Insurance News Snippets

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I. WHAT'S HAPPENING AT NIA

1. MoU between National Insurance Academy and National Law University Jodhpur

The National Insurance Academy (NIA), Pune, and National Law University Jodhpur entered into a Memorandum of Understanding (MoU) to strengthen academic and professional collaboration. The MoU focuses on joint research, faculty exchange, knowledge sharing and collaborative academic initiatives.

Mr. B. C. Patnaik, Director, NIA, represented the National Insurance Academy at the occasion. Prof. Mangesh Patwardhan, Faculty Member, NIA, was also present during the MoU ceremony. Senior officials and representatives from National Law University Jodhpur attended the occasion and participated in the discussions. The collaboration is expected to promote interdisciplinary research, enhance faculty expertise, and facilitate exchange of academic and professional knowledge. The MoU marks an important step towards strengthening institutional cooperation between the two premier institutions in the fields of insurance, Law, risk management, and related areas.

2. Mr. B.C. Patnaik, Director, interaction with Persistent Systems, Pune

Mr. B.C. Patnaik, Director, National Insurance Academy (NIA), addressed senior officials and engineers of Persistent Limited, Pune. The interaction focused on the emerging developments in Artificial Intelligence (AI) and its implications for the insurance industry. The session provided valuable insights into how AI is transforming traditional business processes and models. Discussions highlighted the growing role of technology in enhancing efficiency, innovation, and decision-making in insurance. The importance of domain experts in effectively integrating AI with business requirements was also emphasized. The talk was highly informative and relevant to the future generation of professionals navigating an AI-driven business environment. The interaction provided an excellent platform for knowledge sharing and understanding the evolving relationship between technology and the insurance sector. Mr. Patnaik also discussed the opportunities and challenges associated with AI adoption, including ethical considerations, data privacy, and governance. Participants exchanged views on the future of work and the changing skill sets required in an increasingly digital business landscape.

3. Director, NIA visit to Utkal University

Mr. B. C. Patnaik, Director, National Insurance Academy (NIA), along with Mr. Kshitish Mohanty, Faculty, NIA, visited Utkal University, Bhubaneswar, to explore the possibility of launching a PGDM programme in Insurance and Actuarial Science at the University. During the visit, discussions were held with Mr. C. P. Nanda, Vice Chancellor, Utkal University, Mr. S. S. Mohanty, Head, Department of Applied and Analytical Economics, and Professor Rashmita Sahu, Head, Centre for Business Administration. The discussions focused on the proposed academic programme, its curriculum, industry relevance, and opportunities for skill development. The meeting also explored avenues for faculty exchange, joint research, executive education, and industry-academia collaboration. Both institutions expressed interest in leveraging their respective expertise to develop a strong academic ecosystem in insurance and actuarial studies. The collaboration is expected to create new opportunities for students, faculty, and insurance professionals. The meeting concluded on a positive note, with both sides agreeing to explore the proposed initiatives further.

4. International Yoga Day Celebration at National Insurance Academy (NIA), Pune

National Insurance Academy (NIA), Pune, celebrated **International Yoga Day on 21 June** with enthusiasm and active participation. The programme highlighted the importance of yoga for physical fitness, mental well-being, and a balanced lifestyle. The Chair Professors, faculty members, and staff actively participated in the yoga activities.

The session provided an opportunity for everyone to practice yoga together and promote a healthy work environment. The celebration reinforced NIA’s commitment to holistic well-being and encouraged participants to incorporate yoga into their daily routines. The programme also emphasized the role of yoga in managing stress and improving concentration. It encouraged participants to adopt healthy lifestyle practices in their personal and professional lives. The collective participation created a positive and energetic atmosphere across the Academy. Overall, the celebration was a meaningful initiative towards promoting health, wellness, and harmony among the NIA community.

