

# WeDapt

HELPING YOU ADAPT TO THE CHANGING DYNAMICS

## The WeDapt Quarterly Insurance Newsletter

Premier source for expert financial analysis, strategic solutions, and actuarial advice.

### FEATURED INSIDE



**COMPOSITE  
INSURANCE – BLENDING  
THE BEST OF  
BOTH WORLDS**



**LATEST  
INDUSTRY  
UPDATES &  
KPIs'**

1. *Composite insurance refers to a model where a single entity is licensed to offer both life and general insurance products — a structure followed in several global markets to simplify operations and improve customer experience.*

2. *In India, insurers are currently mandated to operate separate entities for life and non-life businesses. However, IRDAI has initiated discussions to explore composite licensing, aiming to streamline compliance and enable innovation across product lines.*

3. *This shift could especially benefit rural and underserved markets by fostering integrated product offerings, reducing distribution costs, and enhancing reach through unified digital platforms.*



# COMPOSITE INSURANCE – BLENDING THE BEST OF BOTH WORLDS

A unified future for life and general insurance in India

## Introduction



### KEY TAKEAWAYS:

- ❖ Composite insurance combines life and general insurance under a single entity.
- ❖ The Indian government has proposed enabling composite licenses to boost insurance penetration.
- ❖ Composite models enhance operational efficiency and consumer convenience.
- ❖ Global markets already benefit from unified insurance frameworks.

The concept of composite insurance — where a single entity can offer both life and general insurance products — is gaining attention in India. While this model is already prevalent globally, India's evolving regulatory landscape suggests that composite licensing may soon become a reality, promising greater efficiency and improved customer outcomes.

Currently, India mandates a split structure — separate companies must be established for life and non-life insurance. However, recent policy discussions and the central government's proposed amendment to the Insurance Act, 1938, signal a shift toward composite licensing. This reform aligns with IRDAI's broader goal of achieving **“Insurance for All by 2047”**.

By combining risk coverage across categories, composite insurers can offer bundled, comprehensive products, reduce redundancies in distribution and compliance, and deepen penetration in underserved regions. For policyholders, this means a streamlined insurance experience and potentially more affordable premiums.

# BENEFITS OF COMPOSITE LICENSING IN INDIA

## ❖ INDEMNITY-BASED HEALTH COVER:

Life insurers will be permitted to sell **indemnity-based health insurance products**, unlike the current system where they can only offer fixed benefit plans. This change allows for deeper market participation and more diverse product offerings across insurers.

## ❖ OPERATIONAL EFFICIENCY & COST REDUCTION:

A composite license allows insurers to operate life, health, and general insurance under a single entity, significantly reducing administrative overheads and simplifying compliance procedures. This unified structure brings synergy across verticals, streamlining operations and optimizing resource allocation.

## ❖ ENHANCED PRODUCT INNOVATION:

With integrated data across life and health segments, insurers can design more comprehensive, customer-centric products. The access to richer datasets enables predictive analytics and innovation, particularly in hybrid products that combine life and health benefits.

## ❖ SIMPLIFIED COMPLIANCE ENVIRONMENT:

Consolidating operations under one license reduces the complexity of regulatory reporting and audit procedures across multiple entities, creating a more agile and responsive insurance ecosystem.

## ❖ ENHANCED FINANCIAL EFFICIENCY:

Composite licensing allows insurers to **reduce duplicate operational costs**, such as maintaining separate infrastructure, compliance teams, and distribution networks for each line of business. This consolidated structure improves **overall financial efficiency and profitability**.

## ❖ GREATER FLEXIBILITY IN RISK DIVERSIFICATION:

Operating across life, health, and general insurance under one license enables **better risk balancing**. Insurers can offset losses in one segment with gains in another, leading to **improved solvency management** and **greater financial resilience** during market fluctuations.

