual dies or the corpus is exhausted, as eventually, the growing withdrawals exceed the interest earned on the outstanding balance.

The result from the mathematical analysis performed can be reviewed in the table below:

Does a Safe withdrawal rate exist?

Age	Year	Corpus at Year Beginning	Flat withdrawal plus inflation	Corpus at Year End
60.00	1	5,00,00,000	20,00,000	5,04,50,610
61.00	2	5,04,50,610	21,20,000	5,08,00,787
62.00	3	5,08,00,787	22,47,200	5,10,38,131
With all ages in between				
80.00	21	1,91,61,919	64,14,271	1,35,47,343
81.00	22	1,35,47,343	67,99,127	72,57,678
82.00	23	72,57,678	72,07,075	2,35,507
83.00	24	2,35,507	76,39,499	-75,80,875

Table 1: Extract of the results produced for Base scenario.

The analysis suggests that the retirement corpus dwindles to a very small positive amount INR 2.35 lacs at age 82 (23 years after retirement). In the Year 23, after applying the same withdrawal rate and subsequent interest cost then, the fund value goes further southwards to INR – 75.80 lacs. A negative balance indicates that the withdrawals have exceeded the available funds, meaning the portfolio is exhausted or “depleted.” Thus, as per the base scenario the portfolio is expected to last roughly 23 years or until age 82 before running out of funds.

Let us iterate this scenario by assessing the impact of higher inflation on the retirement corpus.

Scenario 2 – Increase in the base inflation rate only

The purpose of this scenario is to analyse the impact on the retirement corpus due to an increase in the inflation rate, while the risk-free rate remains unchanged.

Similar to the above, the retired individual continues to withdraw the funds and the corpus continues to earn returns in a manner similar to described above. A higher inflation assumption leads to higher inflation adjusted withdrawal, therefore leading to a quicker erosion of the retirement corpus.

Age	Year	Corpus at Year Beginning	Flat withdrawal plus inflation	Corpus at Year End
60.00	1	5,00,00,000	20,00,000	5,04,50,610
61.00	2	5,04,50,610	21,40,000	5,07,80,293
62.00	3	5,07,80,293	22,89,800	5,09,72,961
With all ages in between				
78.00	19	2,05,96,053	67,59,865	1,46,99,056
79.00	20	1,46,99,056	72,33,055	80,22,333
80.00	21	80,22,333	77,39,369	4,92,957
81.00	22	4,92,957	82,81,125	-79,68,023

Table 2: Extract of the results produced for Scenario 2 (Higher inflation)

Does a Safe withdrawal rate exist?

Table 2 suggests that at age 81, while Scenario 1 still shows a reasonably sized positive corpus, Scenario 2's portfolio has already been drawn down significantly to a negative balance. This comparison demonstrates that even with the same fixed initial withdrawal percentage, higher inflation adjustments can accelerate fund depletion.

The result highlights that even if the withdrawal percentage remains consistent, if inflation adjustments to withdrawals increase, the corpus value could deplete quicker. This will leave the individual with nothing and / or very little for survival at later ages.

In the subsequent scenario, we further look at the impact on the retirement corpus if only the risk-free rate increases and the inflation rate remains unchanged (same as the base scenario).

Scenario 3 – Reduction in the risk-free rate of return only

The purpose of this scenario is to analyse the impact on the retirement corpus due to a decrease in the risk-free rate of return, while the inflation rate remains unchanged.

Both scenarios, 1 and 3, assume an inflation rate of 6.00% p.a. Therefore, the annual withdrawals are identical in absolute terms.

Age	Year	Corpus at Year Beginning	Flat withdrawal plus inflation	Corpus at Year End
60.00	1	5,00,00,000	20,00,000	4,99,60,392
61.00	2	4,99,60,392	21,20,000	4,97,96,824
62.00	3	4,97,96,824	22,47,200	4,94,96,993
With all ages in between				
77.00	18	2,14,32,658	53,85,546	1,67,97,764
78.00	19	1,67,97,764	57,08,678	1,16,47,942
79.00	20	1,16,47,942	60,51,199	59,42,823
80.00	21	59,42,823	64,14,271	-3,60,762

Table 3: Extract of the results produced for Scenario 3 (Lower Risk-free return rate)

A modest 1% p.a. reduction in the risk-free return produces a notable difference in the year-end corpus (compared with the base scenario). In Scenario 3, the fund is expected to deplete at age 80 with a growing negative balance thereafter, while Scenario 1's higher return produces a fund which sustains for at least two additional years. The higher return performance assumed in Scenario 1 translates to enhanced longevity of retirement corpus, meaning the portfolio can better support inflation-adjusted withdrawals over time.

Lastly, the scenario below is an extreme iteration, wherein the risk-free rate is reduced and inflation rate is increased, as compared with scenario 1. It explores their combined impact on the sustainability of the retirement corpus.

Scenario 4 – Impact of lower risk-free return and higher inflation

This is an extreme scenario that illustrates how a simultaneous reduction in the risk-free rate of return and an increase in the inflation rate can significantly impact the retirement corpus. Compared with Scenario 1, the retirement corpus in Scenario 4 not only earns a lower return but also faces higher inflation-adjusted withdrawals. As a result, the corpus depletes much faster and is expected exhaust by age 79.

Below is a mathematical summary of the Scenario 4:

Age	Year	Corpus at Year Beginning	Flat withdrawal plus inflation	Corpus at Year End
60.00	1	5,00,00,000	20,00,000	4,99,60,392
61.00	2	4,99,60,392	21,40,000	4,97,76,428
62.00	3	4,97,76,428	22,89,800	4,94,32,338
With all ages in between				
76.00	17	2,02,78,760	59,04,327	1,50,68,655
77.00	18	1,50,68,655	63,17,630	92,28,657
78.00	19	92,28,657	67,59,865	27,04,067
79.00	20	27,04,067	72,33,055	-45,64,068

Table 4: Extract of the results produced for Scenario 4 (Higher inflation and Lower risk-free return)

As a consequence of simultaneous assumption change, the corpus is expected to deplete (as indicated by the negative balance), by age 79. In contrast, the corpus in Scenario 1 (with a higher return and lower inflation) remains significantly positive at age 80.

The chart below summarises all the above scenarios. It demonstrates how each scenario starts with the same corpus value but owing to differences in the assumptions, in particular the inflation rate and risk-free investment return, the corpus value erodes at different pace. The Scenario 1 stays positive for the longest duration and the Scenario 4 depletes the fastest.



Figure 1: Retirement corpus at different ages for each scenario.

Does a Safe withdrawal rate exist?

This simulation exercise underscores the need for caution when applying the 4% SWR rule. It clearly shows that the retirement corpus may not sustain an individual's entire lifetime, particularly in India, where the average life expectancy is around 85 years (with improvements).

Overall, the exercise performed also highlights that balancing the withdrawal rate with the portfolio's return is crucial; if the inflation linked withdrawals consistently outpace the real rate of return, corpus depletion is inevitable.

Possible alternative withdrawal strategy

The life expectancy in India has been continuously rising. With continuous advancement in medical applications and also improvement in lifestyle choices, the life expectancy improvement trends are visible. Using the most recent mortality table, for an individual retiring at age 60, the life expectancy is around 83 years. Further, on applying a 25% Mortality improvement factors as a % of the CMI factors, the revised life expectancy is roughly 85 years. Suggesting that the standard 4% SWR will inevitably fail to sustain throughout the member's lifetime.

The primary goal for an individual should be to ensure that the retirement corpus lasts for their lifetime. However, since life expectancy is inherently uncertain, the minimum target for a fairly healthy individual should be that the corpus lasts at-least until the expected life in the country of residence, which is around 85 years in case of India. In the analysis performed, applying the 4% rule resulted in fund depletion well before age 85, highlighting the potential need to review and revise the SWR.

Consequently, revised SWRs for each scenario is estimated by back-solving the withdrawal rate ensuring the corpus lasts until age 85. As expected, the revised SWR is lower than the benchmark 4%. These lower percentages indicate that the retiree must start with a smaller withdrawal relative to the portfolio to ensure sustainability over a longer retirement horizon.

The results of the revised SWRs are graphically presented in the chart below.

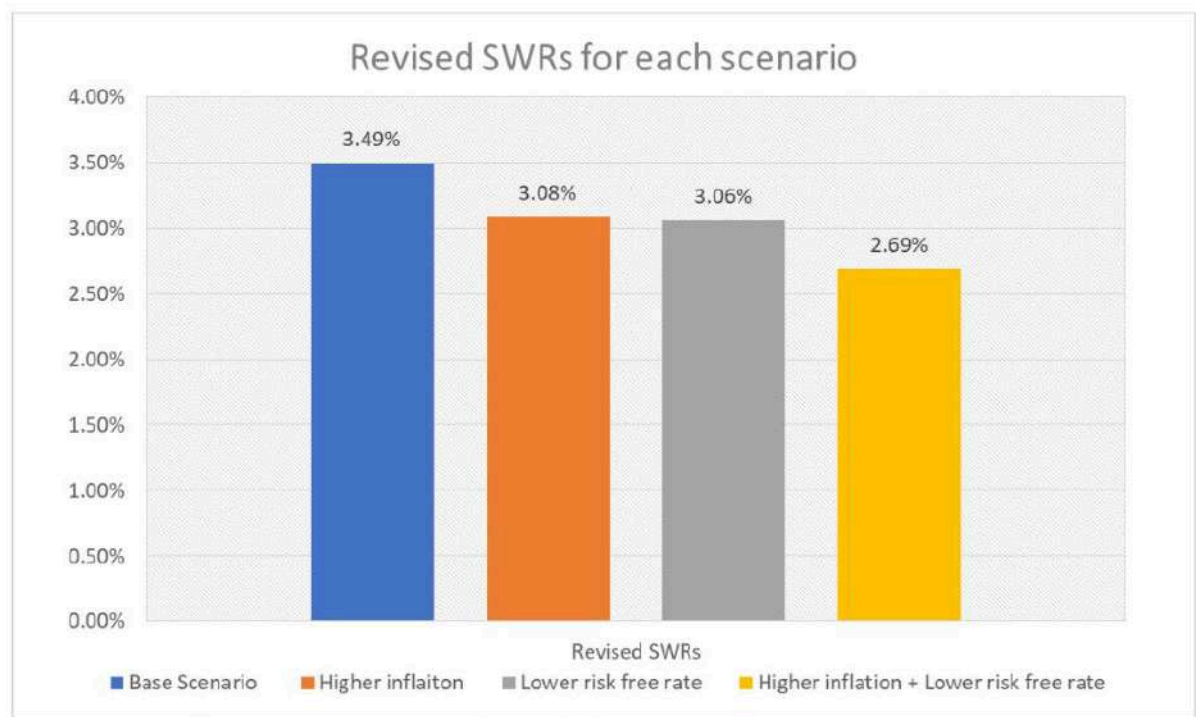


Figure 2: Revised SWR for each scenario ensuring the portfolio lasts till age 85

Does a Safe withdrawal rate exist?

