GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION No. 2526

ANSWERED ON MONDAY, AUGUST 3, 2026/SHRAVANA 12, 1948 (SAKA)

Rise in Premature Surrender of Life Insurance Policies

2526. PROF. SOUGATA RAY:
SHRI KISHORI LAL:

Will the Minister of FINANCE be pleased to state:

(a) whether the premature policy surrenders has increased sharply and has overtaken maturity payouts in the life insurance sector in recent years;

(b) if so, the details of premature policy surrenders and maturity payouts reported during each of the last five years, insurer-wise;

(c) the major reasons identified for the increase in premature policy surrenders, including financial distress, policy mis-selling, affordability issues and inadequate awareness among policyholders;

(d) whether the Government has assessed the impact of the rising surrender rate on household savings, long-term financial security and the insurance penetration of the country, if so, the details thereof;

(e) whether the Government proposes to strengthen safeguards relating to policy sales, disclosure norms, free-look provisions and surrender value regulations to protect policyholders, if so, the details thereof; and

(f) the steps taken by the Government and the insurance regulator to reduce policy lapses and premature surrenders, improve grievance redressal and enhance financial literacy among insurance consumers?

ANSWER

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

(a) to (b): Surrender and withdrawals as a share of the total benefits paid by life insurers have increased from 32 per cent in FY 2021-22 to 39 per cent in FY 2025-26, indicating an increase in surrender and withdrawal behaviour over the last five years. Also, surrender & withdrawal as a proportion of total benefits has overtaken the maturity benefits paid by life insurance sector. The proportion of maturity benefits in total benefits paid by life insurers has decreased from 48% in FY2021-22 to 37% in the FY2025-26.

The following tables provide details of Surrender & withdrawals, both in amount and as proportion of total benefits paid by life insurers:

Benefits Paid by Life Insurance Sector **(Amount in Rs Crore)**

Particulars	FY22	FY23	FY24	FY25	FY26^
Death claim	60,822	41,457	42,284	47,490	49522
Maturity	2,39,656	2,12,985	2,42,699	2,23,03	269706
Surrender/Withdrawal	1,58,285	1,98,839	2,29,245	2,33,299	280130
Annuities/Pension	18,248	20,696	23,909	26,823	31327
Others	25,086	22,887	38,883	99,526	92473
Total	**5,02,097**	**4,96,865**	**5,77,021**	**6,30,171**	**7,23,158**

(^FY 26 data is provisional) *Source: IRDAI*

Benefits Paid by Life Insurance Sector (in %)

Particulars	FY22	FY23	FY24	FY25	FY26^
Death claim	12%	8%	7%	8%	7%
Maturity	48%	43%	42%	35%	37%
Surrender/Withdrawal	32%	40%	40%	37%	39%
Annuities/Pension	4%	4%	4%	4%	4%
Others	5%	5%	7%	16%	13%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

(^FY 26 data is provisional) *Source: IRDAI*

The Insurer-wise break-up of Benefits Paid over the last five years is provided in **Annexure.**

(c) to (d): The insurance sector regulator, IRDAI has informed that policy surrenders and early exits are influenced by multiple factors, including lack of suitability of the product purchased, lack of affordability of premium, non-fulfilment of policyholder expectations, mis-selling, lack of policyholder awareness and understanding of insurance products, and changes in the financial circumstances of policyholders.

Further, IRDAI continuously monitors trends relating to policy surrenders, withdrawals and persistency to assess their implications for insurers' financial soundness, policyholder protection and the overall stability of the insurance sector. Based on such monitoring, appropriate supervisory and regulatory measures are undertaken, wherever considered necessary, to strengthen policyholder protection, improve product design and disclosures, promote sound risk management, governance practices and policyholders' awareness.

However, IRDAI has not undertaken any specific assessment of the impact of rising surrender rates on household savings, long-term financial security, or insurance penetration in the country.

(e) to (f): IRDAI has informed that as per the current regulatory provisions, non-linked life insurance savings products provide surrender value after payment of at least one full year's premium, with the surrender value scale ensuring reasonableness and value for money for all policyholders.