II. REGULATORY DEVELOPMENTS

1. **Notification:**

   a. Amendment to Obligatory Cession Notification

      https://irdai.gov.in/document-detail?documentId=9585445

2. **Press Release:**

   a. Working Group on Artificial Intelligence (AI) Governance in the Insurance Sector

      https://irdai.gov.in/document-detail?documentId=9565283

III. INSURANCE INDUSTRY FLASH FIGURES FOR MAY 2025

For monthly insurance industry data, click on:

1. Life Insurance (Source: LI Council)
2. Non-Life Insurance (Source: GI Council)

IV. TOPICAL ARTICLE

Beyond Bank Guarantees: How Surety Bonds Can Transform India's Infrastructure Financing

A new premium-only instrument is loosening the collateral chokehold on India's contractors — but scale and underwriting depth will decide whether it becomes mainstream

India is in the middle of its largest sustained infrastructure build-out. Highways are being laid at record pace, freight corridors near completion, renewable capacity is being added by the gigawatt, and cities are re-wiring themselves under smart-city and metro programmes. The government's National Infrastructure Pipeline (NIP) put a number on the ambition: roughly ₹111 lakh crore of planned capex for FY20–25, with energy, roads, urban infrastructure and railways together accounting for about seventy per cent of it (Ministry of Finance, Economic Survey 2021–22). Later assessments put the pipeline's total identified investment above ₹150 lakh crore as new projects have been added (ICRA, 2024).

Every project needs a contractor, and every contractor must furnish a financial guarantee before work begins — a bid security to prove intent, a performance security once awarded. For decades that has meant one thing: a bank guarantee, backed by collateral, margin money and a slice of the contractor's working-capital limits. As the pipeline has outgrown what bank balance sheets can comfortably underwrite on a non-fund basis, that model has begun to strain — particularly for small and mid-sized EPC firms without collateral to spare.

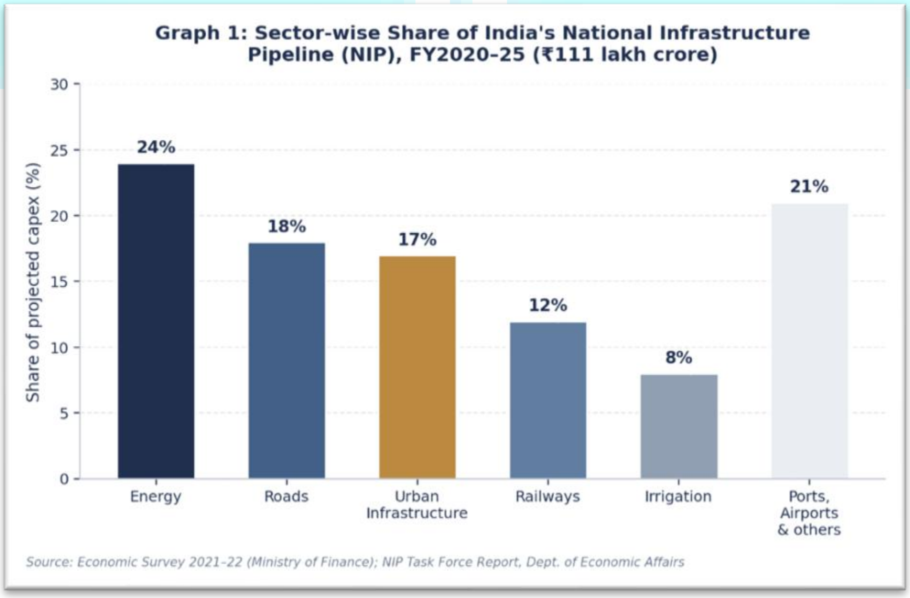
It is this gap that insurance surety bonds are being asked to fill. Under the IRDAI (Surety Insurance Contracts) Guidelines, 2022, an insurer — not a bank — stands behind a contractor's obligations, in exchange for a premium rather than a pledge of collateral. Cumulative issuance for NHAI contracts alone crossed ₹10,369 crore by July 2025 (Ministry of Road Transport &

Highways) — small against the size of the pipeline, but meaningful against where the market stood three years earlier.

HOW IT WORKS, AND WHY IT'S SPREADING

A surety bond is a three-way arrangement: the principal (contractor) must perform; the oblige (government body or developer) is owed performance; the surety (insurer) guarantees it. Unlike a bank, which is on the hook the moment a guarantee is invoked, an insurer investigates a claim, pays if valid, and then recovers from the contractor — a subrogation right with no real bank-guarantee equivalent. Common forms include bid, performance, advance-payment, retention and maintenance bonds, capped at thirty per cent of contract value under IRDAI rules.