By reducing the withdrawal rate (e.g., 3.49% in Scenario 1 or as low as 2.69% in Scenario 4), less capital is removed each year. This helps more of the corpus to remain invested and continue compounding, allowing the funds to sustain the expected post-retirement survival period.

For example - Both Scenario 2 and Scenario 3 have a revised SWR of roughly 3.08% and 3.06% respectively. This reflects the need to moderate withdrawals when either inflation is a bit higher (as in Scenario 2) or returns are a bit lower (as in Scenario 3). In both cases, a revised withdrawal rate of roughly 3.06% helps ease the pressure on the corpus compared to a flat 4% withdrawal. Similarly, scenario 4 is the most conservative of the group, lower returns combined with higher inflation creates the toughest condition for the portfolio. Consequently, the revised SWR is the lowest at 2.69%, implying that no more than 2.69% of the initial portfolio (adjusted for inflation) can be safely withdrawn each year to avoid early depletion.

Overall, the revised SWRs, being lower than the original 4%, reflects a more cautious approach to withdrawing funds.

Similar to the conclusion drawn in the section above, the differences in the revised SWRs across scenarios underscores how sensitive retirement outcomes are to the assumptions for investment returns and inflation. A modest change in either assumption can lead to the need for a considerably lower or even allow a higher withdrawal rate. While a lower SWR helps ensure that funds last until age expected life term, it also means a lower annual income for the retiree. This trade-off between sustainable withdrawals and lifestyle needs is a key consideration for the individual.

For each scenario, the table below shows retirement corpus assuming revised SWRs (in crores) at the same age where the corpus is expected to deplete fully considering 4% SWR.

Scenario	Age when retirement corpus depletes (SWR 4%)	Retirement corpus (crore's) under new SWR at respective ages
Base scenario	82	1.971
Increase in the base inflation rate only	80	3.234
Reduction in the risk-free rate of return only	79	3.029
Impact of lower risk-free return and higher inflation	78	3.639

Table 5: Age when the retirement corpus depletes (4% SWR) and the revised corpus at revised SWR at corresponding ages.

Thus, by employing a lower withdrawal rate, the corpus no longer runs to zero at the benchmark age but instead leaves a meaningful sum that could sustain future spending needs. This adjustment demonstrates that lowering the withdrawal rate extends the life of the retirement corpus, providing a buffer that ensures funds last longer into old age and better protect against the risk of outliving one's savings. Inevitably, the revised strategy trades a bit of current spending power for greater long-term sustainability. Looking at all the above scenario's, it can easily be concluded that both risk-free rate and inflation rate are two important factors affecting the SWR. However, there are also additional factors, some of which we will look in the section below.

Other factors affecting SWR

Two important factors discussed so far are inflation and investment return. In this section, we explore a couple of other essential factors affecting the SWR.

Sequencing Risk on Investment Return

The mathematical illustrations suggest that the size of retirement corpus is highly sensitive to the investment returns earned. Generally, higher the investment return, greater is the probability that the corpus will last throughout the member's life time and / or member will be able to afford a higher SWR, and vice-versa. However, higher investment return also comes with higher investment risk.

There can be instances when the retiree intends investment in the risky or hybrid assets. Subsequently, there is a risk that these risky assets earn poor and / or negative returns initially. Poor returns in the initial few years can erode the corpus significantly even if these are compensated with significantly higher returns in the long run. Therefore, despite the corpus earning a higher average return compared with risk-free return, there is a risk that the corpus may not sustain through the member's lifetime. This might happen because of a phenomenon called sequencing risk, more of which we will see below.

Let us look at the example below which reflects a volatile return path:

- **Investment return in short – medium run:** The portfolio suffers substantial losses (for example, –12% in year 0, –5% in year 1, –6% in year 2, –8% in year 3, and 0% in year 4).
- **Investment return in later years:** These losses are eventually offset by very high returns in subsequent years 14% p.a. throughout. The overall compounded annual return from age 60 to 81 comes out to 9.04%.

The results from the analysis performed are captured in the table below:

Age	Year	Corpus at Year Beginning	Flat withdrawal plus inflation	Corpus at Year End
60.00	0	5,00,00,000	20,00,000	4,21,23,834
61.00	1	4,21,23,834	21,20,000	3,79,51,322
62.00	2	3,79,51,322	22,47,200	3,34,95,501
With all ages in between				
79.00	19	1,99,34,242	60,51,199	1,62,64,124
80.00	20	1,62,64,124	64,14,271	1,16,92,534
81.00	21	1,16,92,534	67,99,127	60,70,007
82.00	22	60,70,007	72,07,075	-7,75,242

Table 6: Extract of the results produced to demonstrate sequencing risk.

Despite a significantly higher average return, the early negative returns “dent” the corpus significantly. Withdrawals taken during or shortly after those negative years reduce the base on which future compounding can occur. For instance, in the first year, the portfolio drops from INR 5.00 crs to an end-of-year balance of INR 4.21 crs. The corpus is well below what it would have been if there had been no initial losses. Owing to losses in the initial years, the portfolio depletes by age 81 (with an ending balance of INR –7.75 lacs). In fact, when compared with the base scenario, the fund depletes a year before, i.e., age 81 in the current scenario and age 82 in the base Scenario 1. Even though the pre-tax compounded return over the full period is much higher (difference of about 4.00% p.a.)

Similarly, for the same volatile return scenario, the revised SWR of around 3.79% p.a. (inflation adjusted) ensures that the corpus lasts until age 85. It is again lower than 4% assumed in the base Scenario 1. This further emphasizes the impact of sequencing risk on the portfolio.

Does a Safe withdrawal rate exist?

In summary, the “road” the investment returns take matters a lot. A series of early losses forces withdrawals to be taken from a reduced corpus, and even later high returns can't entirely recover that loss because the withdrawals continue to erode the base corpus value. This also underscores the key retirement planning lesson: it's not only the compounded annual return that matters, but also the sequence in which gains and losses occur.

Therefore, even with a strong average return (9.04% versus 5%), the risky/hybrid investment approach can lead to similar depletion timing, as a steadier lower-return strategy, if adverse returns occur early.

Post-retirement duration

The longer an individual is expected to take withdrawals, the lower should be the SWR. It will ensure that the retirement corpus last throughout the member's entire lifetime.

- **Individual longevity** plays a critical role. If the individual is in better health than the average, their actual lifespan may exceed the expected life expectancy. In such cases, it is essential to reduce the SWR to ensure that adequate funds remain available for a longer retirement period, thus avoiding the risk of outliving one's savings.
- Additionally, if an individual **retires earlier**, the corpus must cover a longer period of withdrawals, which means a lower withdrawal rate is necessary to avoid depleting the corpus prematurely.

In summary, ensuring that the retirement corpus lasts throughout one's lifetime depends not only on inflation and investment returns but also on factors such as sequencing risk and the post-retirement duration (and there can be several more factors which are not listed here). An earlier retirement age or a longer retirement period necessitates a lower SWR to cover a prolonged withdrawal phase, while improved longevity, often due to better health may also require a more conservative withdrawal approach to avoid exhausting the funds. These elements emphasize that a “one-size-fits-all” 4% rule may be too rigid, and that **tailoring** the withdrawal strategy to individual circumstances is also crucial.

Looking ahead, innovations and next steps in to make the SWR more dynamic and practical is essential. For example, adaptive withdrawal strategies that adjust based on market conditions and personal circumstances, bucket investment strategies that segregate funds by time horizon; such as, one bucket might cover short-term needs (1–3 years) held in low-risk, liquid assets, while another is allocated toward longer-term growth. Such approaches can be designed to provide a more resilient framework that accommodates uncertainties in lifespan, market volatility, and changing inflation expectations, ultimately offering retired individuals a greater assurance that their savings will last throughout their retirement.

Conclusion

Safe Withdrawal Rate (SWR) is an important concept in the study of retirement planning. Analysis performed illustrates that relying on a fixed 4% Safe Withdrawal Rate (SWR) in retirement planning can be overly optimistic, particularly in the face of rising inflation, volatile market conditions, and evolving personal circumstances. The simulation exercises and scenario analyses have shown that even modest changes in risk-free return, inflation rates, or the timing of returns; sequencing risk, can significantly affect how long a retirement corpus will last. Moreover, the role of post-retirement duration and individual longevity further emphasizes that a one-size-fits-all approach is insufficient.