Further, to safeguard policyholders' interests and ensure fair surrender benefits, IRDAI has established a comprehensive regulatory framework governing surrender-related matters through the IRDAI (Insurance Products) Regulations, 2024 and Master Circular on Life Insurance Products 2024 which provides detailed guidelines, including provisions relating to surrender values. The following measures are put in place for policyholders by IRDAI to reduce policy lapses and premature surrenders:

i. To improve transparency and informed decision-making, insurers are required to provide approved product literature, disclose authorised distribution channels and product features on their websites, and provide a signed Benefit Illustration before conclusion of the sale of life insurance policies. Such Customised Benefit Illustration shall separately disclose policy year-wise Guaranteed Surrender Value (GSV), Special Surrender Value (SSV) and Surrender Values payable. A Customer Information Sheet (CIS) has been mandated for all life insurance policies to increase customer awareness about policy benefits.

ii. As a part of standardized post-sale process all life insurance policyholders are allowed a free-look period of 30 days to cancel the policy and obtain a refund of premiums after deduction of proportionate risk premium for the coverage period, medical examination expenses (if any), and stamp duty charges.

iii. All the non-linked individual life insurance savings products 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.

iv. Partial withdrawals are permitted under pension products to cover significant life expenses such as education, housing, or medical treatments.

v. Thus, non-linked life insurance savings products acquire surrender value after payment of one full year's premium; insurers are required to ensure reasonable surrender values, provide policy loan facilities in eligible savings products, permit partial withdrawals under pension products for specified life events, and offer flexible premium payment terms to improve affordability and policy persistency.

In addition, IRDAI has prescribed norms governing advertisements to ensure that all communications relating to insurance products are fair, accurate and not misleading, thereby enabling prospective policyholders to make informed decisions. These measures are complemented by continuous supervisory oversight through regulatory returns, inspections, audits, market intelligence and other supervisory mechanisms.

The IRDAI (Protection of Policyholders' Interests, Operations and Allied Matters of Insurers) Regulations, 2024 and the relevant Master Circulars require every life insurer to have a Board-approved policy for assessing product suitability and recommending products based on the needs of the prospect. Insurers and distribution channels are responsible for ensuring fair conduct during solicitation, preventing mis-selling and misleading sales practices, providing periodic training to sales personnels and intermediaries, obtaining customer feedback, strengthening financial underwriting to assess the prospect's ability to sustain premium payments etc.

Policyholders also have access to an effective grievance redressal mechanism through insurers and the Insurance Ombudsman.

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Annexure

Annexure referred to in reply to part (a) to (b) of Lok Sabha Un-starred Question No. 2526 for answer on 03.08.2026 regarding “Rise in Premature Surrender of Life Insurance Policies” raised by Hon'ble Members of Parliament Prof. Sougata Ray and Shri Kishori Lal.

(Amount in Rs. Crore)

Sr No	Insurer	FY2025-26(Provisional)						FY2024-25					
		Claims by Death	Claims by Maturity	Annuities/ Pension payment	Surrenders/ Withdrawal	Other benefits	Total	Claims by Death	Claims by Maturity	Annuities/ Pension payment	Surrenders/ Withdrawal	Other benefits	Total
1	Acko Life Insurance Limited	24	-	-	0	0	**24**	13	-	-	0	0	**12.66**
2	Aditya Birla Sun Life Insurance Co. Ltd.	834	484	86	9,797	1,397	**12,598**	725	422	64	7,538	954	**9,703.87**
3	AGEAS FEDERAL LIFE INSURANCE CO LTD	182	351	6	1,037	527	**2,102**	161	240	5	813	602	**1,822.05**
4	Aviva Life Insurance Company India Ltd.	111	684	51	566	53	**1,464**	99	390	51	517	56	**1,113.74**
5	Bajaj Life Insurance Limited	1,821	2,605	147	8,761	1,033	**14,367**	1,756	2,009	107	7,777	826	**12,475.40**
6	Bandhan Life Insurance Limited	86	117	0	138	127	**467**	67	69	0	225	59	**419.74**
7	Bharti AXA Life Insurance Co. Ltd.	226	281	-	763	686	**1,956**	199	227	-	638	424	**1,488.84**
8	Canara HSBC Life Insurance Co. Ltd.	509	842	63	3,103	64	**4,582**	405	452	59	1,503	2,642	**5,060.89**
9	CREDITACCESS LIFE INSURANCE LIMITED	154	-	-	0	-	**154**	42	-	-	0	-	**41.84**
10	Edelweiss Life Insurance Company Limited	49	90	4	567	226	**937**	48	76	4	562	162	**852.94**
11	Exide Life Insurance Company Limited	-	-	-	-	-	-	-	-	-	-	-	-
12	Future Generali India Life Insurance Co. Ltd.	62	233	2	370	277	**943**	63	130	1	354	837	**1,385.17**
13	Go Digit Life Insurance Limited	352	-	-	8	42	**401**	138	-	-	0	18	**155.81**
14	HDFC Life Insurance Company Limited	4,494	8,399	1,879	15,741	4,846	**35,359**	4,950	8,593	1,610	14,052	7,706	**36,910.93**

