



From Consent to Cover



How the Account Aggregator Framework can
Unlock Value in the Insurance Industry

Sahamati, India InsurTech Association (IIA), and KPMG in India

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This whitepaper was shaped through extensive consultations with industry stakeholders, technology service providers, and domain experts. We are grateful to the many insurers, brokers, TSPs, and ecosystem participants who generously shared their time, insights, and operational experiences, helping ground this report in practical realities and forward-looking opportunities.

We also extend our sincere thanks to the India Insurtech Association (IIA) for their support throughout the development of this report. A special acknowledgment goes to Aruna Mahesh, whose continued guidance, thoughtful inputs, and commitment to strengthening the insurance ecosystem played an invaluable role in shaping the depth and direction of this work.

Acronyms

Sr. No.	Abbreviation	Description
1	AA	Account Aggregator
2	AMCs	Asset Management Companies
3	CBDT	Central Board of Direct Taxes
4	CDR	Consumer Data Right
5	CGAP	Consultative Group to Assist the Poor
6	CIS	Collective Investment Scheme
7	DBT	Direct Benefit Transfer
8	DPDP	Digital Personal Data Protection Act
9	DPI	Digital Public Infrastructure
10	eNACH	Electronic National Automated Clearing House
11	EPFO	Employees' Provident Fund Organisation
12	FDI	Foreign Direct Investment
13	FDX	Financial Data Exchange
14	FiDA	Financial Data Access (EU Proposal)
15	FIP	Financial Information Provider
16	FIU	Financial Information User
17	FNOL	First Notice of Loss
18	GSTN	Goods and Services Tax Network
19	GVA	Gross Value Added
20	IDR	Indian Depository Receipt
21	IIA	India Insurtech Association
22	InvIT	Infrastructure Investment Trust
23	IRDAI	Insurance Regulatory and Development Authority of India
24	KYC	Know Your Customer

Sr. No.	Abbreviation	Description
25	LAI	Lending Against Insurance
26	NBFC-AA	Non-Banking Financial Company - Account Aggregator
27	NPS	National Pension System
28	NTR	National Transport Repository
29	OTP	One-Time Password
30	PFM	Personal Finance Management
31	PoC	Proof of Concept
32	PSD2	Payment Services Directive 2
33	RAs	Research Analysts
34	RIAs	Registered Investment Advisors
35	SGFinDex	Singapore Financial Data Exchange
36	TSP	Technology Service Provider
37	UI/UX	User Interface / User Experience
38	ULIP	Unit Linked Insurance Plan

Preface

Over the last decade and half, India has built digital public infrastructure (DPI) that has redefined its financial services industry. Digital identity and real-time payments have together enabled banking, lending, and capital markets to reach unprecedented scale and efficiency. With these two layers in place, access expanded, operational friction fell, and financial participation deepened.

The insurance sector has not experienced a comparable shift. While identity and payments have unlocked exponential growth in adjacent sectors, insurance penetration in India remains significantly below global averages and far behind domestic credit and payments systems. The reason is structural. Insurance requires legibility of customers to assess risk through credible, structured, and timely information about individuals and households.

Insurance requires probabilistic judgment about future events, often over long time horizons. Underwriting therefore depends on verifiable data about income, cash flows, and risk indicators. For a large part of India's population, particularly those in the informal economy, this data has been difficult or expensive to obtain. As a result, insurers have historically witnessed delayed verification, costly processes, and slow onboarding, effectively excluding vast customer segments.

Furthermore, insurance continues to be largely a push product, which makes it essential that data access mechanisms do not introduce additional paperwork, delays, or friction during onboarding, but instead enable a seamless and low-touch customer journey. The Account Aggregator (AA) ecosystem directly addresses this barrier. AA enables secure, consent-based access to verified financial information in real time. In insurance, data legibility has the potential to unlock what has long been structurally blocked.

Behavioral and cultural barriers to insurance adoption are real: mistrust, perceived complexity, low awareness. But, they are compounded and often amplified by the inability of insurers to assess risk without prohibitive costs. AA does not remove those cultural frictions directly, but by reducing underwriting time, lowering friction, and enabling transparent processes, it lessens the operational weight that has long made insurance expensive to distribute and hard to access. It expands the set of people who can be made legible enough to insure: individuals with fragmented or non-standard income histories, gig workers, and those operating outside the formal payroll economy but leaving behind rich digital financial footprints.

Crucially, AA can address fraud in insurance. Fraud often arises not only at the claims stage, but upstream: at onboarding, underwriting, or renewal, where unverifiable information creates opportunities for misrepresentation. By enabling source-based verification of income and financial behavior, AA allows insurers to reduce misstatement at issuance, flag inconsistencies earlier, and make claims assessment more evidence-driven. Over time, this strengthens portfolio quality and reduces the cumulative costs of fraud management, which are often baked silently into premium pricing.

The real argument is not that AA will “revolutionize” insurance overnight. It is that it reshapes the underlying economics of who can be insured, how efficiently underwriting can occur, and how risk can be priced at scale. It does not substitute for trust-building, distribution, or product innovation. But it creates the precondition without which those efforts remain constrained.

This report examines that opportunity with practicality and precision. It looks beyond the rhetoric to the tangible opportunity for the insurance industry to not only who gets insured, but how quickly, how securely, and how sustainably.

Abstract

Insurance operates on a distinctive foundation within financial services. It is a long-horizon, risk-based business in which market outcomes are particularly sensitive to information asymmetries between insurers and policyholders. Accurate risk pricing and portfolio sustainability depend on credible, structured, and persistent data about an individual's or enterprise's financial and behavioural profile.

When such data are incomplete or unverifiable, insurers face heightened adverse selection risks, must rely on costly manual verification, and operate with higher uncertainty in underwriting and claims. These inefficiencies increase transaction costs, slow policy issuance, and contribute to low penetration across several customer segments. For many potential policyholders, especially informal workers and self-employed individuals, traditional income documentation provides only a partial or unreliable signal of risk.

This opacity not only constrains access but can also magnify moral hazard and post-issuance fraud risks, as insurers have limited ability to validate disclosures or monitor changes over time. The resulting market failures manifest as higher premiums for those who are insured, exclusion of those who are not, and a persistent gap between insurable and actually insured populations.

The Account Aggregator (AA) framework introduces a regulated, consent-based mechanism to access verified financial information directly from source institutions. By enhancing the legibility and reliability of financial data, AA can help mitigate several of these structural frictions: reducing information asymmetry, improving the precision of underwriting decisions, lowering the incidence of adverse selection, and enabling earlier detection of fraudulent or inconsistent disclosures.

This report, developed jointly by Sahamati and India Insurtech Association, with support from KPMG in India, builds an evidence-based business case for how the insurance ecosystem can leverage AA as a structural enabler. It combines secondary research, stakeholder consultations, and quantitative modelling to assess potential impacts on underwriting efficiency, fraud control, claims processes, and market expansion.

Key Structural Gains for Insurance: Inclusion, Cost Savings, and Fraud Control

Market Expansion:

AA unlocks access to **33–40 crore** underserved individuals, enabling inclusion of gig workers and self-employed.

Premium Growth:

Potential to add **₹1 lakh crore** in new premium income and lift penetration to **~5%** in 5 years.

Operational Efficiency:

Underwriting turnaround cut from days to minutes, saving **₹218 crore** annually.

Fraud Control:

Up to **8%** premium savings through proactive fraud detection.

Persistency Gains:

30% drop in 13th-month lapse rates via better affordability checks.

With these benefits, the reports aims to provide a clear strategic and operational framing for ecosystem-wide adoption. Moreover, over time this may allow for more efficient risk pooling, better product design for currently underserved cohorts, and greater operational predictability for insurers and intermediaries.

Keywords: Market Failures, Information Asymmetry, Digital Public Infrastructure, Insurance Underwriting, Financial Inclusion

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India's Digital Outlook and Financial Inclusion: A Transformative Journey

India's digital transformation, as outlined in the Reserve Bank of India's report "India's Digital Revolution: Opportunities and Challenges", has been nothing short of remarkable. Over the past decade, the country has built a robust digital infrastructure that now contributes over 10% to its GDP, with projections suggesting it could reach 20% by 2026 (Chandrasekhar, 2023). This growth is driven by innovations like the India Stack, which includes Aadhaar, UPI, DigiLocker, and the AA framework, each playing a pivotal role in enabling secure identity verification, seamless payments, and consent-based data sharing.

For the average citizen, these advancements have translated into tangible improvements in daily life. Today, a vegetable vendor in a small town can accept digital payments via UPI, a migrant worker can receive government subsidies directly into their Jan Dhan account, and a young professional can access loans with minimal paperwork through AA-enabled data sharing. India boasts over 750 million smartphone users and the lowest mobile data costs globally at USD 0.16^[1] per GB.