Revising the SWR downward, to values between 2.69% and 3.49% in our scenarios, ensures that funds are drawn more conservatively. This adjustment creates a much-needed buffer, helping to protect against the risk of outliving one's savings. Looking ahead, incorporating dynamic strategies that account for changes in personal spending, macroeconomic conditions, and behavioural factors, as well as adopting innovative portfolio allocation methods (like bucket strategies), can further enhance the resiliency and practicality of the anchored SWR. In doing so, individuals can better navigate uncertainties, ensuring that their retirement funds remain sustainable throughout their lifetime.

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Arpaan G Begdai is a Fellow member of the Institute of Actuaries India and Institute and Faculty of Actuaries. He has over a decade's experience in the Indian employee benefit industry. He has been a part of the team KPAC since its inception. His extensive work experience also includes working in the UK benefit consulting environment and micro-insurance / climate change related research projects. Arpaan thrives in environments that foster innovation and offer strategic planning and leadership opportunities. Outside of his professional life, he enjoys engaging in adventurous activities, always seeking new challenges.



How close is a company to ruin?

Ruin theory is believed to be mostly a theoretical concept. But it's an essential and useful idea underlying solvency calculations.

Sutirna Chakraborty explores ruin theory using simulations to explain and estimate the risk of ruin for a theoretical insurer, and highlights the factors that influence the risk and how small tweaks can make or break your business model.



Introduction

Most of us in insurance know what it means for a company to go “bust” or “bankrupt”; however, very few can evaluate the available numbers to determine how close the company might be. That's where ruin theory comes in, and it's more relevant than it sounds. Using simulations, this article explores ruin theory to explain and estimate the risk of ruin for a theoretical insurer. Further, it highlights the factors that influence the risk - and how small tweaks can make or break your business model.

What Is Ruin Theory?

Ruin theory is particularly fundamental for insurance companies as it deals with the practical problem of solvency. Any institution is said to be solvent if it has sufficient assets to meet its liabilities. Let's assume that the insurance company starts with a non-negative amount of money (initial capital), collects premiums, pays claims, commissions and expenses.

The insurer's surplus at time t is: initial capital + premium income (t) – claims paid (t) - commissions paid (t) – expenses paid (t). If the insurer's surplus falls below zero, we say that ruin has occurred i.e. the insurer has insufficient assets to meet its liabilities. This is an important topic in actuarial academic research, dating back to results by F. Lundberg as early as 1909 (Lundberg inequality). (Schafer, 1996; Dickson, 2017) Probability of ruin is the likelihood that the surplus is negative at some point of time in the future. Hence, it is crucial to estimate this probability and minimise it in order for the insurance company to remain solvent. In this article the probability of ruin is estimated in different scenarios by changing underlying factors and cashflows.

Assumptions & Formula

Let us assume that the actuarial model consists of premiums received from insured as cash inflow, and claims, commissions and expenses paid out by insurer as cash outflow. Premiums are non-random and fixed by the insurer and are earned continuously. Expenses and commissions are ignored for this example. However, claims will occur at random times and are of random amounts. Here, we quantify time in ‘claims’ rather than ‘years’.

Let us consider:

c	=	continuous premium collected from insured per time unit
$W(t)$	=	waiting time between $(t-1)$ th and t th claim
$S(t)$	=	amount of t th claim
$U(t)$	=	surplus at t th claim
$U(0)$	=	initial capital

The final equation of surplus at time t would be:

$$U(t) = U(0) + c \cdot W(t) - S(t)$$

When $U(t) < 0$ for some t , it can be understood that ruin has occurred at t . The above equation and assumptions were further input into R to perform simulations and calculate the probability of ruin.

The random numbers that were pre-determined and set:

- Number of simulations
- Number of claims (since we quantify time in number of ‘claims’ than ‘years’)
- Initial capital $U(0)$
- Loading factor

The random quantities that were simulated as a result of the model:

- Waiting time between claims
- Amount of each claim

The base simulation is modelled with a starting capital of 1,000, average claim size of 1,000, and a loading factor of 1.1 (i.e., charging 10% above expected claims). 1,000 simulations run over 100 claims resulted in a ruin probability of 78.7%.

This is quite justified, considering the initial capital and average claim size that were considered are equal. So, what needs to be done next? Yes, tweak the inputs and observe what happens.

What makes a difference (and what doesn't)?

In any solvency model, we're bound to ask: which assumptions really move the needle?

How close is a company to ruin?

As actuaries, we often spend hours tuning models and tweaking inputs; one would soon realise that not all assumptions are equally relevant. Some make a material difference in ruin probability while others, though theoretically interesting, have more subtle effects. Let's explore some of these factors and assumptions:

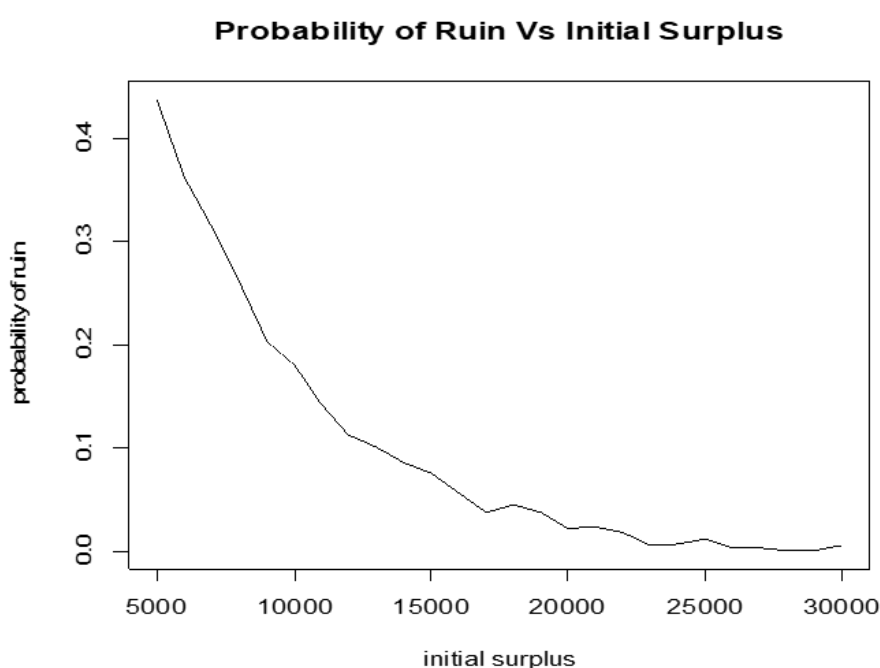
1. Initial Capital: Our Safety Net

If there's one input, we can rely on to meaningfully reduce ruin risk, it's the starting capital.

Why it matters:

The surplus acts as a buffer against claim volatility. The larger this buffer, the more shocks we can absorb before dipping into ruin territory. In the base case ($U_0 = 1,000$), the estimated ruin probability was 78.7%. By increasing U_0 to 30,000, it dropped to just 0.2%. However, this effect is nonlinear. When initial capital was plotted against ruin probability, the curve was steep initially and then gradually flattened out. This suggests diminishing marginal benefit: every additional rupee reduces ruin probability less than the last. More capital helps, but the capital efficiency gradually declines.

To demonstrate this, we have created a graph in R. It plots the probability of ruin on y axis with increasing initial surplus on the x axis.



2. Number of Claims

The longer we run the simulation, the more likely ruin becomes. This is intuitive, but it deserves a closer look.

Why it matters:

Ruin probability is non-decreasing over time, a mathematical certainty under most risk models. As more time passes, the chance of a catastrophic sequence increases.

Changing the time horizon from 100 claims to 1,000 raised ruin probability from 0.2% to 3.2%.

This is important for practical pricing and capital management:

- If our product lifetime is short (say, single-year motor insurance), a short horizon may be justified.
- For long-tail business (liability, health), the risk builds up over time—and so should our capital buffers.

Also, since time is modelled in number of claims rather than calendar years (assuming Poisson arrival), the assumption held well for this exercise.

3. Claim Size Distribution: Shape Over Average

Many practitioners focus heavily on the mean claim amount. The simulations carried out showed that the distributional shape - i.e., variance, skewness, and tail behaviour play an equally important role.

The following variations were tested (considering an average claim size of 1,000):

Distribution	Mean claim size	Characteristics	Effect on ruin probability
Gamma ($\alpha = 2$, mean 1000)	1000	Balanced, moderate tail	Baseline ruin probability of 0.2%
Lognormal (μ adjusted for mean 1,000, SD 500)	1000	Slightly less variability than gamma	Slightly lower ruin (~0.1%), likely due to lower standard deviation
Pareto ($\alpha=3$, $\beta=2000$) CDF: $1 - (1 + \frac{x}{\beta})^{-\alpha}$	$\frac{\beta}{\alpha-1} = \frac{2000}{3-1} = 1000$	Heavy-tailed, higher standard deviation	Significantly higher ruin (~6.4%) - despite same mean!

From these results, it is clear that ruin is not dependent only on the claim size but also affected by erratic and extreme variations. Heavy-tailed distributions increase ruin probability. This matters when pricing catastrophe cover, cyber risk, or anything subject to large claim uncertainty.

4. Premium Loading: The Risk-Reward Trade-off

Loading factors (θ) represent the margin we add to expected losses when pricing policies. A higher θ increases premium revenue - but also affects competitiveness.

Let's explore three scenarios:

- $\theta = 0.1 \rightarrow$ premium = 1,100 $\rightarrow$ ruin $\approx$ 0.2%
- $\theta = 0.2 \rightarrow$ premium = 1,200 $\rightarrow$ ruin $\approx$ 0.1%
- $\theta = -0.1 \rightarrow$ premium = 900 $\rightarrow$ ruin $\approx$ 6.3%

One can observe that under-pricing increases ruin and increasing θ beyond a point offers diminishing benefits. In reality, insurers will avoid pricing higher as products would not be attractive for customers. The optimal θ is one that balances competitive pricing with solvency. In case of instances in which the market dictates a low θ , the risk would need to be compensated elsewhere (e.g., via reinsurance or capital buffers).