Bajaj Allianz issued India's first surety bond in December 2022; adoption stayed slow — fewer than a hundred bonds by March 2024 — until NHAI's own advocacy, including a landmark bond priced at 0.25 per cent with zero margin money, demonstrated the cost case. By July 2025, twelve insurers, including SBI General, ICICI Lombard, HDFC Ergo and New India Assurance, had issued roughly 1,807 bonds worth ₹10,369 crore for NHAI contracts (Indian Infrastructure, 2026). The Ministry of Finance has made surety bonds and e-bank-guarantees equivalent to conventional BGs for central government procurement; the Ministry of Power extended similar treatment in April 2026.



Source: Economic Survey 2021–22; NIP Task Force Report, Dept. of Economic Affairs.

THE MSME LIQUIDITY PROBLEM

The case rests on liquidity as much as scale. India's MSMEs face a formal credit gap estimated at ₹20–25 lakh crore, driven substantially by an inability to offer collateral (RBI data, 2026). A bank guarantee typically requires margin money of ten to twenty-five per cent of its value, locking up working capital a smaller contractor cannot spare. A surety bond, priced at one to three per cent of bond value as a one-time premium with no margin money, frees that capital for actual execution — labour, material, machinery — rather than idle collateral.

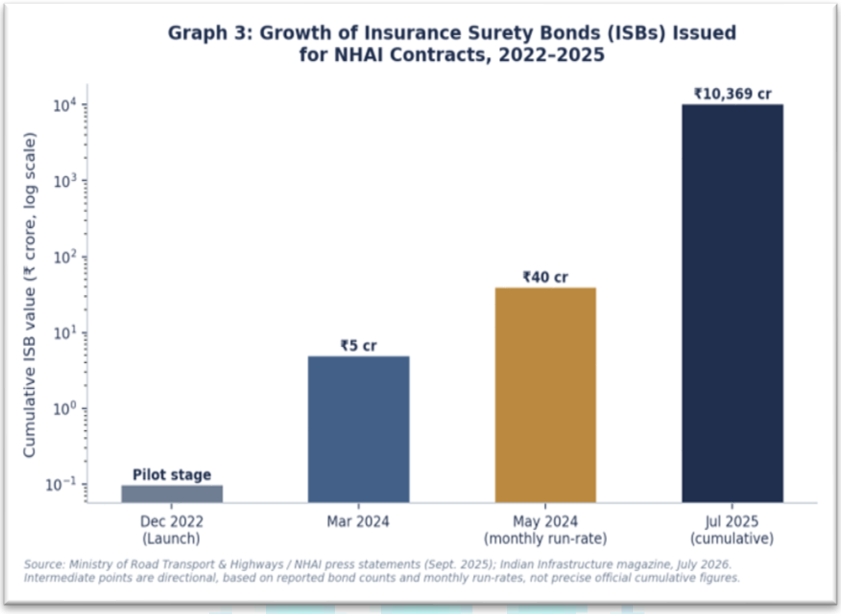
"Surety bonds are best understood as a complement that widens the pool of contractors who can bid competitively, not a wholesale replacement for bank guarantees."

BOND TYPES IN USE

Indian practice has settled around a familiar family: the bid bond, securing a contractor's promise to sign and furnish performance security if awarded; the performance bond, typically capped at ten per cent of contract value; the advance-payment bond, protecting mobilisation funds; the retention bond, letting a contractor recover retention money without waiting out the defect-liability period; and the maintenance bond, covering the post-completion warranty. Insurers may also underwrite customs and judicial bonds. Each bond must be issued against a specific, named project rather than pooled across a contractor's wider portfolio.

FROM PILOT TO POLICY

The IRDAI released its exposure draft in September 2021 and notified the final Guidelines on 3 January 2022, effective 1 April 2022, requiring insurers to maintain a solvency margin of at least 1.25 times the regulatory control level — a threshold later eased, alongside removing the annual premium cap for mono-line surety insurers, to widen participation. Reinsurance capacity is anchored by GIC Re, India's national reinsurer, alongside Swiss Re, Munich Re and . Growth has been described as consistently accelerating: from fewer than a hundred bonds by March 2024 to roughly twenty-five a week soon after, and over 160 in a single month by mid-2024.