## Q&A:

### READER'S CORNER

1. What happens to current insurers if composite licenses are introduced?

2. Will existing companies need to restructure?

3. How does this impact my insurance as a customer?

# CHALLENGES OF COMPOSITE LICENSING IN INDIA

## ❖ EVOLVING CAPITAL & SOLVENCY REQUIREMENTS:

The shift to composite licensing demands a re-evaluation of the existing solvency and capital norms. Currently, insurers are required to have a ₹100 crore paid-up capital for each line of insurance. Under a composite regime, capital requirements should reflect the aggregate risk across segments and align with the insurer's operational scale and solvency margins.

## ❖ ACCOUNTING AND FUND SEGREGATION STANDARDS:

To maintain transparency and regulatory compliance, insurers will need to maintain **distinct fund pools** and **segmented financial statements** for each insurance category. This requires significant updates to existing accounting and reporting frameworks.

## ❖ RISK OF LOSING FOCUS ON CORE BUSINESS:

Handling both life and general insurance under one license may cause companies to lose focus on what they do best. Managing two very different types of insurance can stretch resources and lead to confusion in strategy, especially for smaller or less experienced insurers.

## ❖ LEGAL AND REGULATORY AMENDMENTS:

Current legislation – including the **Insurance Act, 1938** and the **IRDAI Act, 1999** – prohibits a single entity from offering both life and general insurance products. Implementing a composite license model will require targeted amendments to these laws, including updates to existing regulatory definitions and compliance mechanisms.

## ❖ SECTOR CONSOLIDATION AND STRATEGIC MERGERS:

Composite licensing could open pathways for consolidation, including mergers with non-insurance entities. While this may enhance competitiveness and scale, it also necessitates safeguards to preserve customer interests and ensure financial soundness.



# ACTUARIAL IMPACT OF COMPOSITE INSURANCE

## 1. Risk pooling, Diversification & Evolving Role of Actuaries

Composite licensing allows insurers to combine life, health, and general insurance under a single entity. This broader portfolio enables actuaries to better diversify risks across product lines, smoothing volatility in claims. A diversified pool can also lead to more accurate experience-based pricing, especially in markets with emerging risk profiles. By analyzing the correlation between different types of risks, actuaries can get the benefit of diversification. Actuaries will determine the optimal level of risks by modelling the potential outcomes to achieve financial stability and profitability.

Moreover, as composite models become the norm, actuaries can no longer restrict themselves to a single practice area like life, health, or motor insurance. To remain competitive and stand out, they will need cross-domain expertise and a more integrated approach to risk modeling, pricing, and reserving.

## 2. Integrated Pricing Models

Actuaries need to model all the risks associated with the different types of coverage provided under a composite insurance policy. They analyze the correlations between various types of risks to understand how these interact. For example, combining mortality data with health and motor claim trends can enable better risk profiling and support more personalized product offerings. This approach could also lead to the development of innovative bundled products that address customers' needs more holistically.

## 3. Capital & Solvency Management

With combined operations, actuaries need to evaluate solvency margins across varied product risks. Composite insurers must maintain capital adequacy while complying with regulatory solvency requirements that apply differently to life and non-life segments. Actuaries will play a pivotal role in assessing the required capital buffers and ensuring optimal capital allocation. The current regime mandates ₹100 crore paid-up capital for each line of insurance. A composite license would require a revised capital framework, ideally based on aggregate solvency margins across all segments and the insurer's scale of operations. The solvency ratio requirement, currently at 150% under the Insurance Act, 1938, remains critical to ensure claim-paying ability and financial strength.

## 4. Data Integration & Underwriting Synergies

Composite licensing enables the integration of underwriting data across insurance types. Actuarial teams can now leverage broader datasets – such as linking health trends to mortality or accident data – to refine underwriting assumptions and improve predictive models. This synergy enhances the accuracy of risk selection and boosts operational efficiency.



## CURRENT SITUATION IN INDIA:

India currently mandates a strict separation between life and general insurance. Insurers must obtain separate licenses and cannot operate both businesses under one entity, as governed by the **Insurance Act, 1938** and **IRDAI Act, 1999**.