5. Claim Frequency vs Claim Severity

Although not a direct simulation input, it became clear through modelling that claim frequency (λ) interacts interestingly with the claim size distribution.

- In high-frequency, low-severity environments (e.g., motor, health), variance in claim timing has a large cumulative effect.
- In low-frequency, high-severity cases (e.g., catastrophe), a single outlier claim can devastate the surplus.

6. Reinsurance: Effective, But Needs Care

Reinsurance stood out as a meaningful control mechanism, particularly:

- **Proportional reinsurance** reduced ruin probability as the ceded proportion increased - but only up to a point. If the cession rate is too high, the reinsurance premium erodes profitability and may push the surplus below safe levels.
- **Excess of Loss (XoL)** reinsurance showed the higher the limit (i.e., the less the reinsurer has chances to get involved), the higher the ruin risk. At lower limits, XoL provided significant protection against outlier claims.

The optimal reinsurance design depends on surplus levels, business type, and reinsurance market terms.

7. Dividend Strategy: Profits vs Prudence

The dividend strategy served as quite an interesting factor. Let us assume that the insurer distributes dividends every time surplus crosses 10,000. This would increase the ruin probability.

However, if the dividend threshold is raised to 30,000, ruin probability drops sharply. This happens because prematurely extracting surplus, even if it looks like profit, reduces the cushion needed to absorb future shocks. In highly volatile business lines, a conservative dividend strategy is just as crucial as technical pricing.

Conclusion

At first glance, ruin theory might seem like a textbook concept. But it's really a mirror: reflecting how well an insurer is managing uncertainty. If you are running a company that is affected by several risks (which is almost every entity today) – try ascertaining how resilient the company is. Try pulling the levers on surplus, claims, reinsurance, and premium – or simply the cashflows relevant to the nature of business. There will surely be some insights hidden in the results and this analysis will help to bring clarity about the perception of risk! Here's a distilled view of what matters:

Factor	Impact on Ruin Probability	Nature of Relationship
Initial Capital	High	Nonlinear (diminishing returns)
Claim Number / Time	High	Non-decreasing
Claim Distribution	High	Heavy tails = higher risk
Premium Loading	Moderate to High	Linear, capped by market pressure
Frequency vs Severity	Depends	Influences strategy choice
Reinsurance	High	Needs balancing vs cost
Dividends	High	Risk increases with aggressive payouts

About the author(s)

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Sutirna is an experienced P&C actuarial student with working knowledge in both pricing and reserving and work experience as an actuarial data scientist. In her free time she likes to learn interesting things from YouTube documentaries, cooking and exploring old and new places.



Culture

The Art of Explaining Actuarial Jargon to Your Grandma

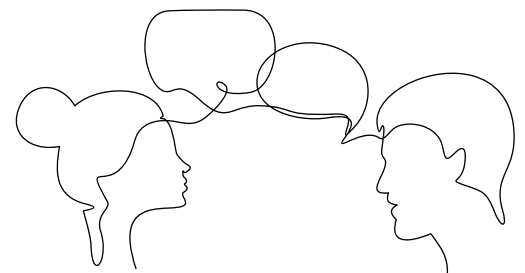


It was a sunny Sunday in 2004, and I was at my parents' house in Gurgaon for a family lunch. The table was a riot of colors—steaming dal, crispy parathas, and my grandma's famous mango pickle. As we dug in, my grandma, with her signature twinkle, turned to me. "Bani, you're an actuary, beta. What does that mean? Do you count money all day?" The room erupted in laughter, and I felt my cheeks flush. I was barely a year into my role at Genpact, still wrapping my head around pension calculations, and now I had to explain my job to someone who thought "premium" was just a fancy word for quality mangoes. If you're a fresher, you've probably faced this moment—trying to decode actuarial jargon for a curious relative or friend without sounding like a textbook. Spoiler: it's an art, and I'm still learning.



That lunch was a comedy of errors. I started with, "Well, Grandma, I work with pensions to help people retire." Blank stare. I tried again: "I use math to predict risks, like how long people might live." Her eyes widened, and she whispered, "You predict when people... go?" My cousins were in stitches, and I was sinking faster than a bad insurance policy. Finally, I grabbed a paratha and said, "Think of it like this: I help make sure people have enough parathas—money—for their old age, no matter how long they live." She nodded slowly, took a bite of pickle, and said, "Good. Keep making parathas." Success? Maybe.

That day taught me something every actuary needs to learn: our work is powerful, but it's useless if we can't explain it clearly. As freshers, you're diving into a world of terms like "reserving," "mortality risk," or "actuarial present value." They're second nature to us, but to clients, colleagues, or your grandma, they're as clear as a foggy Delhi morning. Mastering the art of simple communication isn't just about avoiding awkward family lunches—it's about building trust and showing the value of what we do.



Fast forward to 2012, when I was a director at Apollo Munich Health Insurance. We were launching a new health plan for small businesses, and I had to present our pricing model to a room of non-actuarial stakeholders. I could've rattled off terms like "loss ratio" or "premium adequacy," but I remembered Grandma's blank stare. Instead, I told a story. "Imagine a small shopkeeper in Mumbai," I said. "He wants affordable insurance for his employees. Our job is to set a price—think of it as a monthly grocery budget—that covers doctor visits and keeps his business safe." The room lit up. The CEO leaned forward, asking questions, and later said, "Bani, you made it human." That moment wasn't about dumbing down my work; it was about making it real.

In India, where financial literacy is growing, this skill is gold. Whether you're working on LIC's pension schemes, pricing health plans at Niva Bupa, or analyzing risks for SBI General Insurance, you'll need to explain your work to clients, regulators, or even marketing teams. Take reserving, for example—it's not just "setting aside money." It's like saving extra dosas for unexpected guests, ensuring there's enough to go around. Or mortality risk? It's not about predicting doom; it's planning so families are secure, like packing an umbrella for monsoon season.

So, how do you master this art? I won't bore you with a lecture, but here's what I've learned from my paratha-fueled epiphany. Start with stories. People connect to people, not numbers. When explaining premiums to a friend, don't say "risk-based pricing." Say, "It's like paying a little now so your car's safe if you hit a pothole." Use analogies—simple ones, like groceries or umbrellas, not rocket science. And listen. If your cousin's eyes glaze over, pivot. Ask, "What part's confusing?" It's not about being perfect; it's about being clear.



You're probably wondering, "Bani, does this really matter as a fresher?" Absolutely. Even in your internship or first job, you'll write reports, present findings, or train peers. Clear communication sets you apart. Last year at Mercer, I watched a fresher explain a pension valuation to our HR team using a "savings jar" analogy. The team loved it, and she's now leading client calls. That's the power of making jargon human.

Now it's your turn. Try explaining an actuarial term like "premium" or "risk" to a friend or family member without using jargon. What analogy did you use? Did they get it, or did you end up in a pickle like me? Share your story in the magazine's forum or on social media with #ActuaryExplained. Let's laugh, learn, and keep practicing this art together. Because if I can make pensions sound like parathas to my grandma, you can make your work shine for anyone.

Narrated by



Bani Dhir

Director
Mercer

Bani Dhir is a Director at Mercer with 23 years of actuarial experience, specializing in pensions. When not decoding jargon, she's mentoring freshers or perfecting her pickle recipe.

Newsflash

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

What's been happening in the insurance sector? **Teena Kalwani** and **Prisha Singhania** are here to bring you the full update of June 2025.

NEWS

News Report

02 June 2025

Life Insurance

New-age life insurance firms tap group products to boost business

New-age life insurers Acko, Go Digit, and CreditAccess, all licensed in 2023, are focusing on group life products to boost premium collections. In FY25, Acko's premium nearly doubled to ₹63 crore, Go Digit's rose to ₹1,068 crore from ₹426 crore, and CreditAccess reached ₹193 crore, up from ₹97 crore. This marked their first full year of operations. Group policies have helped these firms scale quickly and streamline internal processes. Go Digit is now publicly listed, while Acko remains privately held with a \$1.4 billion valuation in 2023.

[Read more](#)



02 June 2025

Life Insurance

General Insurance

Foreign reinsurers raise India market share to 49 percent in FY 2024

Foreign reinsurers have nearly doubled their market share in India, rising from 25.8% in 2019 to 49% in FY 2024, and are expected to exceed 50% in 2025. This growth is fueled by regulatory reforms, competitive pricing, and higher demand. The market remains concentrated, with the top five reinsurers—four foreign and one domestic—holding 95.4% share. GIC Re's share dropped from 74.2% to 51% due to reduced obligatory cession, agriculture losses, and declining non-obligatory business.

[Read more](#)



02 June 2025

Life Insurance

LIC tops PSUs chart with record Rs 19,013 crore profit in Q4FY25

LIC emerged as the most profitable PSU in Q4 FY25, posting a record net profit of ₹19,013 crore—a 38% year-on-year increase. It was followed by SBI with ₹18,643 crore profit in the same quarter. However, SBI led in annual profits, earning ₹70,901 crore in FY25 compared to LIC's ₹48,151 crore. Other top PSU earners in Q4 included Coal India (₹9,604 crore), PFC (₹8,358 crore), and NTPC (₹7,897 crore).

[Read more](#)


04 June 2025

General Insurance

Central Bank of India Acquires 24.91% Stake in Future Generali to Boost Bancassurance Growth

The Central Bank of India has acquired a 24.91% stake in Future Generali India Insurance for ₹451 crore, aiming to significantly expand its presence in the general insurance sector. This strategic move is expected to double Future Generali's bancassurance sales from the current 6–7% to around 10–12% over the next 3–5 years. The partnership will also help Future Generali reach remote and rural areas, supporting its goal to grow gross written premiums to ₹10,000 crore by FY30, up from ₹5,408 crore in FY25.

