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Dark Patterns and IPO Disclosure: The Appointed Actuary's Professional Dilemma

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INTRODUCTION

Case overview, key issues and the Appointed Actuary's role

Presenter: Ramandeep Singh Suri

Case study overview – ABC Digital Health Insurance



The Setup

“ABC Digital” Health Insurance is 30 days from a ₹5,000 Cr IPO. Valuation is driven by CLV (Customer Lifetime Value) and Rider Attachment Ratio.



The Rider

Premium Wellness Rider is added by default through a pre-checked opt-out box and contributes 40% of net profit.



The Proposed Fix

The CTO proposes an intermediate screen with a countdown timer, arguing it avoids the restriction on pre-checked box and sits in a “grey area”.



The Risk

Without the rider, the core product is loss-making and solvency may fall below IRDAI regulatory requirements, increasing the risk of regulatory intervention if not addressed.

Core question: Can the IPO proceed on a fair, transparent and professionally supportable basis?

Three key decisions for the Appointed Actuary

Q1 - Report or Hide?

- Can the AA justify non-disclosure if reporting the issue may delay the IPO and worsen solvency?
- How should policyholder, investor and company interests be balanced?

Q2 - Accept the CTO Proposal?

- Does the intermediate screen cure the breach or simply redesign the dark pattern?
- Is silence under countdown pressure genuine customer consent?

Q3 - Sign or Escalate?

- Can the AA sign IPO documents if CLV and rider assumptions remain inflated?
- If the Board refuses correction, when should IRDAI and SEBI escalation be considered?

Three material issues for the Appointed Actuary

Issue 1 – Dark Pattern

The pre-checked opt-out box is a prohibited dark pattern. The Rider Attachment Ratio is therefore built on non-compliant customer consent.

Issue 2 – Unreported Solvency Concern

Removing the dark pattern may weaken profitability and solvency, creating a potential regulatory concern that has not yet been reported to IRDAI.

Issue 3 – IPO Assumptions and Disclosure Risk

Management wants to proceed on current assumptions, use IPO proceeds to fix solvency, and remove the dark pattern only after listing.

These findings mean the AA cannot treat the IPO sign-off as routine; the assumptions, solvency position and disclosures must be reassessed first.

Why the issues are material to the Appointed Actuary



Policyholders - Customers are enrolled without genuine informed consent; opt-out design weakens customer choice.



Profitability - Rider contributes 40% of net profit; core Health Plus product is loss-making without it.



Valuation / CLV - CLV and Rider Attachment Ratio are overstated if based on opt-out defaults.



Solvency - Removing the rider may weaken solvency and increase the risk of regulatory intervention if not addressed.



Governance - Issue surfacing 30 days before IPO creates urgent compliance and escalation concerns.



Professional Conduct - The AA cannot support assumptions that rely on non-compliant customer consent.

Stakeholder conflict map



Management: CFO / CTO - Wants to protect the IPO, preserve rider revenue and avoid regulatory scrutiny before listing.



Board of Directors - Must balance shareholder interests with policyholder duties and prospectus disclosure responsibilities.



Policyholders / Investors - Policyholders need fair treatment and solvency protection; investors need reliable valuation and risk disclosure.



Regulators: IRDAI & SEBI - IRDAI focuses on solvency and policyholder protection; SEBI focuses on market integrity and IPO disclosures.

The Appointed Actuary must remain independent and ensure truthful reporting, even where stakeholder interests conflict.

Regulatory framework



Insurance / Solvency Oversight:

Insurance Act, 1938; IRDAI Appointed Actuary Regulations, 2022:

Solvency concerns must be assessed and reported truthfully; they cannot be deferred merely because IPO proceeds may arrive later.

Policyholder Protection / Fair Consent:

IRDAI Policyholder Protection Regulations, 2024; Central Consumer Protection Authority (CCPA) Guidelines for Prevention and Regulation of Dark Patterns, 2023:

Sales journeys must be fair, transparent and based on genuine consent; rider attachment cannot rely on a misleading opt-out design.

IPO / Investor Disclosure:

SEBI Issue of Capital and Disclosure Requirements (ICDR) Regulations, 2018:

Material risks affecting CLV, rider attachment, profitability, valuation and solvency must be disclosed properly.