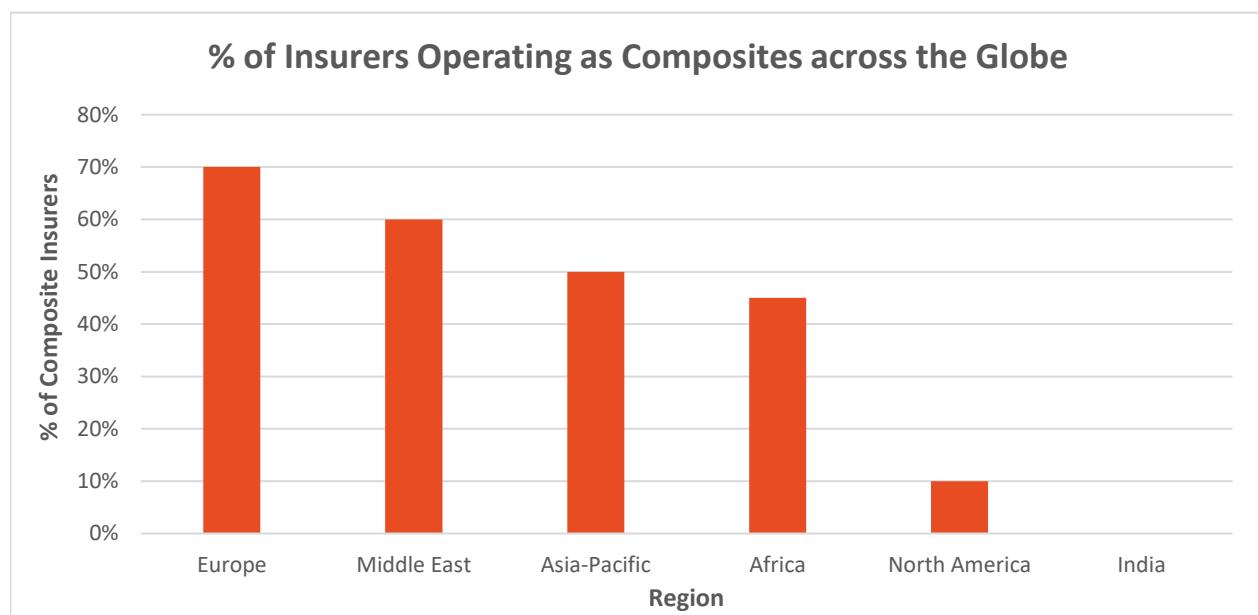
At present, life insurers can sell only fixed benefit health plans, paying a set amount (the sum insured) upon a claim. With a composite license in hand, life insurance companies will be able to sell **indemnity-based health insurance products**. This integration could improve underwriting, minimize risks, rationalize costs and allow unified risk management and IT systems for better compliance.

However, certain public sector entities are currently **legally barred** from diversifying their offerings. Under the **LIC Act, 1956**, LIC can offer only life insurance, while the **General Insurance Business (Nationalization) Act, 1972 (GIBNA)** limits the four public general insurers to general insurance alone. For public sector insurers to participate in a composite regime, **these Acts would need to be amended** – but **no such legislative steps have been taken so far**.

As a result, only private insurers would benefit from composite licensing, creating an uneven playing field. Public sector insurers would be unable to compete equally, potentially impacting their market share and long-term competitiveness.

Nonetheless, there is growing support from industry stakeholders for a composite license regime, which is expected to improve efficiency, enable innovative product design, and expand coverage, especially in rural and underserved markets. This move is expected to boost overall insurance penetration in the country, which currently stands at a mere 4%.

Globally, composite insurance models are already mainstream – adopted by 70% of insurers in Europe and 60% in the Middle East. India, on the other hand, still lacks any insurer operating under such a regime, underscoring the urgent need for regulatory modernization to stay competitive on the global stage.