[Read more](#)


10 June 2025

Life Insurance

Axis Max Life declares Rs 2,135 crore participating bonus for FY25

Axis Max Life Insurance has declared a ₹2,135 crore Participating (PAR) bonus for FY24-25, benefiting over 21 lakh eligible policyholders starting July 2025. This marks the 23rd consecutive annual bonus, bringing the total declared over the years to ₹15,847 crore. The company's PAR fund grew from ₹67,722 crore in FY24 to ₹74,119 crore in FY25, reflecting a 10-year CAGR of 19%, driven by disciplined investments and prudent fund management.

[Read more](#)


17 June 2025

Life Insurance

ICICI Prudential Life Insurance Company allots Equity shares

ICICI Prudential Life Insurance Company has allotted 61,360 equity shares of face value of Rs.10 each on June 17, 2025, under ICICI Prudential Life Insurance Company Limited - Employees Stock Option Scheme (2005) and 19,748 equity shares of face value of Rs.10 each, under ICICI Prudential Life Insurance Company Limited - Employees Stock Unit Scheme (2023).

[Read more](#)

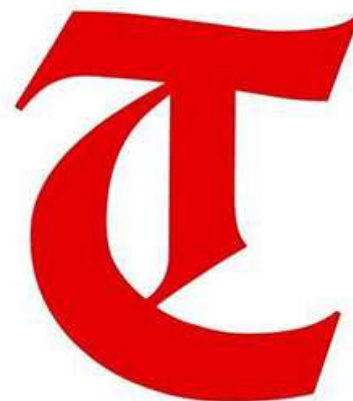
BS

17 June 2025

Life Insurance

HDFC Life and Digamber Capfin collaborate to cover micro loans and make life insurance accessible for all

HDFC Life, one of India's leading life insurers and Digamber Capfin Ltd. have come together with the aim of covering micro loans, thereby enhancing financial inclusion. This partnership would enable expanding access to life insurance across underserved regions of India. This association will leverage Digamber Capfin's extensive network across 120 districts in Rajasthan, Madhya Pradesh, Bihar, Uttar Pradesh, Uttarakhand, Haryana, Punjab, Himachal Pradesh and Jammu & Kashmir, thus enabling deeper penetration of life insurance into semi-urban and rural markets.

[Read more](#)


17 June 2025

General Insurance

Air India AI171 Crash Triggers ₹3,940 Crore Insurance Claims, Involving Tata AIG and GIC Re

The crash of Air India Flight AI171 in Ahmedabad resulted in 241 fatalities and extensive damage, leading to an estimated insurance claim of \$475 million (₹3,940 crore). The payout includes \$125 million for hull loss and over \$350 million for liability claims. Tata AIG is the primary insurer, with General Insurance Corporation of India (GIC Re) handling reinsurance. Over 95% of the risk is ceded to global reinsurers, making this one of India's costliest aviation insurance events.

[Read more](#)


20 June 2025

General Insurance

Zurich Insurance Eyes \$400 Million Stake in Kotak's General Insurance Arm

Zurich Insurance is reportedly in advanced talks to acquire a \$400 million stake in Kotak Mahindra General Insurance, marking a significant foreign investment in India's general insurance sector. This move would strengthen Zurich's presence in India and support Kotak's growth ambitions in the non-life insurance space.

[Read more](#)

20 June 2025

General Insurance

Government Plans Up to 10% Hike in Motor Third-Party Insurance Premiums by October 2025

The government is considering a 10% increase in motor third-party insurance premiums, likely effective from October 2025 or April 2026. The hike aims to ease financial pressure on insurers facing rising claims, especially from commercial vehicles and pandemic-era payouts. While a uniform hike is unlikely, loss-heavy segments may see sharper increases, and low-risk categories like school buses may see minimal or no change. The move follows industry demands for a 5–15% hike due to mounting losses and high claims ratios.

[Read more](#)

26 June 2025

Life Insurance

IRDAI Fines Edelweiss Life ₹1 Crore for Violating Outsourcing Norms

The Insurance Regulatory and Development Authority of India (IRDAI) has imposed a ₹1 crore penalty on Edelweiss Life Insurance for making payments to group companies — Edelweiss Financial Services and Edelweiss Rural & Corporate Services — without proper documentation or board approval. The insurer claimed the payments were made from shareholders' funds, but IRDAI found insufficient evidence to support this. Additionally, the company failed to collect bank details from policyholders in 230 cases where premiums exceeded ₹10,000.

[Read more](#)

26 June 2025

General Insurance

New India Assurance Hit with ₹2,298 Crore GST Demand Notice

New India Assurance has been served a ₹2,298 crore GST demand notice covering five financial years from 2018 to 2023. The notice cites alleged underpayment, wrongful input tax credit claims, and misrepresentation. Issued under Sections 74 and 123 of the CGST Act, the company plans to contest the claims. It stated that the notice will not impact its day-to-day operations.

[Read more](#)

26 June 2025

General Insurance

IRDAI Flags Lapses in Health Claim Practices at Eight Insurers

IRDAI has identified serious lapses in health claim processing across eight insurers, including Niva Bupa, Star Health, Care Health, ManipalCigna, New India Assurance, Tata AIG, ICICI Lombard, and HDFC ERGO. Issues flagged include unjustified claim rejections, inadmissible deductions, and delayed settlements, violating norms under the Health Master Circular. The regulator may impose penalties or direct refunds with interest to affected policyholders. This marks one of the most extensive compliance reviews in the health insurance sector this year.

[Read more](#)

27 June 2025

Life Insurance

Pramerica Life Insurance achieves 99.18 percent individual claims paid ratio in FY25

Pramerica Life Insurance, one of India's fastest growing life insurers, has reported a robust 99.18 percent individual claims paid ratio for FY24-25, reinforcing its commitment to prompt and empathetic service at life's most critical moments. This milestone builds on a consistently upward trend in claims performance over the past three years - 98 percent in FY22, 99 percent in FY23, 99.06 percent in FY24, and now 99.18 percent in FY25 - reflecting the company's focus on customer-first delivery.

[Read more](#)

28 June 2025

General Insurance

Shriram Life Partners with Muthoot Mercantile to Expand Insurance Reach

Shriram Life Insurance has entered a strategic partnership with Muthoot Mercantile, a Kerala-based NBFC known for gold loans, to distribute life insurance products through MML's 307-branch network across India. The collaboration aims to improve insurance accessibility, especially in Kerala and other regions with low insurance penetration. It supports Shriram Life's mission to bridge the protection gap and reach underserved families.

[Read more](#)


29 June 2025

General Insurance

Warburg Pincus in Talks to Sell 10% Stake in SBI General Insurance

Warburg Pincus, a U.S.-based private equity firm, is in discussions to sell its 10% stake in SBI General Insurance. The potential buyers include Premji Invest (the investment arm of Azim Premji) and State Bank of India (SBI) itself. The deal could value SBI General Insurance at up to \$4.5 billion. Warburg and Premji Invest originally acquired their stakes in 2019 for a combined \$432 million, with SBI currently holding about 70% ownership in the insurance firm.

[Read more](#)


Industry trends

01 June 2025

General Insurance

General Insurance Premium Rises 5.8% in June, Driven by Retail Health Segment

India's general insurance industry recorded a 5.8% year-on-year increase in gross premium income for June 2025, reaching ₹23,256 crore. The growth was primarily fueled by strong performance in the retail health insurance segment, with standalone health insurers like Niva Bupa and Star Health posting gains of 15.5% and 2.8%, respectively. Bajaj Allianz saw a 17% rise, while ICICI Lombard reported a 10.3% decline. The industry's Q1 premium income rose 9% to ₹78,917 crore, although comparisons are affected by IRDAI's revised reporting format for multi-year policies.

[Read more](#)


01 June 2025

General Insurance

ICICI Lombard Premiums Drop 11% in June While New India Assurance Outperforms

ICICI Lombard General Insurance reported an 11% year-on-year decline in gross direct premiums for June 2025, underperforming the industry's overall 5% growth. The company also saw an 8% month-on-month drop, while the sector grew 5%. In contrast, New India Assurance posted an 11% year-on-year increase and a 13% rise from May, outperforming peers. For Q1 FY26, ICICI Lombard's premium rose just 1%, trailing the industry's 9% growth, whereas New India Assurance recorded a robust 15% quarterly gain.

[Read more](#)


02 June 2025

General Insurance

ICRA Projects 8.7% Growth in General Insurance Premium Income for FY2026

India's general insurance industry is expected to grow by 8.7% in FY2026, with gross direct premium income (GDPI) projected to reach ₹3.21–3.24 lakh crore, up from ₹2.97 lakh crore in FY2025. The growth is driven by pricing discipline in commercial lines, rising health insurance demand, and increased vehicle sales. Private insurers are expected to outperform public sector peers, whose growth remains constrained by weak capital positions. ICRA also forecasts a further 10.9% growth in FY2027, with private insurers expanding their market share to 70%.

[Read more](#)


03 June 2025

General Insurance

India's Insurance Industry Records 32–34% Annual Growth Amid Rising Investment and Reforms

India's insurance industry is experiencing robust annual growth of 32–34%, driven by rising incomes, increased consumer awareness, and supportive regulatory reforms. The sector has attracted nearly \$6.5 billion in foreign direct investment over the past nine years, following progressive liberalization of capital flow regulations. With 57 insurers operating — including 33 in general insurance — the industry is expanding rapidly, aided by digital transformation and IRDAI's push for "Insurance for All by 2047."

[Read more](#)


09 June 2025

Life Insurance

Almost Half of Life Insurance Holders Quit Paying Premiums Within 5 Years

Nearly 49% of life insurance policies with India's top 10 insurers are discontinued within five years, leading to major losses for policyholders, according to a report by 1 Finance. The study highlights widespread mis-selling of financial products, where consumers are often sold unsuitable or costly insurance plans without proper information. This results in abandoned policies and lost benefits, underscoring the urgent need for greater transparency and consumer awareness in the insurance sector.