Digitally Connected Population of India - RBI report

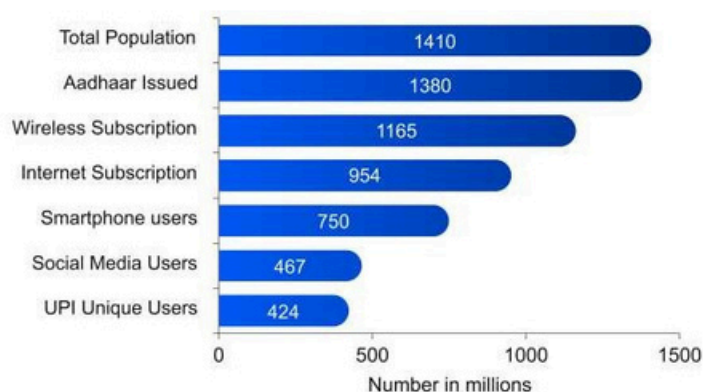


Figure 1: Digitally Connected Population of India - RBI report

Note: Data for subscriptions. internet subscriptions, smartphone users and social media users are not unique i.e., one user may be holding multiple subscriptions

Source: Jan Dhan Duashboard, Telecom Authority of India (TRAI), Statista and RBI staff estimates

Courtesy: INDIA'S DIGITAL REVOLUTION: OPPORTUNITIES AND CHALLENGES, 2024

Strides in India's Financial Inclusion Index

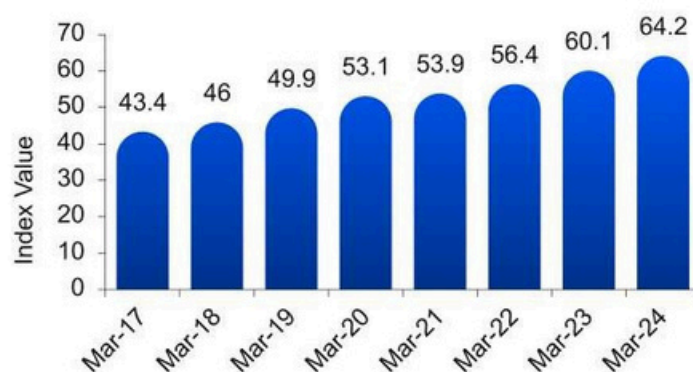


Figure 2: Strides in India's Financial Inclusion Index

Courtesy: INDIA'S DIGITAL REVOLUTION: OPPORTUNITIES AND CHALLENGES, 2024

¹ INDIA'S DIGITAL REVOLUTION: OPPORTUNITIES AND CHALLENGES – RBI, 2024

Bank account ownership rose from 35% in 2011 to 78% in 2021 with over 52 crore Aadhaar-linked Jan Dhan accounts, most of which are held by women (56%^[2]) and rural (67%^[2]) citizens. A rapid expansion in UPI users to 492 million and a thriving startup ecosystem with over 1.4 lakh startups, many of which are FinTechs, paved the way connecting digital inclusion with financial inclusion.

The Unified Payments Interface (UPI) alone processed 131 billion transactions in 2023–24, accounting for 80% of all digital payment volumes. Direct Benefit Transfers (DBTs) have reached 176 crore beneficiaries, saving ₹3.4 lakh crore in leakages. Leveraging this digital footprint, the AA framework has enabled an estimated 156 million users to securely share financial data, improving access to credit and other financial services. With remarkable strides in digital finance, the Indian insurance industry stands at an opportunity to unlock its true potential.

Indian Insurance Industry – History, Evolution and Global Standing

History and Evolution:

India's insurance journey dates back to ancient texts like Arthashastra, which described communal risk-sharing. The modern era began in 1818 with the Oriental Life Insurance Company in Calcutta. Post-independence, the sector was nationalized (LIC in 1956, GIC in 1973). Liberalization in 2000 allowed private and foreign players.

Key Market Players:

India's insurance landscape is shaped by a robust mix of public and private entities, each playing a pivotal role in expanding coverage and innovating service delivery. The Life Insurance Corporation of India (LIC), a government-owned behemoth, continues to dominate the life insurance segment with over 57%^[3] market share, leveraging its extensive distribution network and brand trust built over decades. In contrast, private players such as HDFC Life, ICICI Prudential, and SBI Life have emerged as agile competitors, driving digital transformation and product innovation to cater to evolving customer needs.

² Banking the Unbanked – PIB report, 2025

³ Handbook on Indian Insurance – IRDAIs

The general insurance domain is similarly competitive, with New India Assurance leading among public insurers with over 43%^[3] market share, while Bajaj Allianz, Tata AIG, and Star Health are prominent private players, particularly in health and motor insurance. Additionally, the rise of InsurTechs such as Digit Insurance, Acko, and Policybazaar has disrupted traditional models by introducing seamless digital experiences, embedded insurance, and data-driven personalization. This competitive landscape reflects a healthy mix of robust legacy and digital agility, positioning India's insurance ecosystem for sustained growth and transformation.

Looking ahead, the recent proposal to raise the FDI cap in insurance from 74% to 100% marks a watershed moment for the sector. This move, announced in the Union Budget 2025, is aimed at unlocking the full potential of India's insurance market, which, despite its ripe positioning, still lags behind its global peers. The liberalized FDI regime is expected to bring in not just capital, but also global expertise, advanced technologies, and diversified product offerings tailored to India's evolving risk landscape.

As India pursues its "Insurance for All by 2047" vision, the convergence of digital infrastructure, regulatory reforms, and foreign investment creates a fertile ground for exponential growth. This momentum could catalyze a new era of insurance inclusion reaching underserved segments, improving affordability, and enhancing resilience across the socio-economic spectrum. For the Indian market, this is both a challenge and an opportunity to scale, innovate, and compete in a more open and dynamic marketplace.

Global Benchmark:

The India insurance sector has shown remarkable progress in the last 2 decades, however on a comparative scale, we lag in terms of penetration, premium volumes, and per capita coverage. India ranks as the 10th largest insurance market globally, with total premiums amounting to approximately \$136 billion^[4] as of 2024. In contrast, the United States leads the global insurance landscape with a staggering \$3.22 trillion^[4] in premiums, accounting for nearly 45% of the global market share. Other mature markets such as China, Japan, the UK, and Germany also significantly outpace India in terms of both premium volumes and insurance density.

⁴ Top Ranking World's largest insurance markets 2024 – Beinsure

One of the most telling indicators of India's growth potential is its per capita premium, which stands at \$95^[3], compared to the global average of \$889^[3]. This disparity highlights the vast under-penetration in India, especially in rural and semi-urban areas, where awareness and access remain limited. Additionally, India's insurance penetration, defined as the ratio of premium to GDP, is 3.7%^[3], with life insurance contributing 2.8%^[5] and non-life insurance 0.9%^[5]. This is significantly lower than countries like South Korea (11%)^[3], the UK (9.7%)^[3], and the US (11.9%)^[3], indicating ample room for expansion.

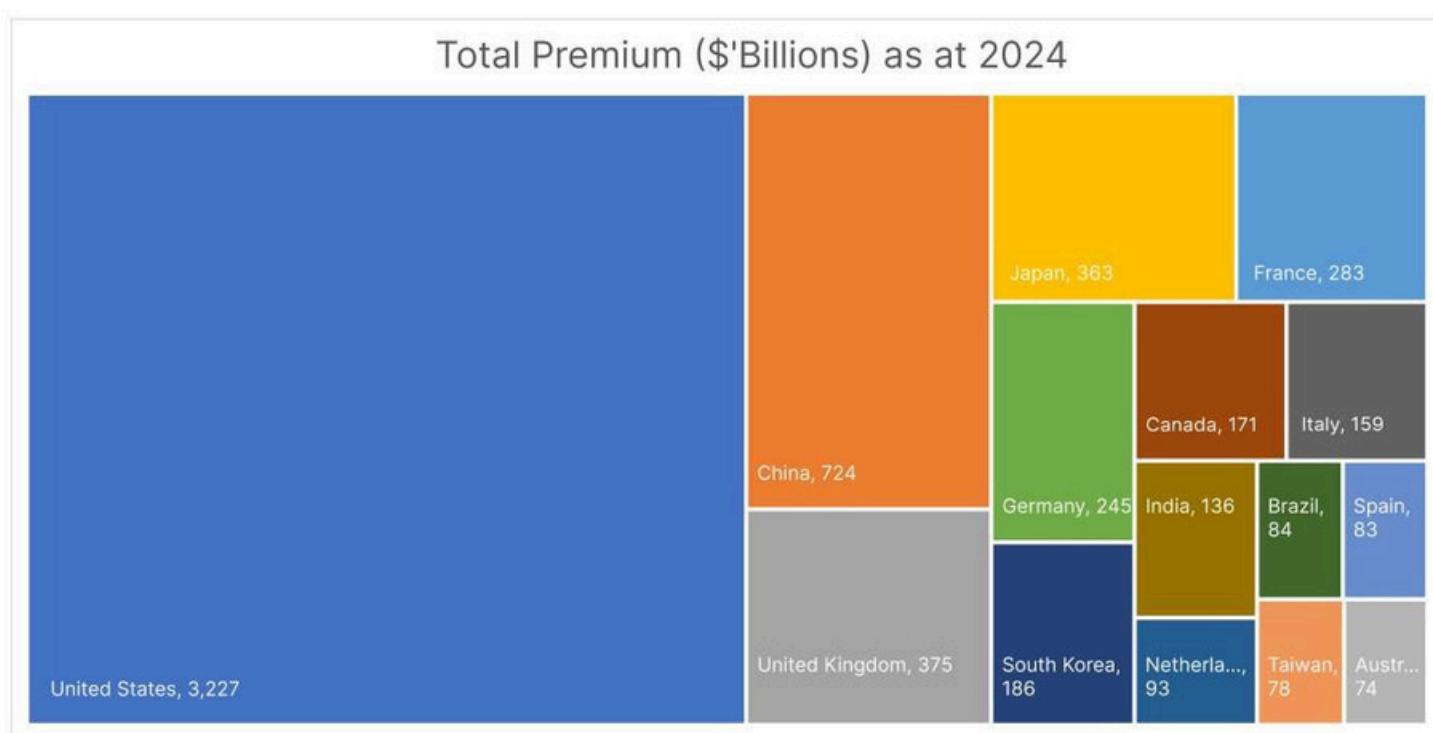


Figure 3: Total Premium (\$'Billions) as at 2024

Despite these gaps, India's insurance market is one of the fastest-growing globally, with a 17%^[5] compound annual growth rate (CAGR) over the past two decades. The sector is buoyed by favorable demographics, increasing digital adoption, and progressive regulatory reforms. According to projections by global consulting firms and reinsurers, India is poised to become the 6th largest insurance market by 2032^[6], driven by rising middle-class incomes, improved financial literacy, and the integration of technology across the insurance value chain. This global comparative analysis underscores both the challenges and the immense opportunities for Indian insurers.