Professional framework

Integrity and Objectivity:

Professional Conduct Standards (PCS); Code of Conduct:

The AA must act honestly, independently and in the public interest; commercial pressure cannot justify concealment of material issues.

Conflicts and Escalation:

Professional Conduct Standards (PCS); Code of Conduct:

IPO pressure, management preference and employment considerations may create conflicts that must be documented, managed and, where necessary, escalated.

Communication and Sign-off:

APS 21; APS 34; PCS / Code of Conduct:

AA advice must be clear, documented and independent. The AA must not sign assumptions or disclosures that are misleading or unsupported.

Question 1 -

Dark Pattern Reporting vs IPO / Insolvency Risk

Can non-disclosure ever be justified to protect the IPO and solvency?

Presenter: Apeksha Singhal

The Q1 situation – What the AA is facing

The AA has identified a dark-pattern issue and a solvency concern that management wants kept out of the IPO process.



Management's ask from AA

- Proceed with the IPO on current CLV and rider assumptions.
- Do not disclose solvency stress before listing.
- Fix the dark pattern after IPO
- Rely on IPO proceeds to restore solvency.



The conflict

- The validity of current assumptions is in question.
- Solvency concerns may require transparent disclosure.
- Professional duties may conflict with commercial objectives

The dilemma: How should the AA balance policyholder protection, investor disclosure and solvency concerns?

The dilemma – What is really at stake?

Removing the opt-out dark pattern changes the assumptions underlying the IPO.

Cascade effect

1. Attachment ratio may fall not collapse - Opt-in may be lower, retention may be stable.
2. Rider income may reduce gradually - Existing customers may continue coverage.
3. CLV needs recalibration - Lower income may be offset by better retention.
4. Core economics become visible - Health Plus should stand on its own merits.
5. Valuation and solvency need reassessment - Reflect revised assumptions for IPO value and ASM/RSM

Why this matters: A sustainable IPO should be based on compliant and repeatable customer behaviour—not default-driven attachment.

AA implication: The AA must quantify the impact of revised assumptions before supporting valuation or solvency conclusions.

Final takeaway: Opt-out assumptions must be recalibrated before use.

Stakeholder harms – Report vs Hide

Neither option is risk-free. The key question is which creates greater and longer-lasting harm.



If the AA reports

- IPO may be delayed or repriced.
- Short-term solvency pressure may increase.
- Board must address issues transparently.
- Existing policyholders may face temporary uncertainty.



If the AA stays silent

- Customers may continue to be unfairly enrolled.
- Investors may rely on inflated metrics.
- Solvency concerns may remain undisclosed.
- Post-listing trust damage may be more severe and costly to repair.

Conclusion: A controlled correction today is preferable to a larger trust breach later.

Can commercial survival justify silence?



Management's argument

- IPO proceeds may restore solvency.
- Disclosure may reduce valuation.
- The dark pattern issue can be addressed after listing.
- Delay may disadvantage existing policyholders.



AA's professional response

- IPO proceeds remain uncertain until received.
- Solvency concerns must be assessed on current facts.
- Professional duties override commercial pressure.
- Alternative capital and IPO options may exist.
- The AA cannot support misleading solvency or valuation assumptions.

Professional position: The IPO should proceed only on supported assumptions and transparent disclosure.

Recommended AA approach

1. Validate facts

Confirm mechanism, customer journey and default rider attachment.

2. Assess materiality

Evaluate CLV, rider income, profitability, solvency and IPO disclosure.

3. Quantify scenarios

Model current opt-out, genuine opt-in, lower attachment, IPO delay and claim stress scenarios.

4. Document formally

Provide written advice and maintain a clear audit trail.

5. Escalate internally

Escalate to Board / Audit-Risk Committee and request a documented decision on the path forward.

6. Refuse misleading sign-off

Do not sign certificates, opinions or IPO assumptions that omit material issues.

This provides a defensible path: quantify the impact, correct assumptions, disclose material risks and pursue transparent remediation.

Q1 Conclusion – How should the AA resolve the conflict?

✓ I would

- Quantify the dark pattern impact.
- Assess ASM/RSM and solvency stress under revised assumptions.
- Recalibrate CLV and rider attachment on compliant basis.
- Document advice, concerns and management responses.
- Support a transparent path to a corrected IPO or alternative capital plan.