[Read more](#)


10 June 2025

Life Insurance

New business premium of life insurers in may grows around 13%

Life insurers' new business premium (NBP) rose 12.68% year-on-year to ₹30,463 crore in May, driven by strong private sector growth. LIC's NBP grew 10.3% to ₹18,405 crore, while private insurers saw a 16.6% increase to ₹12,058 crore. Notable private players like HDFC Life and SBI Life posted over 25% growth. The individual segment grew 3.35%, and group business rose 18.4%, though policy issuances fell 10.43% overall. In April-May 2025, total NBP rose 10.9% to ₹52,427 crore, with LIC and private insurers growing by 10.12% and 12%, respectively.

[Read more](#)


12 June 2025

Life Insurance

Life Insurers Grapple with Post-Covid Mortality Spike, See 25% Decline in Insurance Coverage

Mortality claims for top life insurance companies have remained persistently high between FY20 and FY25 - hovering near one million annually. This marks an almost 75 percent increase in death claims over five years, a sharp rise for an industry that fundamentally relies on stable mortality patterns. Despite the spike in mortality claims, insurance companies saw a 25 percent decline in the number of lives covered by top private life insurers. This decline is primarily due to major insurers reducing their participation in the group insurance segment.

[Read more](#)


23 June 2025

Life Insurance

General Insurance

India to Overtake Japan to Become The Second Largest Insurance Market in Asia

Allianz predicts that India will become Asia's second-largest life insurance market by 2035, surpassing Japan. Driven by a projected annual growth rate of 10.5%, India is expected to be the region's fastest-growing market, while China will remain the largest in absolute terms.

[Read more](#)

New Product Launches

1. SafeTree

05 June 2025

General Insurance

SafeTree launches India's first maternity insurance tailored for IVF couples with just 7-month waiting period

In a groundbreaking step towards making parenthood more accessible and affordable for couples undergoing fertility treatments, SafeTree, India's leading specialized insurance provider in fertility care, has launched a maternity insurance product with industry's lowest waiting period of 7 months, exclusively designed for IVF-conceived pregnancies. This innovative solution addresses a longstanding gap in the market — the lack of maternity cover options for couples who conceive through assisted reproductive technology (ART), especially IVF, where standard maternity insurance has longer waiting period. With the 7-month waiting period, IVF couples now have a tailored opportunity to significantly reduce expenses incurred during delivery, including C-sections, hospitalization.

[Read more](#)

2. Tata AIA

23 June 2025

Life Insurance

Tata AIA Life Insurance launches two new equity funds for wealth and retirement planning

Tata AIA Life Insurance has launched two new funds — the Top 200 Alpha 30 Index Fund and its Pension variant — aimed at long-term wealth and retirement planning. Open for investment from June 23–30, 2025, during the NFO period, units are priced at ₹10 and available through Tata AIA's ULIPs. Both funds are benchmarked to the Nifty 200 Alpha 30 Index and will invest 80–100% in equities and up to 20% in cash or money market instruments.

[Read more](#)

3. HDFC Life Insurance

25 June 2025

Life Insurance

HDFC Life in Association with SINE, IIT Bombay launches 'HDFC Life InsUReka'

HDFC Life, in partnership with SINE at IIT Bombay, has launched 'HDFC Life InsUReka'—an innovation challenge aimed at supporting startups in the life insurance space. The initiative combines HDFC Life's industry experience with SINE's tech expertise to promote sustainable, industry-wide innovation in India's Insurtech sector.

[Read more](#)

4. Galaxy Health Insurance

25 June 2025

Life Insurance

Galaxy Health Insurance launches new product with wellness-linked benefits

Galaxy Health Insurance, in partnership with Policybazaar, has launched 'Galaxy Marvel'—a health insurance product that rewards wellness with incentives and digital wallet credits. Key features include premium discounts for healthy lifestyles, zero co-payment, coverage for modern and AYUSH treatments (including robotic surgeries), no room rent caps, outpatient services, and maternity and newborn cover.

[Read more](#)

5. ICICI Prudential Life

27 June 2025

Life Insurance

ICICI Prudential launches Smart Insurance Plan Plus

ICICI Prudential Life Insurance has launched the ICICI Pru Smart Insurance Plan Plus, a market-linked product aimed at helping customers build long-term wealth. With a starting premium of just ₹1,000 per month, it targets young investors and offers life cover for financial protection. The plan aligns with India's growing economy and youthful population, which drives much of the country's growth.

[Read more](#)

6. Universal Sampo General Insurance

28 June 2025

General Insurance

Universal Sampo Expands Pet Insurance Coverage with 'Pet Assure'

Universal Sampo has launched Pet Assure, a comprehensive and customizable insurance plan for pet dogs and cats aged 3 months to 10 years. The policy covers outpatient consultations, diagnostics, surgeries, critical illnesses, accidental injuries, and third-party liabilities. Optional benefits include coverage for terminal diseases, pregnancy complications, dental care, theft/loss, and even cremation expenses. Premiums start at ₹1,499 per annum, with sum insured options ranging from ₹10,000 to ₹2,00,000. This move reflects the growing demand for structured pet care in urban and semi-urban India.

[Read more](#)

7. SBI General Insurance

28 June 2025

General Insurance

SBI General Insurance partners with Starfin to launch a new Hospital Cash Benefit Daily Plan.

SBI General Insurance has teamed up with Starfin India to introduce a Hospital Cash Benefit Daily Plan, aimed at providing financial support during hospital stays. The plan offers a fixed daily cash payout for hospitalization due to illness or accidents, with premiums starting at ₹259 per year. It includes coverage for ICU stays, accidental death, permanent disability, and teleconsultation services. The initiative targets underserved and rural communities, helping reduce the financial burden of medical emergencies.

[Read more](#)

8. Future Generali India Insurance

01 June 2025

General Insurance

Future Generali Launches Customizable 'D.I.Y.' Health Insurance Plan

Future Generali has launched D.I.Y. Health, a new health insurance plan that allows customers to customize their coverage based on personal needs. The plan includes a base policy with 17 features and 20 optional covers, such as maternity, air ambulance, critical illness booster, and accidental death. This move responds to survey findings showing that 94% of customers prefer customizable policies, with many willing to pay extra for tailored coverage.

[Read more](#)

9. Aegon Life Insurance

03 June 2025

General Insurance

Aegon Life Introduces Insurance Coverage for Surrogate Mothers and Egg Donors

Aegon Life Insurance has launched a pioneering group insurance policy that provides life coverage to surrogate mothers and egg donors, marking a first in the Indian insurance sector. The policy offers a three-year term for surrogate mothers and a one-year term for egg donors, addressing risks associated with reproductive procedures. Distributed through registered fertility and surrogacy clinics, the initiative aligns with the Surrogacy (Regulation) Act, 2021 and the Assisted Reproductive Technology (Regulation) Act, 2021. Over 100 surrogacy cases have already been insured under this program, reflecting Aegon's commitment to inclusive and socially responsive insurance solutions.

[Read more](#)

About the author(s)



Teena Kalwani

Senior Actuarial Analyst
WTW

Teena is an aspiring actuary with a strong background in Life Insurance reserving. She is involved in reserving projects for Indian & Sri Lankan clients. In her free time, she enjoys working out and exploring new restaurants.



Prisha Singhanian

Actuarial Analyst
WTW

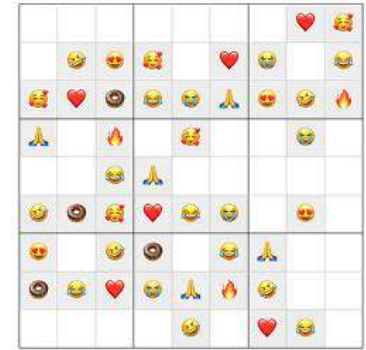
Prisha is a graduate hire from the 2025 cohort, having completed her Bachelor's in Economics (Honors) from The University of Delhi. She is currently involved in Pricing and IPD projects for the General Insurance Domain. Outside of work, she enjoys cooking, listening to music, and dancing.

Puzzle

Emoji Sudoku

Emoji Sudoku

Solve this puzzle by filling the correct emoji in each block. Each emoji may be used only once in any row or column and each block of 3 x 3 squares should contain all 9 emojis. Take your time and as many attempts as you want (most importantly, don't give up). These are no more trickier than developing replicating portfolios! Enjoy this brain teaser by the Puzzle master: **Kathan Jain**.



Time: 00:13

New Puzzle



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Kathan is a Fellow member of the IAI and the IFoA with a specialization in Pensions & Other Benefits and holds a B.Sc. in Actuarial Science from YCMOU. He's obsessed with food and enjoys binge-watching & solving puzzles in his free time.

Events

Events

Events: 24th GCA Reportage On P7: Evolution Journey Of Critical Illness Products In Asia

Reportage by
Kajal Shah



Session Chair:
Dr. John Morley

Speaker:
Mr. Otto Ho

Summary :

The evolution of Critical Illness (CI) products in Asia highlights a shift toward personalized, multi-pay coverage driven by advancements in early detection and treatment. Balancing affordability with comprehensive protection remains key to improving survival rates and meeting diverse healthcare needs.