⁴ India Brand Equity Foundation report on Insurance Industry

⁵ India's Insurance Market: Poised for Rapid Growth - Swiss Re, 2023

Insurance Penetration

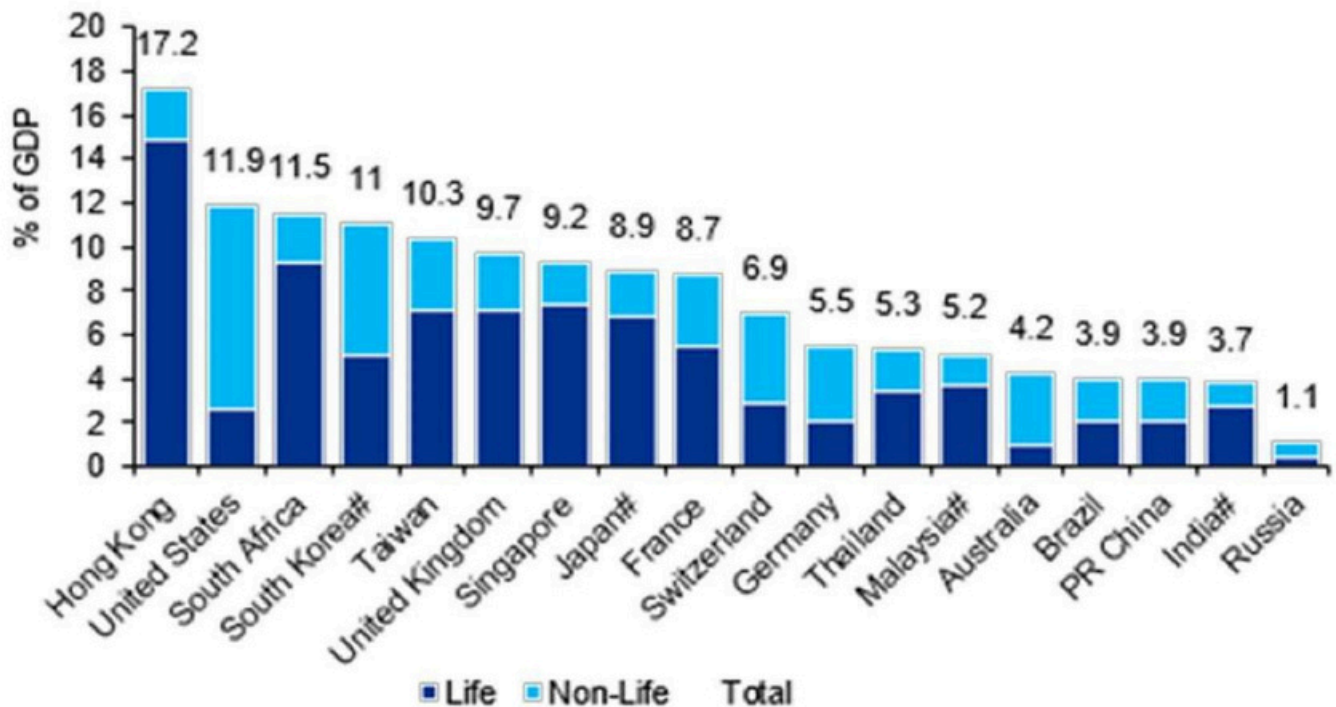


Figure 4: Insurance Penetration Global Comparison

Insurance Inclusion:

66% of the policies issued in year 2022-23 accounted for male insured showcasing a huge **gender gap** due to irregular income.

- IRDAI Annual Report 2022-23

59% of India's workforce is self-employed.

- The Economic Survey 2024-25

9.8% individuals who hold Life insurance policy are self-employed showcasing the impact of lack of legible financial information.

GlobalData's 2022 Financial Services Consumer Survey

30% of the population, or 40 crores individuals fall under the **missing middle** category and are devoid of any financial protection for health due to affordability concerns.

- Health Insurance for Missing Middle (Niti Ayog)

Figure 5: Unevenness in India's Insurance Inclusion

Key Challenges & Opportunities:

Despite India's significant progress in financial and digital inclusion, insurance inclusion remains an area where meaningful gains have been made, but substantial ground is yet to be covered. Insurance being a highly regulated and data-intensive business, majority of the current day challenges are rooted from data with procurement of secure and un-fudged data being the epic center.

Data plays a critical role in enhancing the efficiency, accuracy & scalability of insurance operation and product innovation. It is not merely a support function, but the backbone of every major process. From pricing premiums to assessing risks during underwriting to servicing policies and adjudicating claims insurers rely heavily on the data.

While inaccessibility of data has direct operational impact for insurance, however, this also leads to behavioral and strategic barriers as a second order effect, such as trust deficit, perceived complexity, lower affordability, etc. Complexity of the information required at the outset leads to behavioral hindrance for the customer and sow seeds for lack of trust in the very beginning of the policy journey. Since insurance is a prospective contingency cover, policyholders are often uncertain about its adequacy when needed and coupled with irregular income flows, may question their ability to maintain coverage over time.

Crucially, these constraints do not affect all customers equally. Their impact is most acute among informal, self-employed, and lower-income segments, where income volatility and limited formal documentation amplify both operational challenges for insurers and psychological barriers for policyholders.

According to IRDAI's annual report, only 33% of female policyholders bought insurance in the 2022-23. Further, despite 59% of the working population constituting self-employed individuals, only 9.8% of life insurance policyholders belong to this group, revealing a stark disconnect driven by the lack of formal income proof and certainty. Among the factors driving low insurance penetration, affordability forms a significant factor, especially for the middle class. According to Niti Ayog's report, at least 30%^[7] of the population is unable to get any health cover due to affordability challenges.

Data at the center of Policy holder's Fears and Dilemma



⁷ Health insurance for India's Missing Middle – Niti Ayog, 2021

Figure 6: Data at the center of Policy holder's Fears and Dilemma

Further, the sector continues to grapple with a data accessibility and usability problem, where relevant information is either fragmented, hard to access, or insufficiently structured for meaningful analysis. While the salaried individuals working in organized sectors are majorly driven by behavioral restrictions and may exercise insurance as optional due to employer sponsored insurance, the ones belonging to the unorganized sector face more fundamental barriers.

For example, consider a self-employed individual who earns income through multiple freelance contracts and digital platforms. Unlike salaried employees with formal pay slips, this person's financial profile is difficult to verify using traditional methods. This problem of customer legibility is primary to the un-organized sectors, constituting ~40% of Gross Value Added (GVA)^[8], like road-side vendors, small transport vendors, repair workshop proprietors etc. and gig-workers, comprising of ~1.3 cr working individual^[9] and is expected to reach 2.65 cr by 2030.

Despite having substantial digital and financial footprints through UPI and other platforms, these segments remain largely excluded from the insurance ecosystem due to the absence of standardized, verifiable financial records.

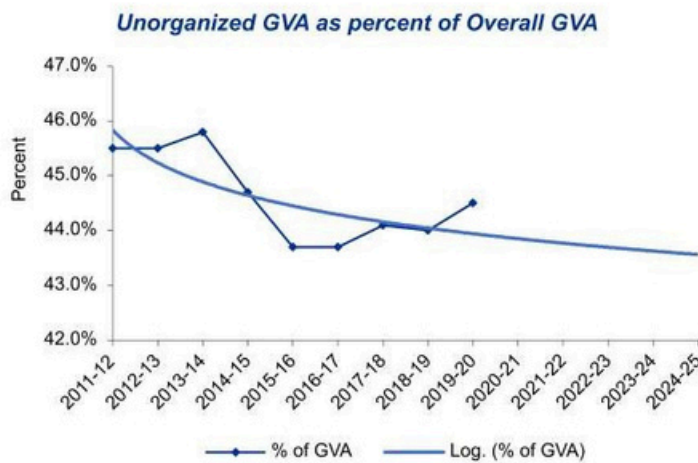


Figure 7: Unorganized GVA as percent of Overall GVA

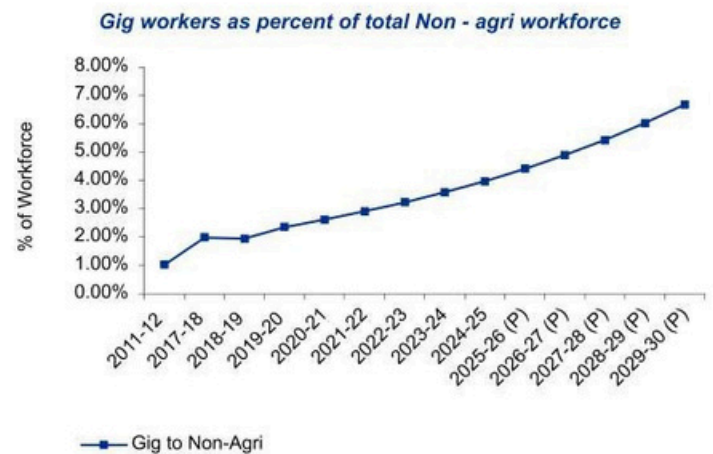


Figure 8: Unorganized GVA as percent of Overall GVA

⁸ RBI Bulletin - A Composite Coincident Index for Unorganized Sector Activity in India, 2022

⁹ Niti Ayog - India's Booming Gig and Platform Economy

Without access to real-time reliable, consented financial data, insurers struggle to assess risk accurately, often leading to delays, manual underwriting, or outright rejection. This foundational issue manifests in several high-impact areas: manual underwriting due to lack of real-time financial and health data; fraudulent claims that go undetected because of poor data verification; delays in claim settlement caused by manual checks and disconnected records; and high policy maintenance costs driven by inefficient customer servicing without personalised insights. These challenges are further compounded by entrenched data silos, which prevent insurers from building a unified view of the customer or leveraging automation effectively.