✗ I would not

- Hide the dark pattern to protect valuation.
- Treat future IPO proceeds as certain.
- Ignore or defer solvency concerns.
- Certify assumptions with known material omissions.
- Place IPO success above professional judgement.

Final position: The AA should quantify the impact, correct assumptions, support transparent remediation and, if necessary, refuse sign-off and escalate.

Question 2 -

CTO Intermediate Screen Proposal

Does the workaround cure the breach – or redesign the dark pattern?

Presenter: Abhijit Shripad Naik

CTO Proposal

A technical change to the sales journey – but not necessarily a genuine change in consent.



Current position

- Rider is auto-attached through a pre-checked opt-out box.
- High attachment supports CLV, profitability and IPO valuation.
- Removing the rider exposes core product losses and solvency pressure.



CTO's proposed "fix"

- Remove the pre-checked box.
- Insert an intermediate screen in the purchase journey.
- Use a countdown timer and treat silence / inaction as consent.
- Argue this satisfies the "letter of the law".

Q2 test: Is this a genuine opt-in decision, or a redesigned nudge that still preserves attachment by pressuring the customer?

Does this cure the breach?

AA view: No – a genuine fix requires clear, active and voluntary opt-in consent.

? Why problematic

- It Changes form of dark pattern
- Silence under time pressure is not affirmative informed consent.
- It is short term fix as it is easily discoverable in future regulatory audits.
- Any subsequent regulatory action could significantly erode trust among stakeholders.



Regulatory / professional Guidance

- IRDAI directions and Master Circular on Protection of Policyholders' Interests (2024)
- IRDAI(Appointed Actuary) Regulations, 2022
- CCPA Dark Patterns Guidelines, 2023
- APS 21
- PCS

Conclusion: The CTO proposal should be rejected unless the journey creates clear, voluntary and affirmative opt-in consent.

Real-life regulatory examples – Dark-pattern



BookMyShow

What happened

- ₹1 “BookASmile” contribution was auto-added per ticket through a pre-ticked option.
- Customer consent was not explicit; CCPA treated it as basket sneaking.

After intervention

- BookMyShow redesigned the flow so BookASmile became a clear voluntary opt-in choice.



IndiGo

What happened

- Decline wording such as “No, I will take risk” pressured customers when opting out.
- Seat-selection journey made the skip option less clear for customers.

After intervention

- Wording was changed to a neutral opt-out; the skip option was clarified with a disclosure.

Conclusion: Regulators assess customer outcome and interface design, not only technical form. Removing a pre-checked box is not enough if the redesigned journey still pressures or nudges customers into the rider.

Acceptable customer journey

The AA should support a compliant design, not a cosmetic workaround.

✗ Reject

- Countdown timer creating urgency.
- Silence or inaction treated as consent.
- Hidden or unclear rider cost.
- Difficult or confusing “no” option.
- Design aimed mainly at preserving attachment rate.

✓ Require

- Clear voluntary opt-in selection.
- No pre-selection and no time pressure.
- Clear price, benefits and exclusions.
- Simple “skip / no thanks” option.
- Journey should be free from any of the dark patterns defined in CCPA regulation.

Actuarial consequence: The revised journey should produce rider attachment assumption for CLV, profitability and IPO projections.

Options available – Appointed Actuary’s view



Option	AA view
Accept countdown timer	Reject – pressure-based if silence is treated as consent
Add rider to Group products	Reject – does not remove the original breach and may not be sold at same level.
Genuine opt-in architecture	Accept – clear affirmative consent and transparent disclosure
Revise CLV / attachment assumptions	Required – opt-out experience is not a supportable projection basis
Reprice Health Plus / assess solvency	Required – base product must be sustainable without dark-pattern

Q2 Recommendation – How should the AA handle it?

Reject the workaround; support a compliant and sustainable solution.



Immediate Actions

- Reject the countdown-timer workaround if it relies on pressure or silence.
- Convey written dissent to senior management
- Report to board on solvency breach and propose to Board to issue alternate source of Capital e.g. debt, to resolve immediate solvency crisis.



Medium-term Actions

- Reprice Health Plus so the base product is sustainable without dark-pattern subsidy.
- Collect experience under a genuine opt-in journey.
- Update IPO projections and disclosures on corrected assumptions.

