



Insurance Industry

Working Capital Management & Financing Guide

Market Size & Trajectory

₹18.5L

Market Size (2026E)

₹74.4L

AUM (FY25)

7.2%

CAGR (2026-33)

100%


FDI Limit (2025)

 **Dominant Distribution: Bancassurance holds a 52% Market Share.**


Strategic Market Insights

 **Health Overhaul:** Health insurance now leads non-life segments at 41%.

 **Life Dominance:** Accounts for ~71% of market share as long-term savings.

 **Regulatory Milestone:** Sabka Bima, Sabki Suraksha Act (2025) streamlined compliance.

GST Impact: 2025 exemption on premiums significantly improved affordability.

 **InsurTech Surge:** Digital is the fastest-growing distribution segment.

End-to-End Operational Lifecycle



Critical Resources & Infrastructure



Financial Capital

Solvency margins and equity base over ₹82,000 Cr in FY25.



Tech Assets

AI underwriting, cloud policy admin, and blockchain fraud detection.



Human Capital

Actuaries, underwriters, and network of 50 Cr+ agents.

Revenue Streams & Product Mix

Life & Health


Term plans, ULIPs, Pension, and Corporate Group Health.

General & Reinsurance

Motor, Fire, Marine, and B2B safety net services.

Note: Investment Income is driven by "Premium Float" yield in bonds and equity.

The Negative Working Capital Cycle

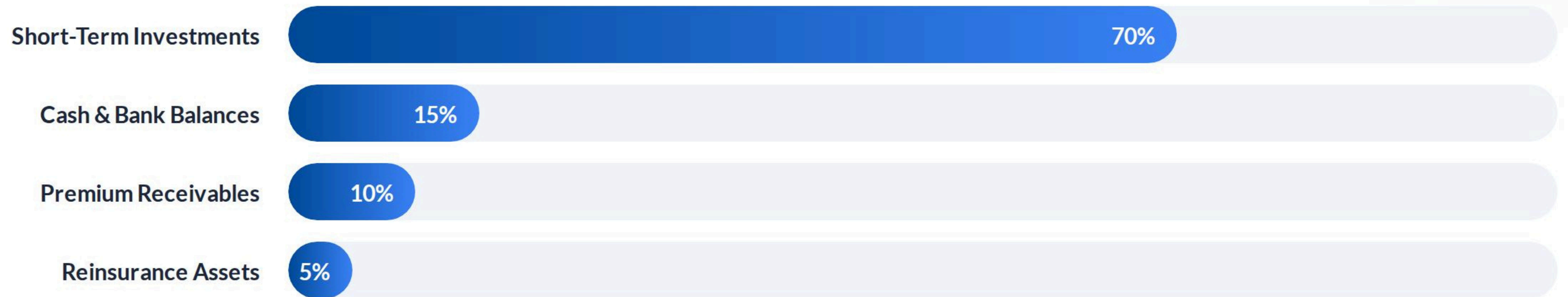
 **Inventory (Float):** No physical stock. Premium pool collected upfront.

 **Accounts Receivable:** 15-45 Days (Corp clients and installments).

 **Accounts Payable:** On-demand settlements to maintain solvency.

Key Insight: Insurance receives cash upfront and pays claims later, creating a high-liquidity float.

Current Asset Composition



High allocation to liquid gov-securities ensures regulatory solvency compliance.

Avoidable Strategic Failures



Underpricing

Poor actuarial pricing leads to unsustainable claim-to-premium ratios.



High Acquisition

Reliance on high-commission channels erodes operational margins.



Slow Claims

Inefficient processing leads to regulatory penalties and churn.

Standard Operating Ratios (2026)

Metric	Industry Standard	Strategic Context
Combined Ratio	< 100%	Critical Profitability Indicator
Solvency Ratio	> 1.5x	Regulatory Minimum Buffer
Claims Settlement	> 95% (Life)	Brand Trust & Reliability
Persistency Ratio	> 80%	13th Month Customer Retention
Expense Ratio	20% - 30%	Distribution & Admin Efficiency

Realization & Collection Terms

Real-time Direct Digital

Instant realization through online gateways.

15-30 Days Bancassurance

Standard bank settlement cycles.

45-90 Days Gov Security

Social security (PMJJBY/PMSBY) schemes.

Best Practice: Use Automated Direct Debit (NACH) for 99%+ collection efficiency.

Industry Threats & Externalities

High Loss Ratios

Spike in health & motor claims. Net incurred claims rose 70% (FY21-FY25).

Data Privacy

High sensitivity under the DPDP Act 2023 requires robust cyber risk infra.

Climate Change

Catastrophic events (floods) impacting non-life insurance profitability.

Regulation

Volatility in GST slabs and distribution commission structures.

How Terkar Capital Can Help

Partner with Us

- ✓ **Equity Infusion:** Facilitating capital for firms targeting 100% FDI.
- ✓ **Subordinated Debt:** Tier-II capital for solvency margin health.
- ✓ **Tech Financing:** Funding AI-driven claims & underwriting platforms.
- ✓ **M&A Advisory:** Strategic consolidation in a capital-intensive sector.



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