A. Data Administration: Problem of Data silos:

One of the key challenges in the Indian insurance ecosystem is the fragmentation of data across legacy systems, intermediaries, and departments leading to the problem of data siloes. This subsequently compels the insurers to operate with siloed databases for policy issuance, claims, customer service, and underwriting, limiting their ability to generate a unified customer view. The lack of structured information for the part of the population (especially the gig worker and un-organized sector) worsens data gaps and hinders integration. This not only hampers operational efficiency but also affects the customer experience and accessibility.

For instance, a customer's health records, financial history, and claim behavior may exist in different systems, making real-time decisions harder. Data ingestion techniques (such as APIs) can support the use of third-party data and improve flow across the insurance value chain. However, the lack of standardized data sharing protocols restricts these techniques from delivering consistent results, contributing to delays, duplication, and errors. Addressing this issue opens the door to a shift toward integrated platforms that support data exchange and investment in master data management.

B. Underwriting: Manual Processes & Free-Look Period Dropouts:

Underwriting in India remains largely manual, especially in traditional life and health insurance segments, resulting in slow policy issuance, inconsistent risk assessment, and higher operational costs. Manual underwriting depends heavily on physical documents and human judgment, which often leads to delays and inconsistent decisions. For a large segment of the population, working in informal or unstructured jobs, such as freelancers, gig workers, or small business owners, verifying income through traditional paperwork is difficult.

This makes it harder for insurers to assess their eligibility, further increasing delays and limiting access to insurance. Moreover, the lack of personalization and transparency during onboarding contributes to high dropout rates during the free-look period: a window where customers can cancel policies without penalty. Many customers opt out due to unclear terms, poor onboarding experiences, unavailability of required information (such as pay-slips) or mismatch between expectations and policy features.

This not only affects conversion rates but also leads to wasted acquisition costs. Advanced analytics techniques have the potential to significantly enhance risk profiling in insurance underwriting. However, their effectiveness becomes limited due to absence of real-time, integrated data, which slows down decision-making and reduces accuracy.

C. Policy Maintenance: Service Gaps & High Expense Ratios:

Policy servicing and in-force management in India remain largely reactive and operationally fragmented, resulting in higher cost structures and inconsistent customer experiences. Service interactions are often delayed due to the absence of real-time customer data, forcing agents and service teams to toggle between multiple systems or request duplicate documentation. This not only elongates resolution cycles but also drives customer dissatisfaction and early policy lapsation.

With expense ratios hovering around 20%^[3], a significant share of which stems from legacy servicing processes and manual interventions, these inefficiencies directly impact insurers' margins and ability to reinvest in growth and innovation. Addressing this gap requires a strategic pivot toward digital-first, data-driven servicing models that embed intelligence into customer touchpoints.

Omnichannel engagement, self-service capabilities, and conversational AI can materially reduce call center load and enable faster, more consistent servicing. But the real unlock lies in creating a single, unified customer view, integrating financial, transactional, and policy-level data. Such a foundation allows for proactive outreach, automated renewals, and contextual interventions, ultimately improving persistency, reducing expense ratios, and enhancing overall customer lifetime value.

D. Fraud Deadweight: Policy and Claims Administration:

Claims management is a critical pain point in the Indian insurance sector, marked by high fraud incidence, frequent denials, and prolonged settlement timelines. These issues are deeply interconnected. Fraud often begins at the point of policy issuance through misrepresentation of personal details, income, health conditions, or asset ownership, leading to adverse selection and inflated risk pools. At the claims stage, the same lack of reliable, verifiable data drives lengthy investigations and manual checks, which slow down settlements and contribute to both legitimate claims being delayed and fraudulent ones slipping through.

Fraudulent claims are estimated to inflate premiums by **8 - 10%**^[10], imposing a direct cost on both insurers and honest policyholders. These losses function as a deadweight on the system, raising pricing for low-risk customers, eroding underwriting discipline, and diverting resources away from innovation and service quality. Legacy, paper-based verification processes and manual field investigations further compound the problem, driving higher operating costs, slower claim settlement cycles, and avoidable disputes. Over time, these inefficiencies undermine customer trust, heighten regulatory and supervisory scrutiny, and constrain scalability.

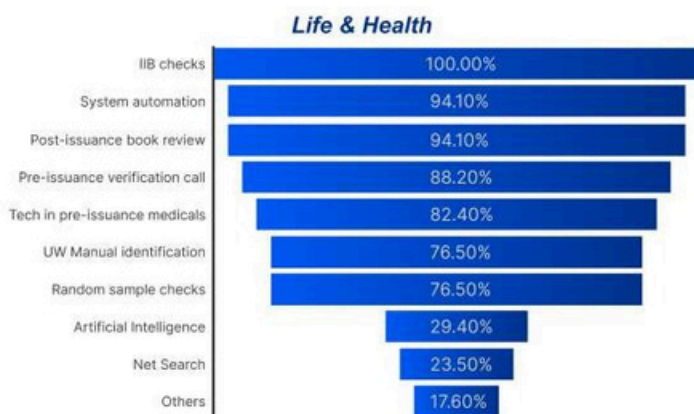


Figure 9: Life & Health

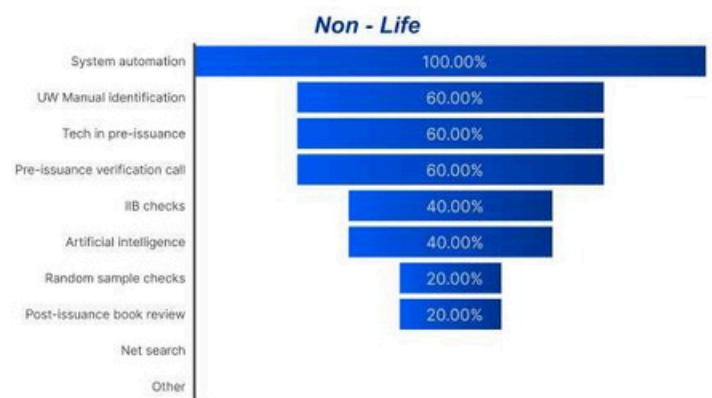


Figure 10: Non - Life

In summary, the challenges facing India's insurance sector, particularly those rooted in fragmented data systems, highlight the urgent need for a more connected and interoperable data ecosystem. This is where the AA framework emerges as a transformative enabler. As a foundational layer of India's Digital Public Infrastructure (DPI), AA offers a secure, consent-driven mechanism for real-time data sharing across financial institutions. It not only addresses the core issue of data silos but also aligns with the broader vision of Open Finance, creating new opportunities for insurers to reimagine underwriting, claims, and customer engagement. The following section introduces the AA framework in detail, contextualizing its relevance, structure, and value proposition for the insurance industry.

AA framework - An Emerging digital public infrastructure for Open Finance

As India's insurance sector confronts the limitations of fragmented data systems and manual processes, the emergence of the Account Aggregator (AA) framework marks a pivotal shift toward a more connected and intelligent financial ecosystem. Conceived as a cornerstone of India's Digital Public Infrastructure (DPI), AA enables secure, consent-driven sharing of financial data across institutions, empowering insurers to access real-time, verified information directly from source systems. Unlike traditional data exchange models that rely on static documents and intermediated flows, AA introduces a user-centric architecture that prioritizes privacy, interoperability, and scalability.

This section situates AA within the broader global movement toward Open Finance, drawing parallels with initiatives like SGFinDex in Singapore and Brazil's Open Finance, and explores how India's unique implementation, supported by regulatory coordination and the DEPA framework, is unlocking new possibilities for insurers. From its launch timeline and ecosystem participants to its value proposition and adoption trends, the AA framework offers a transformative foundation for reimagining underwriting, claims, and customer engagement in the insurance industry.

What is Open Finance?

Open Finance refers to a data-sharing paradigm where individuals and businesses can securely share their financial data across institutions with their consent. It builds on the principles of Open Banking but expands to include broader financial services such as insurance, pensions, investments, and credit. The goal is to foster innovation, competition, and financial inclusion by enabling seamless, consent-driven data sharing.

Global Evolution:

The global journey of Open Finance has unfolded across a spectrum of regulatory philosophies, technological infrastructures, and market maturities. While India's Account Aggregator framework is a pioneering model, several countries have initiated their own Open Finance regimes, some through robust regulatory mandates, others via market-led innovation. This section presents a chronological narrative of Open Finance evolution across key global jurisdictions, offering a comparative lens on their strategic direction, ecosystem development and the forward-looking projections.