Source: Ministry of Road Transport & Highways; Indian Infrastructure magazine, July 2026. Intermediate points are directional.

The trajectory mirrors how most new financial instruments take hold in India: a slow, sceptical start followed by rapid acceleration once a large, credible anchor client — in this case NHAI — demonstrates the cost case publicly and repeatedly.

Parameter	Bank Guarantee	Surety Bond
Collateral / margin	10–25% of value	None; premium only
Bank credit limits	Consumes NFB limit	No impact
Pricing	1–4% p.a., recurring	1–3% one-time
Claim process	First-demand payout	Insurer verifies, then recovers
Best suited for	Large, collateralised firms	MSMEs, mid-sized EPCs

Compiled from IRDAI Guidelines, 2022; NHAI statements; AxiTrust cost analyses, 2026.

WHAT UNDERWRITERS LOOK FOR

Because there is no collateral cushion, the entire risk rests on underwriting judgement: liquidity and leverage ratios, net worth, cash flow relative to order book, sector and project risk, counterparty reliability, management quality, and moral hazard. Reinsurance capacity — through GIC Re and international players such as Swiss Re and Munich Re — ultimately caps how large a bond programme any insurer can sustain. This is a data- and actuarial-intensive discipline that Indian insurers have had to build largely from scratch since 2022.

WHERE IT STILL FALLS SHORT

India's surety market remains a fraction of mature markets: the US wrote over $19 billion in surety premium in 2024 (SFAA), versus India's ₹10,369-crore cumulative NHAI stock. Awareness is patchy — many state and municipal procurement officers still default to bank-guarantee language even where surety bonds are formally acceptable. Underwriting experience is thin, contractor financial disclosure is uneven, reinsurance treaty pricing remains conservative for an unproven book, and India's slow commercial dispute resolution means subrogation recoveries can take years rather than months — a very different risk-return profile from a bank guarantee's largely mechanical, first-demand payout.

THE ROAD AHEAD

Digital underwriting — pulling GST filings, e-way bill data and GeM payment histories in place of paperwork — is already cutting issuance times from weeks to days for straightforward risk profiles. As green and climate infrastructure grows as a share of the pipeline — solar and wind EPC, battery storage, green hydrogen — surety bonds are a natural fit for the newer, less collateral-rich developers building it, provided insurers develop sector-specific pricing fast enough to keep the cost advantage over bank guarantees intact rather than defaulting to conservative rates.

CONCLUSION

Surety bonds are not a silver bullet, but a genuinely useful complement to bank guarantees — freeing contractor working capital without materially raising systemic risk, since losses sit with insurers who have priced for them. Three things would speed the transition from pilot to mainstream: procurement uniformity across state and municipal bidding documents; deeper underwriting capacity and shared claims data across insurers; and faster commercial dispute resolution to make subrogation recoveries credible. India's insurers have cleared the hardest hurdle — regulatory sanction and initial market proof. The next few years will show whether the rest of the plumbing gets built.

Sources: IRDAI (Surety Insurance Contracts) Guidelines, 2022; Ministry of Road Transport & Highways; Ministry of Finance; RBI; Economic Survey 2021–22; ICRA; SFAA; Indian Infrastructure magazine; AxiTrust. Figures are the latest publicly reported as of July 2026; estimates are flagged as such.

(Contributed By Sunny Sharma , Student – PGDM, National Insurance Academy)

V. INSURANCE NEWS

LIC plans foray in fintech space, strategic investment also on table

As per statement by CEO and MD R Doraiswamy, Insurance giant LIC is actively considering establishing a fintech arm either through strategic investment or organic way to cater to its growing digital needs.

Read more at:
https://economictimes.indiatimes.com/industry/banking/finance/insure/lic-plans-foray-in-fintech-space-strategic-investment-also-on-table-ceo-doraiswamy/articleshow/131420113.cms?from=mdr

Mahindra and Manulife secure key approval for insurance venture

Mahindra and Manulife have announced progress on their life insurance joint venture, following approval from the Ministry of Corporate Affairs.