Data has been collected from publicly available sources, which include the companies' disclosures and business presentation, newspaper articles, IRDAI website, Central Board of Direct Taxes and other relevant public records.

# WANT TO KNOW MORE?

Two important laws will need to be amended to enable composite licensing in India:

- **General Insurance Business (Nationalisation) Act, 1972 (GIBNA Act):**  
This Act nationalised private general insurers and created the General Insurance Corporation (GIC) along with four subsidiaries (National Insurance, New India Assurance, Oriental Insurance, and United India Insurance). Although the subsidiaries were later made independent, the Act continues to regulate the structure of general insurance businesses in India.
- **Life Insurance Corporation Act, 1956 (LIC Act):**  
This Act established LIC's monopoly over life insurance in India. Even after liberalisation, LIC remains governed by this law. Composite licensing would require adjustments to the LIC Act to allow entities to manage both life and non-life products under a single structure.

Both laws were created to maintain clear separation between life and general insurance — a separation composite licensing now seeks to bridge.

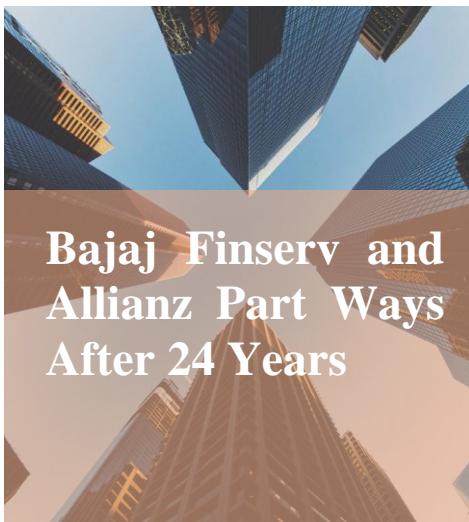
## Quick Fact: How Other Countries Did It?

💡 In the UK, insurers have operated under composite licenses for decades, offering products ranging from health to motor to life insurance under a single umbrella.

💡 In Singapore, composite insurers are subject to a single regulatory framework, simplifying compliance and promoting innovation.



# INDUSTRY UPDATES



## Bajaj Finserv and Allianz Part Ways After 24 Years

In a high-profile exit, global insurer Allianz has sold its 26% stake in both Bajaj Allianz Life and General Insurance to long-time partner Bajaj Finserv. With this \$2.83 billion deal, Bajaj Finserv becomes the sole owner of both insurance ventures, ending one of India's most successful insurance joint ventures.

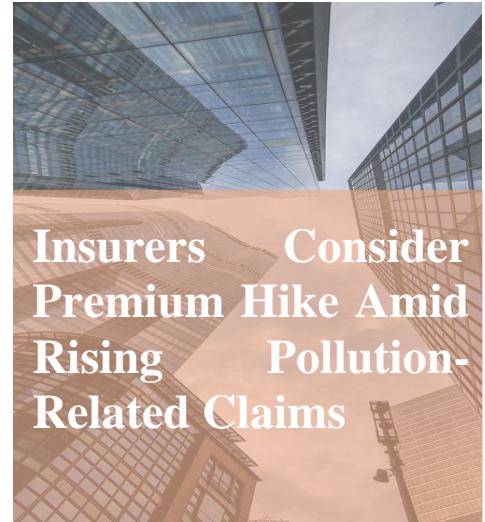
**Why it matters:** This strategic buyout signifies Allianz's complete exit from one of India's most prominent insurance partnerships, and positions Bajaj Finserv to consolidate operations, streamline decision-making, and potentially introduce new offerings aligned with its long-term growth ambitions.