Table 1: Open Finance implementations across various jurisdictions

Jurisdictions	Year Initiated	Framework/Initiative	Scope & Features
United Kingdom	2016	PSD2 / Open Banking	Regulatory-led; API-based data sharing; expanded to pensions, investments, mortgages; strong consumer protection and fintech ecosystem.
India	2016 (RBI issued Master Directions for NBFC-AA). ecosystem officially launched in 2021	Account Aggregator (AA)	Regulatory-led, Secure, consent-based financial data sharing across banking, securities, insurance, pensions; Encrypted APIs; Enables interoperability among Financial Information Providers (FIPs) and Financial Information Users (FIUs); over 2.61B+ accounts enabled, 223M+ users linked.
European Union	2018 onward	PSD2 → FiDA (2023 proposal)	Regulatory-driven; cross-border interoperability; standardized APIs; expanding to mortgages, pensions, investments under FiDA.
Australia	2018	Consumer Data Right (CDR)	Sector-agnostic; covers banking, energy, telecom, insurance, superannuation; strong focus on consent, portability, and phased rollout.
Brazil	2019	Federated Open Finance (DPI)	Covers banking, insurance, pensions, investments; decentralized data flows; public-private collaboration; over 100M monthly data fetches.

Jurisdictions	Year Initiated	Framework/Initiative	Scope & Features
South Korea	2020	MyData & Open Banking	Regulatory led; standardized APIs; covers loans, insurance, investments; 54M+ users; strong digital infrastructure and consumer protection.
Singapore	2020	SGFinDex, APIX	Government-backed; integrates data from banks and public agencies; promotes interoperability and fintech collaboration.
United States	2020	FDX, Dodd-Frank Section 1033	Market-led; API-based data access; aims to eliminate screen scraping; thriving fintech ecosystem; projected 223M+ users by 2030.

According to the GOFAR report (Sahamati, 2024), India, United States and Brazil are set to lead the open finance domain, demonstrating remarkable growth and performance by 2030. India is projected to reach **479 million** users driven by its rapidly expanding digital ecosystem and financial inclusive strategies. The US anticipates reaching **223 million** owing to its well-established infrastructure and high digital adoption rates. Brazil projects to reach **107 million** users fueled by its increasing mobile financial services and a dynamic digital banking environment.

What is the Account Aggregator ecosystem:

The AA ecosystem is a regulated, consent-based data-sharing framework that enables individuals and businesses to securely share their financial information across institutions in real time. Conceptually, it transforms fragmented, document-based processes into structured, digital data-sharing, unlocking efficiency, reducing information asymmetry, and enabling more inclusive and data-driven financial services.

The ecosystem allows customers to share their financial data across banking, investment, tax, pension, and insurance information, directly from source institutions to service providers without friction, in real-time, and predicated on explicit, informed consent of the customer. Its architecture ensures that data is only shared across institutions, is never stored by the AA itself, and flows through secure, interoperable APIs.

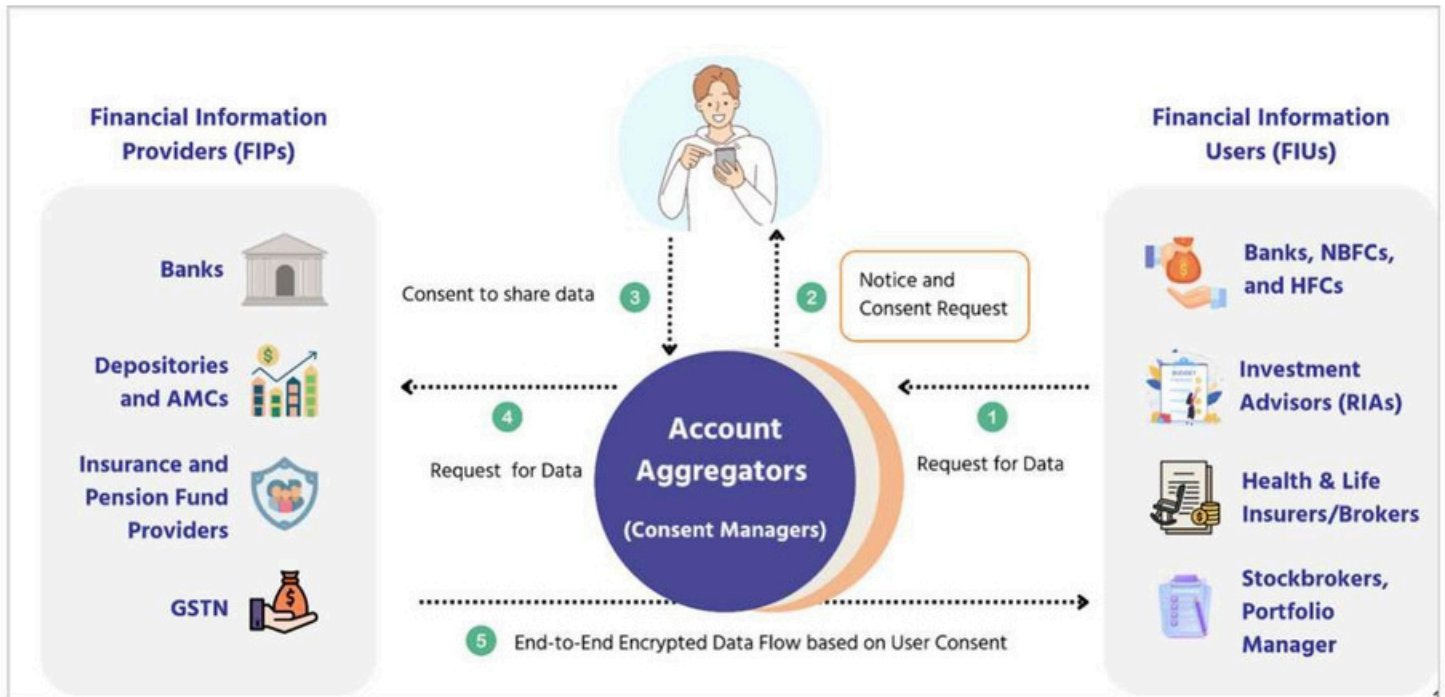


Figure 11: Understanding how a consent-based data-sharing transaction happens

Key Participants of the ecosystem:

The Account Aggregator (AA) framework operates as a consent-based data-sharing infrastructure, enabling secure and interoperable exchange of financial information across institutions. Its architecture is built on a modular ecosystem comprising distinct participant roles, each contributing to the seamless functioning of the data-sharing value chain.

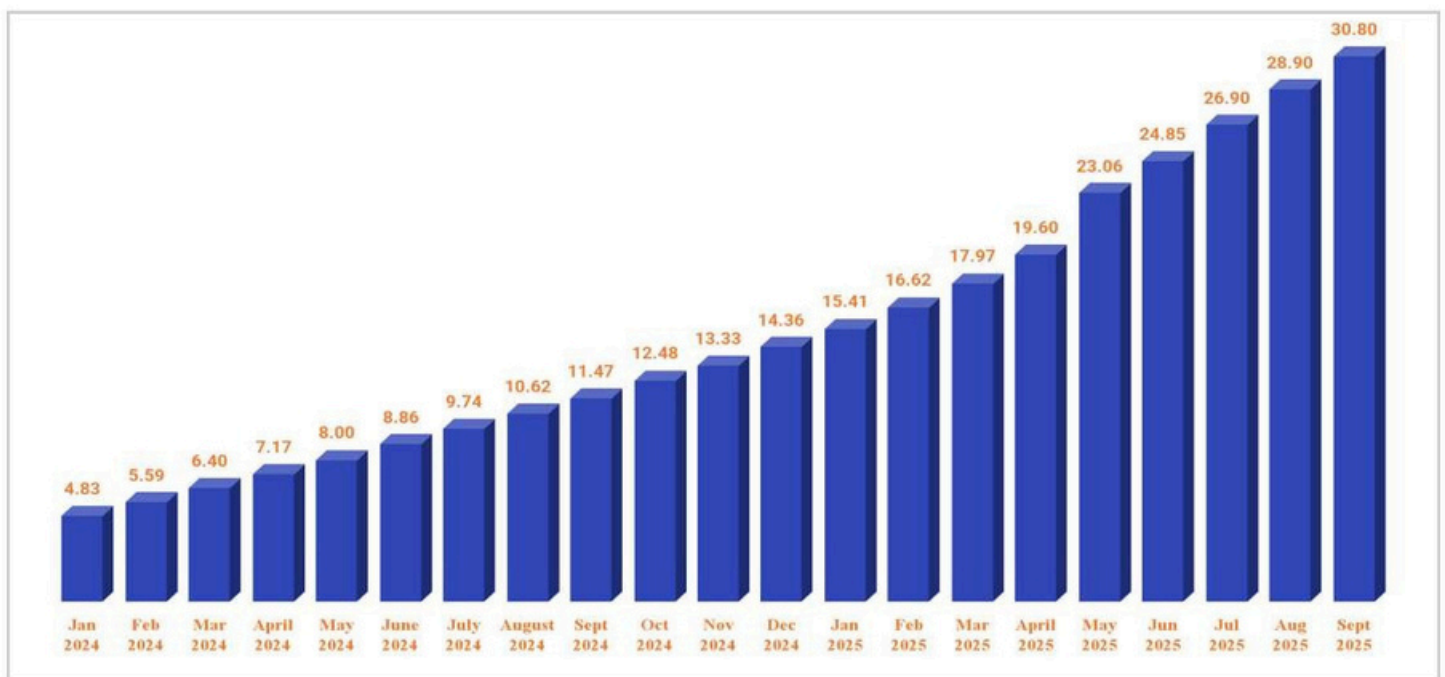


Figure 12: Cumulative consents successfully fulfilled by the AA ecosystem (in Crore)

Customer - The ultimate owner of data:

The customer is the central figure and the ultimate owner of financial data. The framework empowers individuals and businesses to share their data securely and transparently through a consent-based mechanism. Customers can link multiple financial accounts across sectors with an AA and provide granular consent for data sharing linked to a specific purpose, duration, and type of data to be shared. This consent-driven approach ensures complete control, allowing customers to view, revoke, or modify permissions at any time.