Quotable Quotes

"Three major barriers to purchase CI are affordability, complex product designs, long underwriting processes due to pre-existing health conditions"



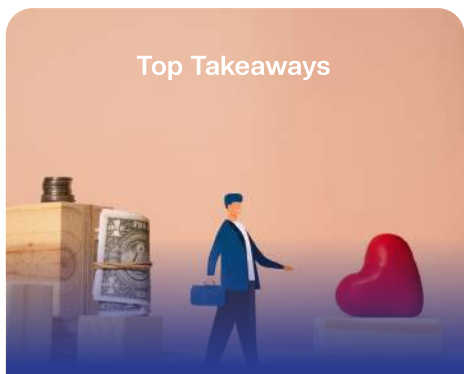
Top Takeaways

Asia reflects a growing demand for comprehensive, personalized coverage, fueled by advancements in treatment and early detection technologies.



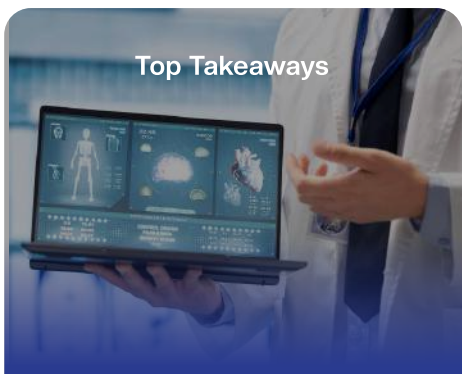
Top Takeaways

While challenges like affordability and complex designs persist, opportunities exist for insurers to innovate by balancing coverage and cost.



Top Takeaways

The integration of AI-based monitoring and Tele-ICU solutions promise to improve patient outcomes, while multi-pay benefits and flexible protection options can better address diverse needs.





Session notes

Topic : Evolution Journey of Critical Illness Products in Asia

Date: 19-Mar-2025

As Jim Rohn rightly said, "Take care of your body. It's the only place you have to live."

- The session titled "Evolution Journey of Critical Illness Products in Asia" provided valuable insights into the transformation and challenges facing critical illness insurance products across the Asian markets. Due to the rapid increase in the populational cancer incidence rate over the past 25 years, awareness and the need for protection is a must.
- Mr. Otto, through his findings, mentions, "Three major barriers to purchase CI are affordability, complex product designs, long underwriting processes due to pre-existing health conditions". CI Protection products being the 2nd most tough products after health products for customers in the Asian market call for maintaining a balance between innovation and pricing- competitors focus on being the first-in-market at the expense of affordability. There should be a balance between coverage and affordability.

To serve the growing need for Critical Illness (CI) plans, Mr. Otto has outlined the key milestones in the evolution of CI protection:

- 1. Before 2008:** CI protection plans were limited in scope, primarily covering a few critical illnesses, which often left policyholders with insufficient coverage for a wide range of conditions.
- 2. 2012:** The introduction of simplified CI products marked a shift towards more accessible and consumer-friendly plans. These products gained popularity due to their ease of understanding and broader appeal to a wider audience.
- 3. 2013:** The launch of the first multi-pay CI plans, which offered benefits for cancer relapse, represented a significant advancement. This allowed policyholders to receive multiple payouts for the same condition, offering enhanced protection.
- 4. 2016:** Multi-pay CI plans expanded their coverage to include recurrent cancer and other major conditions such as heart attacks, strokes, and dementia. This reflected a growing awareness of the need for more comprehensive and flexible CI coverage.
- 5. 2022:** Multi-pay CI plans evolved further, with payouts now tailored to the cancer treatment journey. This innovation catered to the increasing demand for more customized and progressive insurance solutions that aligned with patients' experiences

To improve cancer recovery outcomes and increase survival rates, significant advancements have been made in both treatments and early diagnosis methods. Here are the key milestones:

- 1. Before 2000:** Targeted therapies and immunotherapies were still in the developmental phase, with only a few drugs undergoing clinical trials.
- 2. Early 2010s to Today:** The introduction of targeted therapies and immunotherapy drugs provided effective alternatives to traditional treatments like radiotherapy and chemotherapy, revolutionizing cancer treatment.
- 3. Early 2010:** Research into liquid biopsies and circulating tumor DNA laid the groundwork for the development of multi-cancer early diagnosis tests (MCED), offering the potential for earlier and more accurate cancer detection.
- 4. 2019:** The FDA granted breakthrough device designation to several MCED tests, including those developed by GRAIL, marking a significant step forward in early cancer detection.
- 5. 2021-2023:** Ongoing clinical trials and FDA review processes for various MCED tests continue to advance, with the potential to further improve early detection and treatment outcomes for multiple types of cancer.

As advancements in cancer detection and treatment continue to evolve, a key innovation:

- Multi-Cancer Early Detection (MCED) tests- shaping the future of healthcare, offering significant benefits while also presenting new challenges.
- The Multi-Cancer Early Detection (MCED) tests, such as liquid biopsies, analyze cell-free DNA or other circulating analytes in the blood to detect genetic signals from multiple cancers.
- These tests offer advantages like earlier cancer detection, less invasiveness, and the ability to identify the tissue of origin. However, they face challenges such as the risk of overdiagnosis, false alarms, and higher insurance risks due to anti-selection. There is also uncertainty around whether these tests are classified as genetic tests for underwriting purposes.
- Mr Otto has not only given early detection solutions but also given treatment approaches such as Immunotherapy and Targeted Therapies.
- Immunotherapy and targeted therapies offer alternative treatment approaches to traditional chemotherapy and radiotherapy. Immunotherapy uses the body's immune system to fight cancer cells, making it less invasive, while targeted therapy specifically targets cancer cells without harming surrounding healthy cells. These treatments aim to reduce side effects, improve recovery outcomes, and increase survival rates. However, they come with challenges, including being costly, tailored to specific patients, and potentially leading to cancer cell resistance. Side effects may include autoimmune reactions and damage to organs like the liver, as well as issues like diarrhea and skin rashes. Additionally, these therapies could trigger multiple Critical Illness (CI) benefit payouts due to their high costs and extended treatment durations.
- The future development of Critical Illness (CI) insurance focuses on several key trends aimed at improving customer experience and the effectiveness of coverage. Applications are becoming easier, with improvements in certainty and customer experience to address common buying barriers. Personalization is also a growing trend, allowing customers to select specific coverage options and claim payouts tailored to their needs. Insurers are expanding their services, providing more than just protection by integrating health management with insurance. Additionally, CI products are becoming more comprehensive, offering coverage beyond diagnosis and including multiple single-payouts or income streams to better support policyholders.
- Exploring the Challenges and Benefits of Evolving Critical Illness Insurance Plans with Enhanced Coverage and Complex Designs.
- Advances in medical technology have led to earlier diagnoses and longer survival rates, with multi-pay benefits and income streams addressing the financial needs at various stages of recovery. However, the design of these policies is complex, requiring longer explanations for consumers to understand their protection. While these plans offer enhanced financial support, especially in the early stages of critical illness, there is uncertainty regarding payout combinations, as not everyone survives long enough to access the full benefits. These plans typically include premium waiver benefits, providing peace of mind, but the increased protection often comes with higher prices. Simple plans with low coverage may miss certain conditions, reducing potential benefit payouts. Additionally, higher sum-assured payouts for early-stage CI may lead to increased uncertainty in claims payments compared to traditional fixed-benefit CI plans.
- Mr. Otto, with his knowledge and survey, mentions, in India, there is an opportunity for Critical Illness (CI) insurance to evolving from basic coverage options to more comprehensive ones plans. This shift would cater to a broader range of illnesses and provide more in-depth protection, addressing the growing healthcare needs, and increasing awareness among the population.

- Simple and affordable Critical Illness (CI) designs, such as coverage for three specific critical illnesses or three types of cancers, offer a cost-effective solution with simplified underwriting and more tailored journey for individuals seeking basic protection while ensuring access to essential coverage for common health risks. More comprehensive Critical Illness covers are expanding to include multiple payouts along with adding saving elements, extending core coverage to address various stages of illness, and offering modular protection levels or payouts that allow policyholders to customize their coverage based on individual needs. AI-enabled remote patient monitoring devices and cloud-based diagnostic platforms facilitate early detection and intervention, which leads to higher survival rates and improved health outcomes.
- Additionally, Tele-ICU solutions allow healthcare providers to remotely monitor and manage critically ill patients, enhancing their recovery journey and overall survival.

About the author(s)



Kajal Shah

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Kajal is experienced in Life Insurance Actuarial work, with a strong focus on Reinsurance, Pricing, and process automation. Outside of work, she enjoys practicing calligraphy and spending quality time with family and friends.

