GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
RAJYA SABHA
UNSTARRED QUESTION No. 1040

ANSWERED ON TUESDAY, 28 JULY, 2026/ 6 SHRAVANA, 1948 (SAKA)

LOW RENEWAL RATES OF LIFE INSURANCE POLICIES

1040 SHRI RAJINDER GUPTA:

Will the Minister of Finance be pleased to state:

(a) whether Government has taken note that, as per IRDAl data, the life insurance industry's average 13th-month persistency ratio stood at around 63 percent in 2025 and that persistency declines further at later checkpoints, with 61st-month (5-year) persistency for many insurers falling in the 45-55 per cent range;

(b) whether Government has reviewed the factors contributing to these persistency trends; and

(c) whether any measures, such as standardised post-sale reminder and reinstatement communication and enhanced grace periods for policyholders facing economic disruption, are under consideration to improve persistency rates?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) & (b): Persistency ratio is one of the important indicators used to assess policy continuation, quality of business procured, policyholder retention and market conduct of insurers. Insurance Regulatory and Development Authority of India (IRDAI) periodically analyses persistency trends through regulatory returns and supervisory engagements with insurers and it requires insurers to take appropriate measures for improving long-term policy continuation and policyholder outcomes. Persistency experience is monitored at various durations, including the 13th month, 25th month, 37th month, 49th month and 61st month, based on the data submitted by insurers. As per data available with IRDAI and published in IRDAI's Handbook on Indian Insurance Statistics 2024-25, the 13th month persistency for different life insurance companies ranges from 59.68% to 83.22% and 61st month persistency ratio ranges from 22.20% to 58.80% for the FY2024-25.
There are several factors influencing the level of persistency of life insurance policies including the affordability of premium, changes in the financial circumstances of policyholders, suitability of products, quality of advice at the point of sale, servicing standards of insurers, premium payment behaviour, distribution channel characteristics and overall economic conditions.

(c): As per IRDAI Master Circular IRDAI/ACTL/MSTCIR/MISC/89/6/2024 dated 12/06/2024 on Life Insurance Products, grace period of 15 days (where the premium is paid on a monthly basis) and 30 days (where the premium is paid in quarterly/half-yearly/annual instalments) is available on the premium due date, to pay the premium. During grace period, the policy is considered to be in-force and risk cover would be available without any interruption as per the terms & conditions of the policy. As per the Master Circular, insurers are required to examine the persistency across all the distribution channels and put in place mechanism to improve persistency across all the durations of the policy for enhancing long term benefits to policyholders and establish strict measures to curb mis-selling. Further, IRDAI has made insurers' Product Management Committee (PMC) responsible for their operational issues. PMC is held strictly accountable for their 13th month and 61st month persistency ratios.

Every policy has revival period, wherein the policyholder can make the pending premium payment and revive the policy so that the insurance cover will continue. After making three years' premium payment, policy can be continued in the paid up status so that reduced cover can be continued.

To support policyholders facing economic disruption, all the non-linked individual life insurance savings products offering surrender value are required to offer facility of policy loan, enabling policyholders to meet liquidity requirements, so that policyholders have access to funds without needing to lapse or surrender policies. In addition, partial withdrawals are permitted under pension products to cover significant life expenses such as education, housing, or medical treatments.

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