Account Aggregators (AAs) - Consent Managers:

Account Aggregators are licensed Non-Banking Financial Companies (NBFC-AAs) regulated by the Reserve Bank of India. Their primary role is to act as neutral consent managers, facilitating the flow of financial data between Financial Information Providers (FIPs) and Financial Information Users (FIUs) without storing or processing the data themselves. AAs ensure that data sharing is encrypted, purpose-specific, and revocable, thereby upholding user privacy and control.

Financial Information Providers (FIPs) - Data Custodians:

FIPs are institutions that hold customer financial data. These include banks, insurance companies, mutual fund houses, pension fund managers, and tax platforms. Upon receiving a valid consent artefact from an AA, FIPs share the requested data with the requesting FIU. Their role is critical in ensuring data accuracy, availability, and compliance with service-level agreements (SLAs) defined by the ecosystem.

Financial Information Users (FIUs) - Data Consumers:

FIUs are entities that consume financial data to deliver services such as insurance underwriting, lending, wealth management, and personal finance advisory. By accessing real-time, verified data through the AA framework, FIUs can streamline onboarding, enhance risk assessment, and personalize offerings. This reduces reliance on manual documentation and improves turnaround times across financial workflows.

Sahamati - Ecosystem Facilitator:

Sahamati plays a vital enabling role in the AA ecosystem. As a non-profit collective of ecosystem participants, it supports participant onboarding, promotes technical standardization, and drives education and awareness. Sahamati also facilitates innovation pilots, grievance redressal mechanisms, and ecosystem self-governance, helping establish a functional network.

Other Ecosystem Enablers:

Beyond the core participants, the Account Aggregator ecosystem is supported by a set of critical enablers that ensure its scalability, security, and compliance. These entities operate behind the scenes to uphold the technical and operational integrity of the framework, allowing financial institutions to integrate seamlessly and securely.

- **Technology Service Providers (TSPs) - Infrastructure & Analysis Enablers:** TSPs build and maintain the technical modules that connect FIPs and FIUs to the AA ecosystem. They ensure standardized, secure, and interoperable API integrations, guided by specifications from ReBIT. They also provide the analytics services including creation of UI/UX to simplify onboarding at the customer level and efficient interpretation of the information shared at the user's end.
- **Certifiers** Certifiers validate whether ecosystem participants meet the technical and security standards defined by ReBIT. While certification is optional, it enhances trust and consistency across implementations.

Together, these enablers form the backbone of the AA infrastructure, ensuring that data flows are not only consent-driven but also technically robust and compliant with regulatory and ecosystem standards.

India's Journey so far:

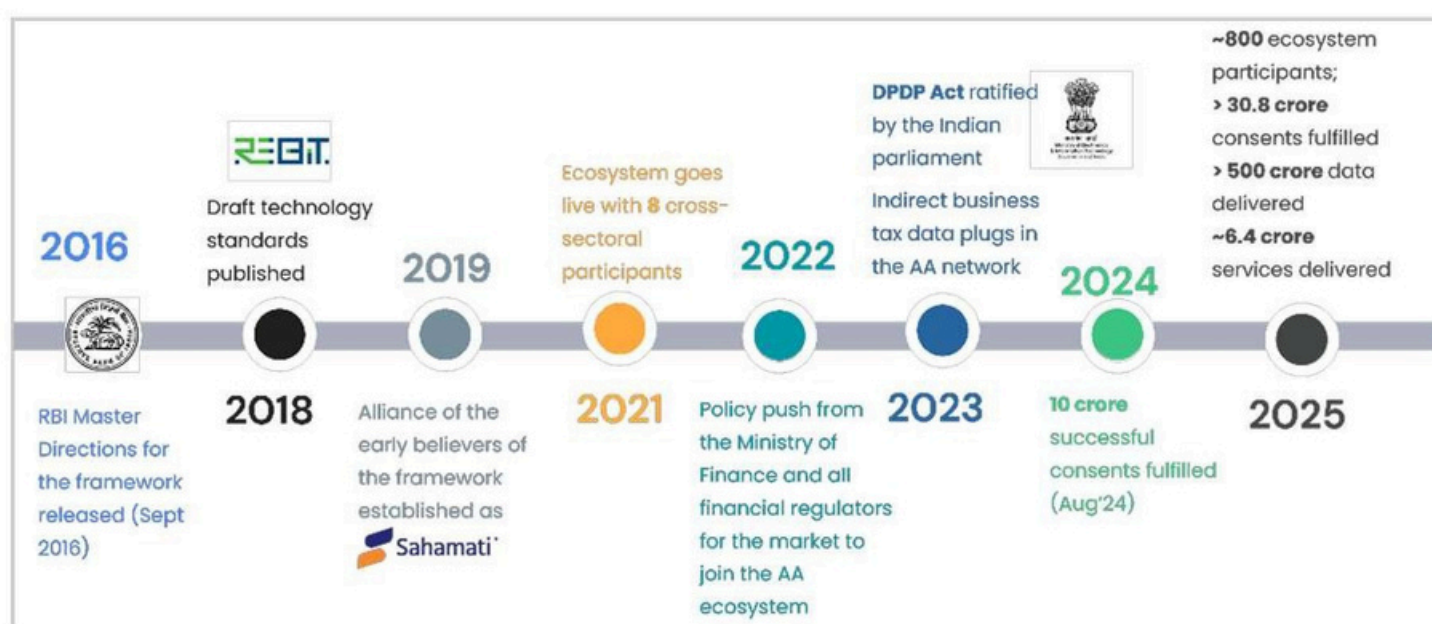


Figure 13: Journey of India Account Aggregator Ecosystem

India's AA framework has laid the foundation of a robust, inclusive Open Finance implementation in the country. The AA ecosystem has pioneered a ground-up implementation approach by fostering collaboration among regulators, policymakers, financial institutions, and technology providers.

Foundational Vision & Policy Framework (2016–2018):

During this period, various developments established the legal and policy foundations for rolling out Open Finance in India. Together, RBI's Master Directions on the Account Aggregator (AA) framework, the Srikrishna Committee's work on data protection, and the Supreme Court's ruling on privacy as a fundamental right provided the foundation for secure, consent-based data sharing, positioning the AA framework as a cornerstone of India's financial ecosystem.

Framework Building & Early Adoption (2019–2021):

With policies in place, India built and rolled out the AA framework. Through collaborative efforts among regulatory bodies, industry stakeholders, and technology providers, the Reserve Bank of India Information Technology (ReBIT), the data standards body for the AA ecosystem, established operational standards. The launch of Sahamati, an industry alliance, helped drive ecosystem adoption, while regulatory support from entities like RBI, SEBI, IRDAI, PFRDA and Ministry of Finance amplified momentum. In 2021, The AA framework officially went live in 2021, marking the start of a functioning Open Finance network.

Cross-sectoral Expansion & Accelerated Adoption (2022–2023):

This period marked rapid expansion and increased cross-sectoral participation in the AA ecosystem. Financial institutions across banks, pensions, securities, investments, and the Goods and Services Tax Network (GSTN) joined the ecosystem, allowing access to tax, pension, and depository data. Policy advancements, like the Digital Personal Data Protection Act 2023, reinforced data privacy and user control, while ReBIT introduced enhanced technical standards for scalability.

Current State

The AA ecosystem is rapidly approaching critical mass. It has scaled into an operational layer of Digital Public Infrastructure (DPI) for financial data sharing in India. As of September 2025, the network now includes **776 FIUs** and **180 FIPs** across **30+** license types from the four financial sectors in India and **GSTN**, indicating institutional scale and sectoral diversity. These institutions have enabled more than **261 crore** financial accounts, with **22.3 crore** accounts already linked.

Over **30.8 crore** consents have been fulfilled, and more than **500 crore** data packets have been exchanged securely between Financial Information Providers (FIPs) and Financial Information Users (FIUs). This early traction is translating into measurable outcomes. Cumulatively, the ecosystem has facilitated over an estimated **6.4 crore** financial services.

In FY25 alone, it enabled an estimated **4.77^[11] crore** financial services, including **187.95 lakh** loans amounting to **₹1.66 lakh crore**, **84.20 lakh** futures & options account openings, **204.69 lakh** personal finance management users, and **0.33 lakh** insurance policies. Assuming one service per user, this implies that over **4.4%** of India's adult population availed a financial product via AA.

A key driver of this adoption has been the breadth of financial information (FI) types available through the AA network. The ecosystem currently supports 15 live FI types spanning banking, investments, insurance, pensions, and taxation. Please refer table 2.

As adoption accelerates across sectors, ensuring stable and high-performance data access has become a critical priority for the ecosystem. Strengthening the supply side of the ecosystem is essential not only to sustain existing use cases but also to enable more complex, high-value applications, particularly in insurance, where diversified and verifiable financial data underpins effective underwriting and fraud control.