## IRDAI's 2025 Health Insurance Reforms: Making Coverage More Inclusive

The Insurance Regulatory and Development Authority of India (IRDAI) has rolled out a sweeping set of health insurance reforms in 2025, aimed at enhancing accessibility and transparency across the board. Key highlights include:

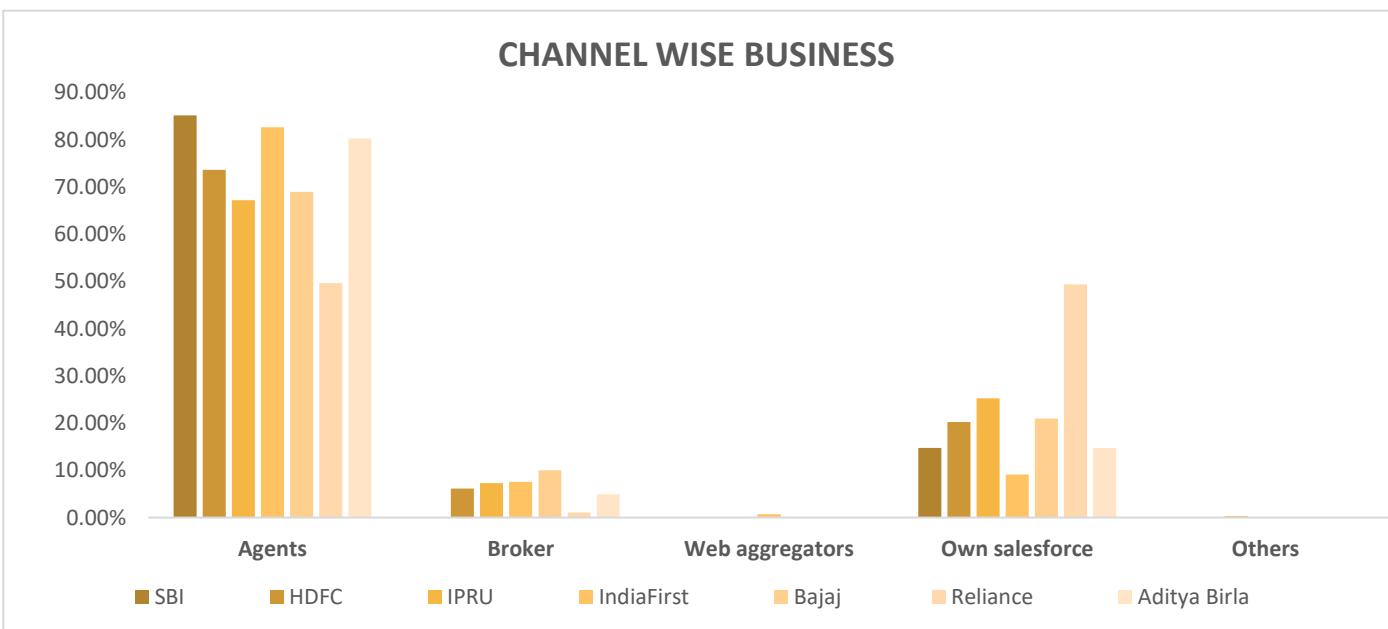
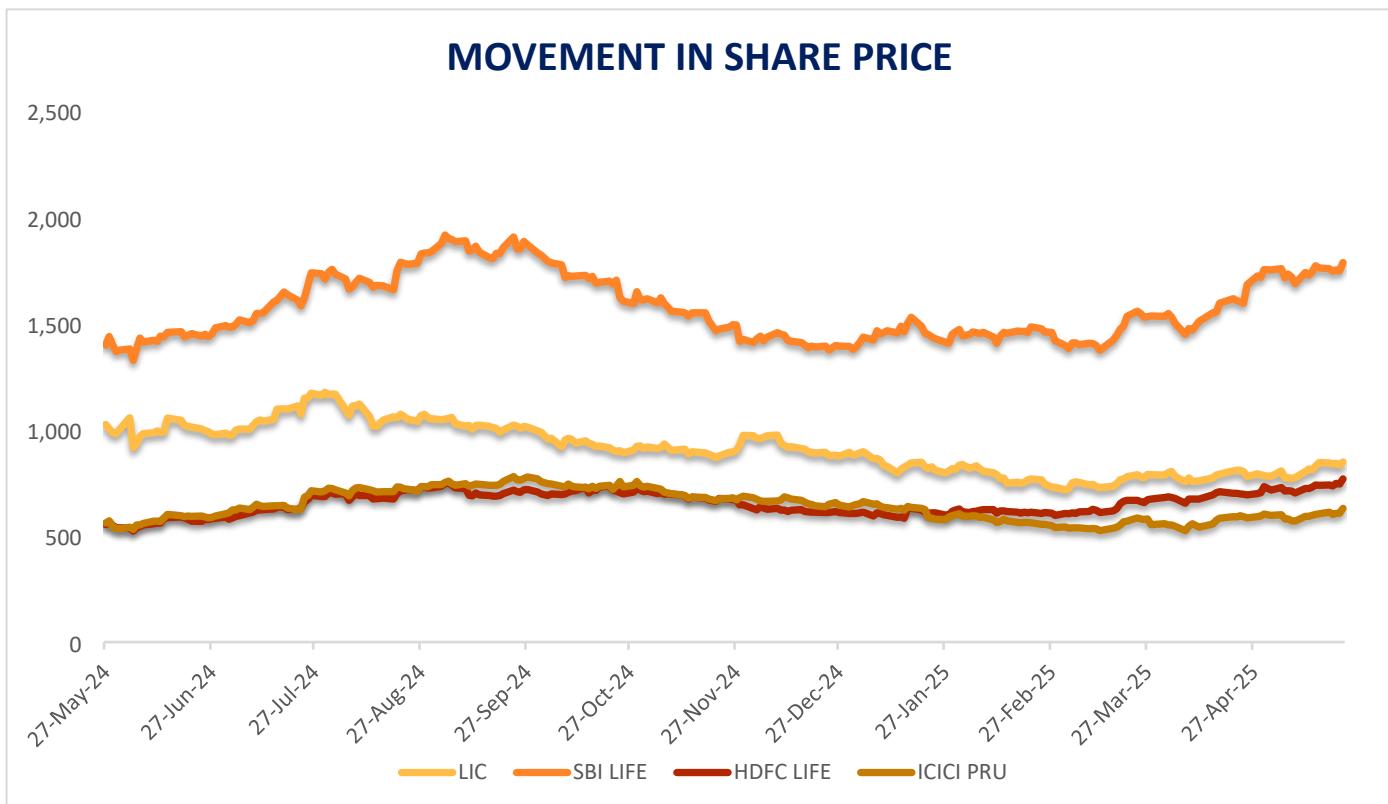
- **No Age Cap:** Policies must be offered with no upper age limit.
- **Faster Coverage:** Waiting for pre-existing conditions cut to 3 years from 4 years.
- **Wider Access:** Mandatory coverage for serious conditions like cancer & HIV.
- **Full AYUSH Cover:** Treatment's under Ayurveda, Homeopathy, and other traditional systems now enjoy full reimbursement up to the sum insured.
- **E-Policies:** All plans to be digitally issued.