Read more at:
https://www.asiainsurancereview.com/News/View-NewsLetter-Article/id/95675/Type/eDaily/Mahindra-and-Manulife-secure-key-approval-for-insurance-venture

Government to sell 5% stake in GIC Re

The Indian government will divest 5% equity in GIC Re through an offer-for-sale (OFS) for non-retail investors and retail investors.

Read more at:
https://www.asiainsurancereview.com/News/View-NewsLetter-Article/id/95860/Type/eDaily/India-Government-to-sell-5-stake-in-GIC-Re

India records 33 pc of Asia's transactional risk insurance claim notifications

India accounted for one-third of all transactional risk insurance claims notifications in Asia during 2025, underscoring the growing adoption of such insurance solution amid rising deal activity and increasing sophistication in the country's mergers and acquisitions (M&A) market.
Read more at:

https://bfsi.economictimes.indiatimes.com/news/insurance/india-records-33-pc-of-asias-transactional-risk-insurance-claim-notifications/131799211

Iran plans to offer insurance for Hormuz transit

Iran has moved a step further in its attempts to formalise its effective control over the Strait of Hormuz after the country’s top security organ announced the formation of a new body to manage the key passage.

Read more at:
https://www.aljazeera.com/news/2026/5/18/iran-plans-to-offer-insurance-for-hormuz-transit-will-it-work

LIC sees West Asia war hitting insurance growth amid lower savings

India’s largest insurer, Life Insurance Corporation of India (LIC), expects growth to slow due to the West Asia war, but hopes to maintain its “double-digit growth” target for new business premium, managing director and chief executive R. Doraiswamy said on Thursday.

“It is expected that every sector will be impacted by the crisis. Naturally, when people experience some difficulties, savings and that too savings through life insurance, can certainly have an impact, but we will try our best to see that we continue to move towards our targeted growth rate,” he said in the company’s earnings call for the fourth quarter and 2025-26.

Read more at:
https://www.livemint.com/companies/company-results/lic-march-quarter-fy26-results-insurance-premium-growth-west-asia-war-11779373542637.html

Rise Seen in Health Insurance Coverage Across India- NFHS-6

Health insurance coverage in India has seen a significant jump, according to the latest National Family Health Survey (NFHS-6). The survey found that 60.2% of Indian households now have at least one member covered by a health insurance or health financing scheme, up from 41% in NFHS-5 (2019-21).

Read more at:
https://www.ndtv.com/health/rise-seen-in-health-insurance-coverage-across-india-says-nfhs-6-what-this-means-11574767

IRDAI sets up working group to guide AI adoption in insurance sector

The Insurance Regulatory and Development Authority of India (Irdai) on Thursday set up a working group on artificial intelligence (AI) to ensure that the industry is prepared to harness these technologies responsibly while safeguarding the interests of policyholders.

Read more at:
https://www.business-standard.com/amp/finance/insurance/irdai-sets-up-working-group-to-guide-ai-adoption-in-insurance-sector-126061801084_1.html?isa=yes

Ebix Technologies aims 20% growth across insurTech, financial services business

Ebix Technologies Ltd, the financial technology arm of Ebix Group, is expanding its focus on insurance technology infrastructure and aims for about 20 per cent annual growth over the next three years. Alongside its insurance technology expansion plans, Ebix continues to strengthen its broader India financial services ecosystem through EbixCash and its integrated forex, remittance, travel, payments, and distribution businesses.

Read more at:
https://www.thehindubusinessline.com/money-and-banking/ebix-technologies-aims-20-growth-across-insurtech-financial-services-biz/article70997243.ece/amp/

IRDAI moots 10-fold hike in penalties to curb mis-selling

In a move aimed at curbing mis-selling and improving service quality, the Insurance Regulatory and Development Authority of India (IRDAI) has proposed a ten-fold increase in penalties for acts of omission by the principal officers of corporate agents.

Read more at:
https://www.thehindubusinessline.com/money-and-banking/irdai-moots-10-fold-hike-in-penalties-to-curb-mis-selling/article71134072.ece

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