As the collective voice of the industry, Sahamati is currently undertaking efforts to stabilize key data providers and high-impact FI types, including improving the availability and reliability of bank term deposit data, expanding coverage through additional private sector banks, and enhancing performance of key FIPs in the network.

In parallel, it has submitted proposals to relevant stakeholders to further expand the FI universe, covering additional GST return types, income and employment data through Employees' Provident Fund Organisation (EPFO) passbooks, structured income data through Central Board of Direct Taxes (CBDT) ITR filings, joint and corporate accounts, and small savings schemes.

The ecosystem has seen its early momentum shaped by strong uptake in financial sectors like lending and capital markets. These sectors have quietly moved from early adoption to more embedded operational use. Lenders have been the earliest adopters, leveraging AA to strengthen

¹¹Sahamati Data Unlocked Report, 2025

Table 2: Financial Information (FI) Types live in the ecosystem

Sr. No.	Financial Information (FI) Type	Sector
1	Deposits (singly held savings accounts & sole-proprietor current accounts)	Banking
2	Term Deposits	Banking
3	Recurring Deposits	Banking
4	Equity Shares (Demat)	Capital Markets
5	Exchange Traded Funds	Capital Markets
6	Mutual Fund Units (Physical)	Capital Markets
7	Insurance Policies	Insurance
8	Unit Linked Investment Plans (ULIPs)	Insurance
9	Balances under National Pension System (NPS)	Pensions
10	Goods and Services Tax Returns (GSTR 1 & 3B)	Taxation
11	Systematic Investment Plans (Demat & Non-Demat)	Capital Markets
12	Alternative Investment Funds (Demat)	Capital Markets
13	Indian Depository Receipts (IDRs)	Capital Markets
14	Collective Investment Schemes (CIS)	Capital Markets
15	Infrastructure Investment Trusts (InvIT)	Capital Markets

cash-flow underwriting. The impact is already visible at scale: an estimated **10%** of personal loans disbursed in India in FY25 were facilitated through AA-enabled journeys. Moreover, progressively lenders have started integrating AA into credit lifecycle processes such as repayment monitoring, collections, and risk management.

Similarly, capital market intermediaries such as brokers, RIAs, and AMCs, have adopted AA to streamline onboarding, improve suitability assessments, and enhance compliance. Their early action reflects a clear understanding of AA not merely as a utility, but as core infrastructure that improves efficiency, reduces risk, and supports business growth. The table below outlines the breadth of current and emerging use cases across the financial system, illustrating the ecosystem's expanding functional footprint.

Table 3: Prominent use cases active in the ecosystem

Use Case	FIUs leveraging	Benefit to Customer	Benefit to FIU
Bank Account Verification	Banks, NBFCs	Faster onboarding with less paperwork and instant verification.	Automates and standardizes account verification; reduces KYC friction and fraud risk.
Loan Underwriting	Banks, NBFCs	Quicker approvals and better loan terms based on verified income.	Real-time access to verified financial data enables more accurate credit decisions and reduces defaults.
Vendor Risk Profiling	Banks, NBFCs	Easier access to credit and trade finance with less documentation.	Provides visibility into vendor cash flows and creditworthiness.
Repayment Monitoring & Early Warning Signals	Banks, NBFCs	More flexible repayment terms, fewer abrupt recoveries.	Continuous monitoring of borrower accounts for risk signals; improves portfolio quality.
Collections Monitoring	Banks, NBFCs	More transparent collection processes and reduced disputes.	Increases efficiency of collections through direct visibility into accounts.
Balance Check before Debit / eNACH	Banks, NBFCs	Minimizes penalties or service disruptions due to insufficient balance.	Prevents failed transactions and reduces operational cost.
Wealth Management & Advisory	Banks, RIAs	Personalized and transparent financial advice based on actual holdings.	Enables holistic portfolio view for better recommendations and compliance.

Use Case	FIUs leveraging	Benefit to Customer	Benefit to FIU
Personal Finance Management (PFM)	Banks, RIAs, PMs	Better budgeting, savings, and investment decisions with minimal manual inputs.	Drives customer engagement through real-time financial insights.
Risk Profiling for F&O Account Opening	Stockbrokers	Faster account opening with reduced documentation.	Provides verified financial signals to assess suitability and regulatory compliance.
Income Verification for Life Insurance	Life Insurers	Quicker policy issuance and access to more tailored products.	Reduces manual underwriting time and fraud risk; improves risk-based pricing.
Employee Trading Activity Monitoring	AMCs, PMs, Stockbrokers, RAs	Simplifies compliance reporting for employees.	Enhances compliance by monitoring insider trading activity.
Research Dissemination Based on Holdings	Research Analysts (RAs)	More relevant research insights for investors.	Provides accurate and timely investor data for targeted research dissemination.
Government Welfare Monitoring	Government Departments	Faster benefit disbursal with improved transparency.	Enables real-time tracking of beneficiary accounts to improve targeting.

While insurance has so far had a limited usage of the AA ecosystem, accounting for a single active use case in FY25 and a modest share of total services delivered, the sector is now well poised to accelerate its adoption. Industry stakeholders, including life insurers, brokers, corporate agents, and TSPs, have expressed a clear inclination of the industry to leverage AA into core workflows across fraud detection, claims verification, persistency management, and product innovation.

This growing intent is already visible in the early design and piloting of new insurance use cases, mirroring the trajectory followed earlier by lending and capital markets. With richer financial data becoming available and authentication frictions reducing, the insurance industry is expected to emerge as a significant user of the AA framework in FY26, unlocking both operational efficiencies and inclusion opportunities.

AA Adoption So far - Indian Insurance Industry

The adoption of the AA framework within India's insurance industry is steadily gaining momentum, driven by regulatory alignment, ecosystem readiness, and the pressing need to overcome legacy data challenges. India's insurance sector is transitioning from cautious exploration to early implementation. FY25 has marked a pivotal year, with insurers moving beyond pilots into live use cases, particularly in life insurance underwriting. As the ecosystem matures, AA is poised to become a foundational layer for data-driven insurance delivery enabling smarter products, faster processes, and deeper inclusion.

Industry Adoption Overview:

The AA ecosystem has evolved from early pilots to scaled deployments across banking and lending. In insurance, adoption is steadily expanding across life, health, and general insurance, with a mix of early adopters, proof-of-concept (PoC) pilots, and strategic evaluations underway. Life and health insurers are leading the charge, particularly in areas like onboarding and underwriting, while general insurers are exploring AA for fraud detection and claims automation.

The AA framework presents a transformative opportunity for the Indian insurance industry to reimagine its data infrastructure, customer engagement, and product delivery. As insurers move from legacy systems to digital-first models, AA offers a secure, consent-driven mechanism to access verified financial data, unlocking value across the insurance lifecycle:

Value Proposition for Insurance:

AA enables insurers to replace manual, document-heavy processes with real-time, automated data flows. For instance, financial underwriting for life insurance, traditionally reliant on PDF uploads and self-declared income, is now being streamlined through AA. Verified bank data accessed via consent reduces fraud, improves risk selection, and enables straight-through processing.

Enhanced Risk Assessment and Fraud Detection:

AA empowers insurers with granular, real-time insights into customer financial behaviour enabling more accurate risk profiling and fraud mitigation. These capabilities strengthen underwriting models and reduce payout leakages, enhancing portfolio quality.

Personalized and Inclusive Product Design:

The insurance industry is shifting from one-size-fits-all products to personalized, context-aware solutions. AA facilitates this transition by enabling insurers to design products aligned to verified customer profiles and personalized to their needs. This personalization is especially critical for India's "missing middle", low and middle-income households, underserved by traditional insurance models. AA enables insurers to expand coverage and drive financial inclusion.

Impact shared by one of the Leading Life Insurers

50% customers opt for Account Aggregator-led journeys for data-sharing.

8% better issuance of policy for customers who opt for Account Aggregators

30% reduction in the average time taken to share financial information for underwriting.

65% of the Account Aggregator fetched information do not require manual underwriting.

Source: Sahamati Report

Figure 14: Impact of AA ecosystem on a early adopter in life insurance

Strategic Alignment with Sectoral Initiatives:

AA complements broader industry initiatives like Bima Sugam, which aims to create a unified insurance marketplace. By integrating AA into digital distribution and servicing platforms, insurers can:

- Offer real-time eligibility checks and contextual product recommendations.
- Enable seamless onboarding and automated servicing.
- Build data-driven engagement models that foster long-term customer relationships.

This alignment positions AA as a foundational layer for India's digital insurance infrastructure. AA delivers a compelling value proposition for insurers by addressing core challenges across data fragmentation, fraud, inefficiency, and exclusion, while unlocking strategic opportunities for innovation, personalization, and scale. As adoption deepens, AA is set to become a cornerstone of India's insurance transformation.

Current Use Cases Across the Value Chain:

The adoption of the AA framework in insurance is evolving from early pilots to a steadily expanding portfolio of use cases across the value chain. Applications in life and non-life sectors, spanning across onboarding, underwriting, claims, fraud detection, and policy servicing, are coming up, demonstrating the versatility of the ecosystem as a foundational, consent-based data-sharing infrastructure. At the core of this adoption wave is financial underwriting for life insurance, which has emerged as the most prominent and widely deployed use case to date.

Around this anchor, insurers, intermediaries, and TPAs are piloting, implementing in pockets, or actively considering a growing set of complementary applications that leverage AA to address long-standing structural frictions. This expanding pipeline reflects a sector-wide shift toward more data-driven, scalable, and inclusive insurance delivery, positioning AA as a strategic enabler for the industry's next phase of digital transformation.