## Insurers Consider Premium Hike Amid Rising Pollution-Related Claims

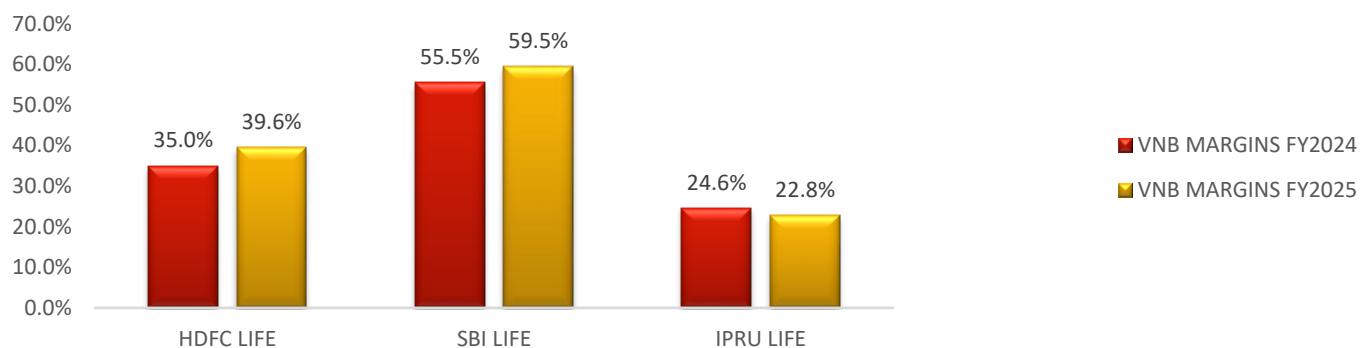
In a first-of-its-kind move, Indian insurers are considering a **10–15% increase** in health insurance premiums for New Delhi residents, following a sharp rise in claims linked to pollution-related illnesses. The capital witnessed record hospitalisations in 2024 for respiratory and cardiovascular conditions, with insurers reporting a surge in asthma and COPD cases. If approved by the regulator, this pricing model could extend to other high-pollution cities like Mumbai and Kolkata. With Delhi's air quality index hitting an alarming 491 out of 500, this shift marks a significant turn – **where environmental health risks begin to shape your insurance bills.** Insurers are also exploring the inclusion of pollution-specific clauses, signalling a new era in underwriting.

# KEY PERFORMANCE INDICATORS

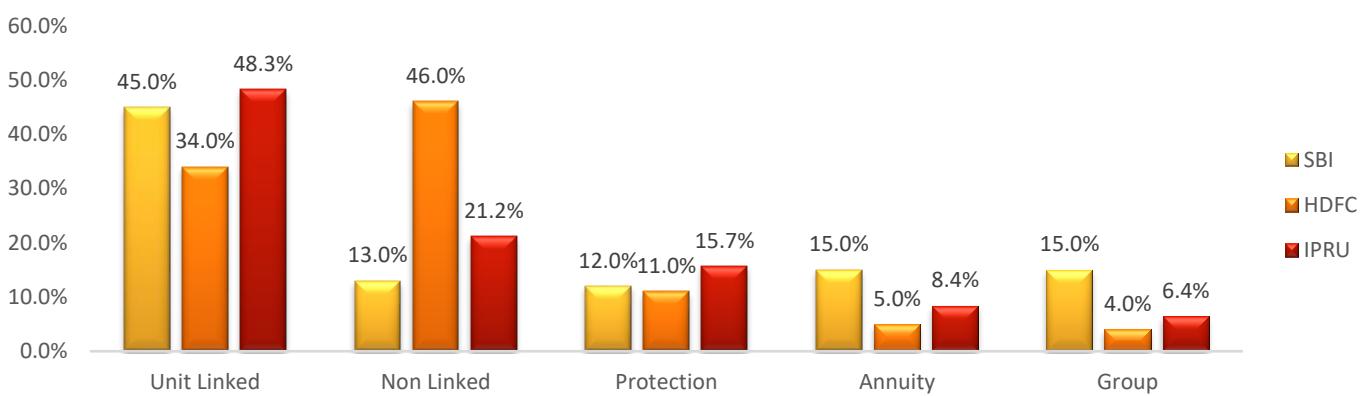


Others include IMF, Common Service Centers, Point of Sales.