15	ICICI Prudential Life Insurance Co. Ltd.	3,572	13,202	807	27,340	1,288	**46,208**	3,360	9,477	720	30,760	1,154	**45,471.09**
16	IndiaFirst Life Insurance Co. Ltd.	450	1,243	11	2,153	340	**4,197**	611	725	6	1,998	302	**3,641.35**
17	IndusInd Nippon Life Insurance Company Limited	222	1,220	14	1,767	1,271	**4,494**	212	1,028	13	1,481	789	**3,522.87**
18	Kotak Mahindra Life Insurance Company Ltd	1,747	2,455	184	3,309	1,175	**8,869**	1,832	2,575	147	2,811	945	**8,310.80**
19	Life Insurance Corporation of India	24,885	2,18,507	25,641	1,56,731	61,983	**4,87,747**	24,419	1,81,978	22,097	1,30,905	53,879	**4,13,278.77**
20	Max Life Insurance Co. Ltd.	1,767	1,960	369	9,590	6,407	**20,094**	1,456	1,694	255	6,943	6,678	**17,025.80**
21	PNB MetLife India Insurance Co. Ltd.	679	2,595	94	2,210	933	**6,511**	641	1,666	70	2,486	802	**5,664.69**
22	Pramerica Life Insurance Limited	241	247	0	292	20	**800**	251	119	0	233	17	**619.49**
23	Sahara India Life Insurance Co. Ltd.	-	-	-	-	-	-	-	-	-	-	-	-
24	SBI Life Insurance Co. Ltd.	4,778	11,431	1,756	29,294	6,362	**53,620**	4,110	9,438	1,428	16,308	17,046	**48,329.50**
25	Shriram Life Insurance Co. Ltd.	709	632	16	299	250	**1,906**	560	388	9	249	142	**1,347.55**
26	Star Union Dai-ichi Life Insurance Co. Ltd.	448	339	27	952	586	**2,351**	442	326	26	687	1,417	**2,897.94**
27	Tata AIA Life Insurance Co. Ltd.	1,119	1,791	171	5,341	2,582	**11,005**	929	1,011	150	4,458	2,069	**8,617.14**
	Total	**49,522**	**2,69,706**	**31,326**	**2,80,130**	**92,473**	**7,23,158**	**47,490**	**2,23,034**	**26,822**	**2,33,299**	**99,526**	**6,30,171**

Source: IRDAI

(Amount in Rs. Crore)

Sr no	Insurer	FY2023-24						FY2022-23					
		Claims by Death	Claims by Maturity	Annuities/ Pension payment	Surrenders/ Withdrawal	Other benefits	Total	Claims by Death	Claims by Maturity	Annuities/ Pension payment	Surrenders/ Withdrawal	Other benefits	Total
1	Acko Life Insurance Limited	1	-	-	0	-	**1**	-	-	-	-	-	-
2	Aditya Birla Sun Life Insurance Co. Ltd.	623	694	40	5,887.46	498	**7,742**	770	864	30	4,117	-9	**5,772**
3	AGEAS FEDERAL LIFE INSURANCE CO LTD	93	301	5	895.40	517	**1,812**	92	333	4	541	390	**1,361**
4	Aviva Life Insurance Company India Ltd.	82	208	73	578.22	64	**1,006**	63	307	54	589	86	**1,100**
5	Bajaj Life Insurance Limited	1,704	2,325	69	7,411.63	501	**12,012**	1,620	2,100	40	8,151	462	**12,372**
6	Bandhan Life Insurance Limited	42	32	0	264.25	72	**409**	37	10	0	253	60	**361**
7	Bharti AXA Life Insurance Co. Ltd.	195	140	-	446.81	337	**1,119**	183	105	-	328	244	**859**
8	Canara HSBC Life Insurance Co. Ltd.	348	259	62	1,571.34	911	**3,151**	321	171	50	1,474	1,063	**3,079**
9	CREDITACCESS LIFE INSURANCE LIMITED	6	-	-	-	-	**6**	-	-	-	-	-	-
10	Edelweiss Life Insurance Company Limited	49	18	4	577.93	59	**708**	48	6	4	306	71	**435**
11	Exide Life Insurance Company Limited	-	-	-	-	-	-	-	-	-	-	-	-
12	Future Generali India Life Insurance Co. Ltd.	64	69	1	322	410	**866**	68	54	0	275	260	**657**
13	Go Digit Life Insurance Limited	22	-	-	-	-	**22**	-	-	-	-	-	-
14	HDFC Life Insurance Company Limited	4,143	8,621	1,319	14,517	9,242	**37,841**	4,333	7,238	1,016	21,703	3,355	**37,645**
15	ICICI Prudential Life Insurance Co. Ltd.	3,078	5,159	642	29,975	892	**39,746**	2,337	3,706	538	23,552	655	**30,789**
16	IndiaFirst Life Insurance Co. Ltd.	650	278	3	2,003	341	**3,276**	555	370	2	2,672	131	**3,731**
17	IndusInd Nippon Life Insurance Company Limited	193	885	11	1,415	759	**3,263**	192	610	10	1,013	624	**2,449**