Humour

Humour

An actuary walks into $\bar{A}$

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

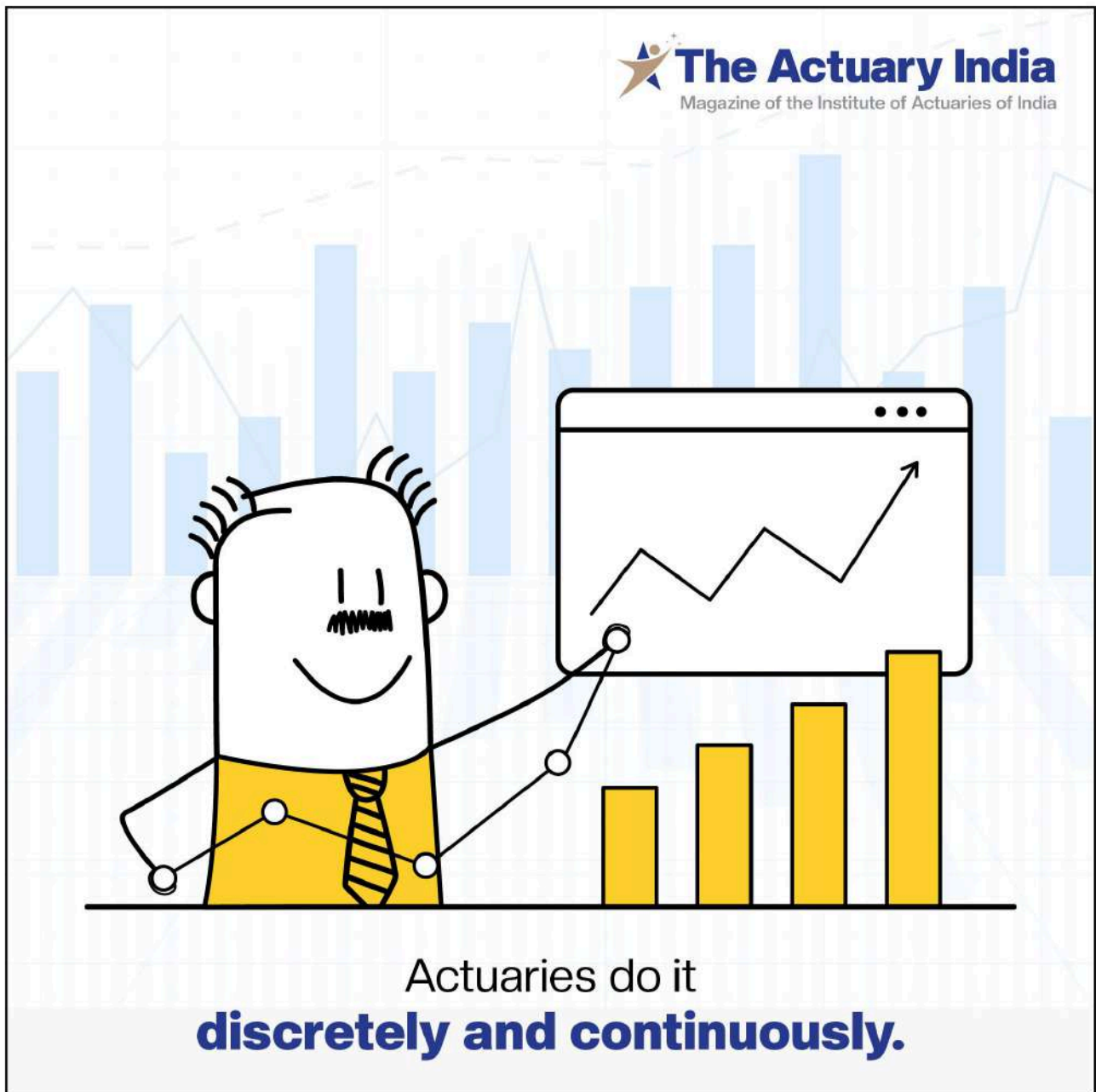
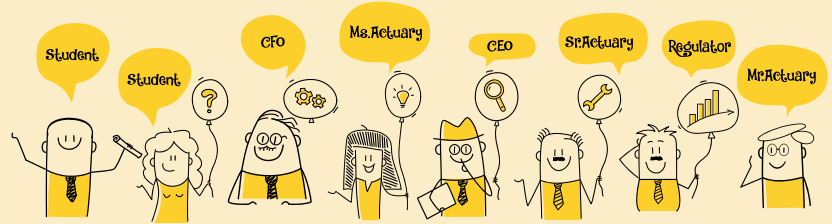


Actuaries do it with
varying rates of interest

Humour

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Announcements



IIRM

(A Joint Initiative of IRDAI and Govt. of Telangana)

an accredited Institution

Institute of Actuaries of India (IAI)



World Needs Actuaries

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Post Graduate Diploma in Actuarial Science* (PGDAS) (2 Years Full Time)

*Leading to 7 Actuarial Papers Exemption from IAI



About IIRM

IIRM- Hyderabad promoted by the IRDAI & State Govt. of Telangana and approved by the AICTE is a premier Government Institute. The Institute is mandated to impart high quality education in line with the changing Industry needs and Economy at large. IIRM offers Post Graduate Diploma in Actuarial Science (PGDAS) (2 Years Full Time) catering to both Graduates and Professionals wishing for a career transition. After completion of the program a student can get exemption/waiver of upto 7 Actuarial Science Papers from Institute of Actuaries of India (IAI), Mumbai.

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- ☞ Industry Oriented 2 Years Program Classroom Mode.
- ☞ Post Graduate Certification from a Government Institute.
- ☞ Syllabus covers - CS, CM, CB & CP series subjects as per IAI Mumbai.
- ☞ Gain Exemption in 7 Actuarial Papers* (CS1, CS2, CM1, CM2, CB1, CB2 and CB3).
- ☞ Program Delivered by Experienced Faculty and Practicing Actuaries.
- ☞ 6 months Industry Internship.

*Subject to conditions.

Career Prospects

Actuarial Students have an important role in the BFSI sector and currently there is a huge Demand and Supply gap. Actuarial Qualified Students with necessary paper exemptions from IAI are the most sought after professionals in the Industry. IIRM's Placement vertical would play a supporting hand in this endeavour.

Eligibility Criteria

Any Graduate/Post-graduate from a recognized university in any discipline (Maths / Statistics / Econometrics / Commerce / Engineering).

1. Scores of CAT / XAT / MAT / ATMA / GMAT / CMAT / State level Management Tests shall be accepted as a criteria for entry (or) Candidates who have passed at least one exam from the IAI - ACET/IFoA/SOA/CAS will be given direct admission / entry in the program.
2. The candidates need to qualify in the Actuarial Proficiency Test conducted by the Institute.

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Statutory body established under an Act of Parliament

Unit No. F-206, 2nd Floor, F Wing, Tower II, Seawoods Grand Central,
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22nd July 2025

ACET AUGUST 2025 – Registration Announcement (Home based Online Exam)

Online registrations for ACET (Actuarial Common Entrance Test) August 2025 will open on 23rd July 2025 at 3.00 pm and close on 21st August 2025 at 6.00 pm.

IMPORTANT DATES – ACET34 August 2025	
Registration starts	23rd July 2025 at 3.00 PM
Registrations close	21st August 2025 up to 6.00 PM
Date of exam	30th August 2025 (10.00 am to 1.00 pm)
Date of results	10th September 2025

Note:

The registration fee for ACET August 2025 is Rs. 500.

Eligibility Criteria:

- Students who have appeared 10+2 or an equivalent examination and awaiting results.
- A candidate who has passed 10+2 or any other higher courses/examinations.
- Any candidate studying higher courses/examinations.

Procedure for Online Registration:

- 1) Visit IAI website and [click here](#) for details on ACET examination.
- 2) Kindly use following link for Sign up [Click here](#)
- 3) Log in to your ACET login [Click here](#) by entering your login ID and Password.
- 4) Click on the "Registration form" tab-> fill in your personal details-> Confirm & Next.
- 5) Education Details->Click on "Add Educational details"-> Enter 10th grade info ->Save.
(Follow the same process for 12th grade)->Confirm and Next.
- 6) Select "State" and "City" -> Confirm & Next.
- 7) Read the Declaration -> Click on "I Accept".
- 8) "Pay" the examination fees.
- 9) Students are advised to use desktop/ laptop for registration. Please do not use Mobile phone for the purpose.
- 10) It is mandatory to upload your passport size photograph as per the mentioned specification.

Do's	Don'ts
Upload your recent standard passport size photograph (4.5 cm length x 3.5 cm width) in colour	Do not upload black and white photographs



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Do's	Don'ts
Background of the photograph should be plain white, and the dress should be in dark colour	Photograph with dark background or in uniform, or with eyes hidden under coloured or dark glasses will not be accepted
Photograph should fit within the given box	Photograph is NOT to be signed
Frontal view of the full face should be visible in the photograph	Distracting shadows on the face or on the background should not be there
Print of the photograph should be clear and with a continuous-tone quality	Eyes must not be covered by hair.
Expression of the face should be natural (no grinning, frowning or raised eyebrows)	Glares on eyeglasses should be avoided with a slight upward or downward tilt of the head
Eyes must be open and both edges of face must be clearly visible	Photograph should not be damaged, for example: torn, creased, or marked
Minimum photo resolution should be of 150px *150px. Maximum photo size should not be more than 1MB to be saved only in (.png, .jpg, .bmp, .jpeg, .gif, .raw) format	Head coverings are not permitted except for religious reasons, but the facial features from bottom of chin to top of forehead and both edges of the face must be clearly visible
Head should be in the center of the frame and both ears should be visible	Photographs cut from group photographs are not acceptable

- 11) **Overseas students:** Overseas Students appearing for ACET **August 2025** can register; except the below mentioned countries: Russia, Cuba, Iran, North Korea, and Syria.
- 12) After successful registration, you will be able to download the Welcome Kit of one Sample Question Paper, Indicative Solution from your ACET login Welcome kit tab.
- 13) Institute will issue the "**Student Guide for ACET August 2025 Home Based Online Examination**" for detailed 'know how' of the online examination shortly.
- 14) All examination related details will be available in your ACET Login and will also be communicated on your registered email ID at least 2 days before the date of examination. (Inform us immediately, at acet@actuariesindia.org/jyoti@actuariesindia.org in case, you do not receive it).
- 15) All correspondence will be and has to be done through your registered email id.

For Queries:

1. Technical assistance - support@actuariesindia.org keep cc to acet@actuariesindia.org
2. Payment Transaction - anvi@actuariesindia.org keep cc to acet@actuariesindia.org

Note:

The students keen on IAI student membership through NON-ACET route must refer following



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link [Click here.](#)

Disclaimer: "Institute reserves the right to change the Examination schedule already announced for valid reasons or unforeseen circumstances and the said changes will be duly notified on our website."

Institute of Actuaries of India

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Chief editor

Kunj Behari Maheshwari is a partner at Willis Towers Watson Actuarial Advisory LLP and the Head of Life Insurance consulting for India and Sri Lanka within WTW's Insurance Consulting and Technology division.

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The Actuary India is the flagship magazine of the IAI that has been in publication for over two decades. We aim to provide our members and the larger actuarial community a platform to connect, exchange views and promote thought-leadership and research beneficial to the profession.

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