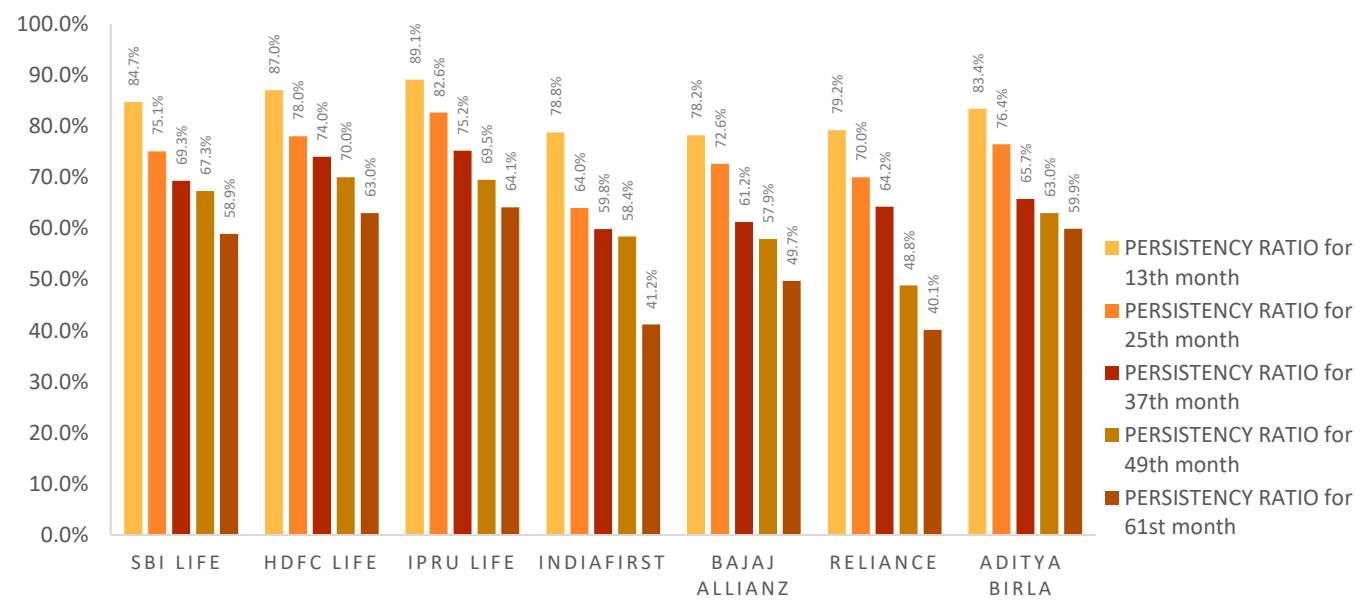
## VNB MARGINS



## PRODUCT MIX BY LOB



## PERSISTENCY RATIO



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WeDapt is a young and driven consulting firm. We help our clients make sense of uncertainty—whether it's through pricing, modelling, or navigating regulatory change. Our strength lies in blending technical skill with practical thinking to deliver work that's clear, accurate, and actually useful. We stay curious, adapt fast, and care deeply about getting things right.

VISIT US AT

### WeDapt Services Pvt. Ltd.

316-317, Bestech Chambers, Sushant Lok 1,  
Sector-27 Gurugram - 122009

↗ +91 81301 32005

✉ [www.wedapt.in](http://www.wedapt.in)

☞ [www.linkedin.com/company/wedapt](http://www.linkedin.com/company/wedapt)

## THE AUTHORS



### MANAV GOSAIN

Actuarial Consultant at WeDapt / [Manav.Gosain@wedapt.in](mailto:Manav.Gosain@wedapt.in)

Manav is a part-qualified actuary with over four years of experience in the life insurance industry, specializing in Prophet modelling, statutory valuation, and pricing. He is committed to continuous learning and the application of advanced actuarial techniques to solve real-world problems.

### BHAWNA BHATIA

Actuarial Analyst at WeDapt / [Bhawna.Bhatia@wedapt.in](mailto:Bhawna.Bhatia@wedapt.in)

Bhawna is a student actuary with three years of experience in the life insurance industry. She has worked on modelling, IFRS 17 implementation, and group pricing, and is passionate about solving complex actuarial problems.



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