18	Kotak Mahindra Life Insurance Company Ltd	1,534	2,121	109	2,632	869	**7,265**	1,345	1,934	75	2,167	845	**6,367**
19	Life Insurance Corporation of India	22,625	2,08,136.42	20,106	1,33,803	1,278	**3,85,949**	23,423	1,85,044	17,892	1,11,896	1,057	**3,39,312**
20	Max Life Insurance Co. Ltd.	1,189	1,317	152	5,907	4,752	**13,318**	1,154	1,058	77	6,037	1,651	**9,976**
21	PNB MetLife India Insurance Co. Ltd.	608	978	69	2,252	644	**4,551**	566	488	56	1,305	487	**2,903**
22	Pramerica Life Insurance Limited	203	114	0	241	8	**565**	139	76	0	223	8	**446**
23	Sahara India Life Insurance Co. Ltd.						**-**	5	81	-	26	26	**138**
24	SBI Life Insurance Co. Ltd.	3,174	9,935	1,098	13,760	14,757	**42,724**	2,883	7,169	752	9,067	10,219	**30,090**
25	Shriram Life Insurance Co. Ltd.	458	186	7	193	94	**937**	393	154	6	150	62	**764**
26	Star Union Dai-ichi Life Insurance Co. Ltd.	409	369	26	599	393	**1,796**	352	498	26	453	136	**1,464**
27	Tata AIA Life Insurance Co. Ltd.	792	552	111	3,993	1,487	**6,935**	577	608	62	2,543	1,005	**4,795**
	Total	**42,284**	**2,42,699**	**23,909**	**2,29,245**	**38,883**	**5,77,021**	**41,457**	**2,12,985**	**20,696**	**1,98,839**	**22,887**	**4,96,865**

Source: IRDAI

(Amount in Rs. Crore)

Sr no	Insurer	FY2021-22					
		Claims by Death	Claims by Maturity	Annuities/ Pension payment	Surrenders/Withdrawal	Other benefits	Total
1	Acko Life Insurance Limited	-	-	-	-	-	-
2	Aditya Birla Sun Life Insurance Co. Ltd.	796	1,488	23	4,205	244	**6,754**
3	AGEAS FEDERAL LIFE INSURANCE CO LTD	156	338	3	319	300	**1,116**
4	Aviva Life Insurance Company India Ltd.	115	266	50	653	106	**1,189**
5	Bajaj Life Insurance Limited	2,010	1,960	23	4,329	488	**8,810**
6	Bandhan Life Insurance Limited	121	34	0	206	30	**391**
7	Bharti AXA Life Insurance Co. Ltd.	293	59	-	233	186	**772**
8	Canara HSBC Life Insurance Co. Ltd.	495	242	37	1,463	407	**2,644**
9	CREDITACCESS LIFE INSURANCE LIMITED	-	-	-	-	-	-
10	Edelweiss Life Insurance Company Limited	97	4	2	191	25	**320**
11	Exide Life Insurance Company Limited	353	779	11	747	154	**2,044**
12	Future Generali India Life Insurance Co. Ltd.	144	67	0	228	121	**561**
13	Go Digit Life Insurance Limited	-	-	-	-	-	-
14	HDFC Life Insurance Company Limited	4,334	9,003	692	8,968	8,155	**31,151**
15	ICICI Prudential Life Insurance Co. Ltd.	3,601	4,155	416	20,407	568	**29,145**
16	IndiaFirst Life Insurance Co. Ltd.	784	132	1	2,980	112	**4,009**
17	IndusInd Nippon Life Insurance Company Limited	314	962	9	1,258	556	**3,099**
18	Kotak Mahindra Life Insurance Company Ltd	1,675	2,053	48	1,441	601	**5,818**
19	Life Insurance Corporation of India	35,720	2,05,527	16,257	95,118	816	**3,53,438**
20	Max Life Insurance Co. Ltd.	1,964	966	31	4,774	1,538	**9,273**

21	PNB MetLife India Insurance Co. Ltd.	1,083	326	47	1,152	394	**3,001**
22	Pramerica Life Insurance Limited	236	60	0	204	15	**515**
23	Sahara India Life Insurance Co. Ltd.	13	71	-	28	29	**141**
24	SBI Life Insurance Co. Ltd.	4,736	9,725	545	7,102	9,130	**31,238**
25	Shriram Life Insurance Co. Ltd.	523	145	3	140	59	**870**
26	Star Union Dai-ichi Life Insurance Co. Ltd.	484	569	24	392	211	**1,680**
27	Tata AIA Life Insurance Co. Ltd.	775	726	28	1,748	841	**4,118**
	Total	**60,822**	**2,39,656**	**18,248**	**1,58,285**	**25,086**	**5,02,097**

Source: IRDAI