Final position: The AA should support a compliant, transparent and sustainable business model – not preserve valuation through a redesigned dark pattern.

Question 3 -

IPO Disclosure and Regulatory Escalation

Can the AA sign if the Board refuses to correct the prospectus?

Presenter: Dharmil Rashmin Mehta

Question 3 - The core disclosure issue

The prospectus must remain fair and complete after correcting the dark-pattern assumptions.



What Changes?

- CLV and Rider Attachment Ratio reduce if attachment is based on genuine opt-in.
- Rider income falls; the 40% profit contribution cannot be projected as-is.
- Core Health Plus losses and solvency weakness become visible.



Why Material?

- IPO pricing relies on valuation metrics affected by the rider.
- A reasonable investor would consider this information important.
- Non-disclosure may mislead investors and mask policyholder risk.

Conclusion: Once the dark pattern is removed, the valuation, solvency position & risk disclosures must be reassessed before the AA supports any IPO-related opinion.

Can the AA sign the IPO documents?

The AA signs an opinion, not a business strategy.

✓ AA can support only if:

- Assumptions are reasonable and supportable.
- Rider attachment reflects genuine customer consent.
- Material risks are disclosed in the prospectus.
- Solvency position is correctly reflected.
- Board accepts correction or appropriate disclosure

✗ AA cannot support if:

- CLV or attachment remains inflated.
- Consent is non-genuine or pressure-based.
- Solvency breach is concealed or deferred.
- Prospectus omits a material risk.
- Board refuses correction but asks AA to sign.

Key principle: Integrity overrides commercial pressure.

Q3-Specific disclosure and sign-off lens



SEBI – IPO disclosure

- Prospectus should not omit material valuation or risk information.
- Investors rely on CLV, rider attachment, profitability and solvency disclosures

IRDAI: Solvency & PHs

- Solvency breach and policyholder conduct issues cannot be ignored.
- Regulatory concern is not cured by uncertain future IPO proceeds

Professional conduct

- AA must not be associated with misleading IPO communication.
- Board pressure does not override professional judgement.

Actuarial sign-off

- AA advice must be clear, documented and supportable.
- Unsupported assumptions should be qualified or refused

Escalation path if the board refuses

1. Quantify impact

Measure effect on CLV, rider attachment, profitability, valuation and solvency.

2. Advise formally

Provide written advice to management and Board / Audit-Risk Committee.

3. Request correction

Seek prospectus revision and appropriate solvency / conduct reporting.

4. Record refusal

Document Board response, rationale and unresolved material issues.

5. Withhold support

Refuse or qualify sign-off if assumptions or disclosures remain misleading.

6. Escalate where required

Consider SEBI / IRDAI notification through documented and appropriate channels.

Governance note: The AA should maintain a contemporaneous audit trail of advice, evidence, decisions and Board responses.

Q3 Final position – What the AA should do

✓ I would

- Quantify financial impact of removing the dark pattern.
- Document materiality and disclosure concerns.
- Advise the Board and seek prospectus correction.
- Formally dissent if the Board refuses correction.
- Refuse misleading or unsupported sign-off.
- Escalate where material issues remain unresolved.

✗ I would not

- Manipulate assumptions to preserve valuation.
- Ignore material disclosure or solvency risk.
- Certify documents with known omissions.
- Treat Board pressure as a defense.
- Remain silent if investors or policyholders may be misled.
- Let IPO timing override professional judgement.

Final position: The AA's duty is not to preserve the IPO valuation. The duty is to ensure that the prospectus, solvency position and actuarial assumptions are truthful, complete and professionally supportable.

Conclusion

Q1 – Report or Hide?

- Non-disclosure is not justified.
- The AA should quantify, document and escalate the issue, while supporting transparent remediation and capital options.

Q2 – CTO Workaround?

- Reject the intermediate-screen approach if it relies on pressure, silence or unclear consent.
- A genuine fix requires clear, active and voluntary opt-in.

Q3 – Sign or Escalate?

- The AA cannot sign if CLV, attachment, solvency or disclosure remain materially misstated.
- Formal dissent and escalation may be required.

Overall conclusion: The IPO should proceed only on a fair and transparent basis, supported by corrected consent, reassessed financial impact, proper disclosure and actuarial judgement independent of valuation pressure.

Thank You!