1. Financial underwriting for life insurance

Financial underwriting for life insurance has emerged as the most prominent insurance use case within the AA ecosystem. Traditionally, insurers relied on self-declared income proofs and static PDF uploads for underwriting, a process that often involved delays, operational inefficiencies, and exposure to forgery or inaccurate information. By enabling real-time, consent-based access to verified income data directly from bank accounts, AA allows insurers to replace manual steps with a more structured and reliable flow of information.

For customers, this means a simpler and faster experience, with less paperwork and quicker access to suitable insurance products. For insurers, it enables more consistent and data-backed underwriting decisions, lowers processing costs, and improves risk selection. The benefits are already becoming visible on the ground. A leading life insurer, for instance, has shifted from manual uploads to AA-enabled data fetches, bringing underwriting turnaround time down from days to minutes. In the last year alone, over **59,000 cases** were processed, with adoption growing more than **250%** year-on-year.

2. Insurance Planning

Insurance planning is emerging as a powerful use case for the AA ecosystem, functioning much like personal finance management (PFM) but tailored for protection and risk-cover planning. Instead of requiring customers to self-report their financial profile, insurance brokers and digital platforms can use AA to access consented, verified financial information and build a more accurate understanding of an individual's capacity, needs, and coverage gaps.

For customers, this means receiving relevant insurance recommendations without friction or overselling, improving the fit between their financial profile and the products they buy. For intermediaries, it strengthens the quality of advice, builds trust, and creates opportunities for longer-term customer engagement rather than one-time transactions. This allows for personalized, data-informed product recommendations across life, health, and sachet insurance products.

One leading digital platform has already demonstrated the potential of this approach: integrating AA into its omnichannel journey to offer stage-appropriate nudges that mirror the role of a trusted financial advisor. This has influenced more than **1 lakh** customers, illustrating how AA can shift insurance from being a push product to a more informed and participatory planning experience.

More Emerging Applications

As adoption of the framework matures, new use cases are beginning to take shape, beyond the current prominent applications. These emerging use cases reflect a shift from using AA solely for underwriting and assessment to embedding it across multiple stages of the insurance product lifecycle, including renewals, claims processing, fraud detection, and agent oversight.

By expanding the scope of where and how consent-based financial data is leveraged, these use cases have the potential to deepen the sector's engagement with the AA ecosystem, proliferating both its operational impact and strategic relevance across product lines and business functions.

Table 4: New AA use cases taking shape in the insurance industry

Use Case	FIUs leveraging	Benefit to Customer	Benefit to FIU
Proactive Policy Renewal Monitoring	Life, Health, and General insurers	Prevents unintended lapses through timely reminders and targeted nudges to stay financially protected.	Improves persistency, reduces acquisition losses, enables proactive engagement.
Agent Monitoring for Fraud Detection	Life, Health, and General insurance	Builds transparency and accountability in agent interactions.	Strengthens compliance, improves oversight, and reduces fraud-related losses.
Reimbursement Claim Verification	Health insurers, TPAs	Faster and smoother claim settlements with minimal paperwork.	Reduces manual documentation, accelerates reimbursement processing, enhances fraud detection.
Fraud Detection in Reimbursement	Health insurers	Greater trust through fair claims processing and reduced system misuse.	Detects circular transactions, reduces fraudulent payouts, strengthens compliance.
Detection of Prior Claims for NCB ¹² Validation	General insurers, motor insurers	More accurate pricing and reduced disputes during renewals.	Prevents NCB-related fraud and ensures appropriate policy pricing.

¹²NCB = No Claim Bonus

The table before outlines a growing set of use cases which illustrates how the AA framework can extend far beyond underwriting, providing insurers with early risk signals, operational efficiency, and stronger controls, while offering customers a simpler, faster, and more transparent insurance experience. As adoption deepens, these applications can play a key role in modernizing the sector's engagement, servicing, and fraud prevention capabilities.

In October 2025, the Insurance Regulatory and Development Authority of India (IRDAI) notified the Insurance Fraud Monitoring Framework Guidelines, 2025^[13], introducing a zero-tolerance approach to insurance fraud effective April 1, 2026. This regulatory directive on prevention, detection, and reporting of fraud across insurers and distribution partners. This sharper regulatory posture aligns closely with the role that the AA ecosystem can play in strengthening fraud risk management in the insurance sector. It can help insurers address multiple pain points embedded in the fraud lifecycle, such as:

- **Fraud Prevention at Issuance:** By enabling real-time income and financial verification directly from source, AA can significantly reduce the risk of misstatements during onboarding and underwriting, which is one of the primary entry points for fraud.
- **Ongoing Risk Surveillance:** BWith recurring consent, insurers can monitor financial signals relevant to persistency, premium payment behaviour, and reimbursement verification, enabling earlier detection of anomalies and circular transactions.
- **Faster, Evidence-Driven Investigations:** Access to tamper-evident, verified data shortens investigation timelines, reduces reliance on paper-based documentation, and strengthens compliance with the reporting and governance requirements outlined in the 2025 framework.

Taken together, these emerging developments signal a turning point in how the insurance sector can leverage the AA ecosystem. This widening application reflects a growing recognition of AA as enabling infrastructure that can deliver measurable gains in efficiency, cost reduction, fraud control, and market expansion. The following section sets out a theory of change and indicative metrics that can help capture AA's role as a structural enabler in the insurance ecosystem.

¹³[Insurance Regulatory and Development Authority of India \(Insurance Fraud Monitoring Framework\) Guidelines, 2025](#)

Prospective opportunities for the insurance industry to leverage from AA

The Indian insurance industry now finds itself at a pivotal juncture. With the proven infrastructure in place and consumer digital readiness at an all-time high, the stage is set for insurance to become the next frontier of inclusive financial growth. The question is no longer “if” but “how” the sector can scale, and the answer lies in data-driven enablement.

Theory of Change:

Through consultations with life insurers, brokers, corporate agents and TSPs, a clear pattern has emerged: the most persistent barriers to scale and inclusion in insurance are rooted not in distribution reach or product design, but in information frictions. Whether in underwriting, pricing, claims or persistency, the absence of structured, reliable financial data at the point of contracting drives up acquisition costs, heightens adverse selection for insurers, and weakens risk management. These are not marginal inefficiencies. They shape who gets insured, at what cost, and how sustainable portfolios are over time.

Consent-based, real-time access to verified financial information enhances risk visibility and reduces dependence on manual verification. Over time, as financial and health data analytics converge, insurers will be able to offer more customized, risk-based products and appropriate premium pricing. The impact will unfold differently across segments. Life insurance stands to benefit most in the near term through sharper financial underwriting and improved persistency. Health insurance will see gains from stronger fraud detection, faster claims verification, and richer risk segmentation.

For non-life insurance, the initial benefits will center on operational and supervisory efficiencies. But as data maturity grows, India has a significant opportunity to build a robust market for risk-based insurance products, particularly in motor, travel, and property segments—supported by better underwriting signals and dynamic pricing. This differentiated trajectory provides a practical basis for sequencing adoption and focusing on the highest yield use cases first.

The Theory of Change (ToC) outlined below links underlying market failures to AA’s intervention mechanisms and expected outcomes across these three segments. It is not just a conceptual frame. It sets the analytical structure for quantifying potential gains in subsequent sections, including premium growth, cost efficiencies, improved persistency and fraud reduction. This allows the business case for AA adoption to rest on structural sectoral realities rather than abstract projections.

1. Unlocking the service for the underserved section:

A large segment of India's population remains beyond the reach of traditional insurance models—not due to lack of demand, but because of limited formal income documentation, which creates high data asymmetry and makes risk assessment costly and complex. This underserved segment, estimated at **33–40 crore** working individuals, primarily comprises middle- and low-income earners.

However, this is not a “hard-to-reach” population in digital terms. As per International Telecommunication Union (ITU) data cited in Reserve Bank of India's Digital India report, these groups have strong digital footprints, with over **40%** mobile phone ownership and more than **30%** internet usage globally. In India, **46%** of the rural population already has wireless subscriptions, reflecting readiness to participate in digital data ecosystems.



Figure 15: Unlocking the service for the underserved section:

This readiness is reinforced by behavioural signals: semi-urban and rural users account for more than one-third of digital payment users, showing familiarity with digital financial services. Together, these factors create a **multi-billion-dollar** opportunity for insurers to reach new customer segments—if their financial data can be accessed in a secure, structured, and consent-driven way through the Account Aggregator framework.

2. Enabling insurance for all with AA



Figure 15: Enabling insurance for all with AA

The AA framework offers the insurance industry a practical pathway to reach customer segments that have historically remained outside the formal insurance net. The scale of this opportunity is significant. India's workforce includes about 2 crore gig workers, 44 crore individuals in the unorganized sector, and 33 crore self-employed individuals. After adjusting for overlaps, this represents an addressable base of roughly 33 crore people.

Even a modest 10% conversion over the next 5 years, about **3.3 crore** policyholders, at an average premium of ₹5,000 per person (typical for micro-insurance or basic health and life products) could unlock around **₹1 lakh crore** in additional premium income. Beyond the premium volumes, this shift could help broaden the risk pool, improve pricing accuracy, and strengthen the overall economics of insurance portfolios.

By making these segments more visible and accessible, AA can help insurers design products that are better aligned with actual customer profiles, laying the groundwork for more inclusive and sustainable insurance growth.

3. Financial Underwriting: Credible information at a lower cost

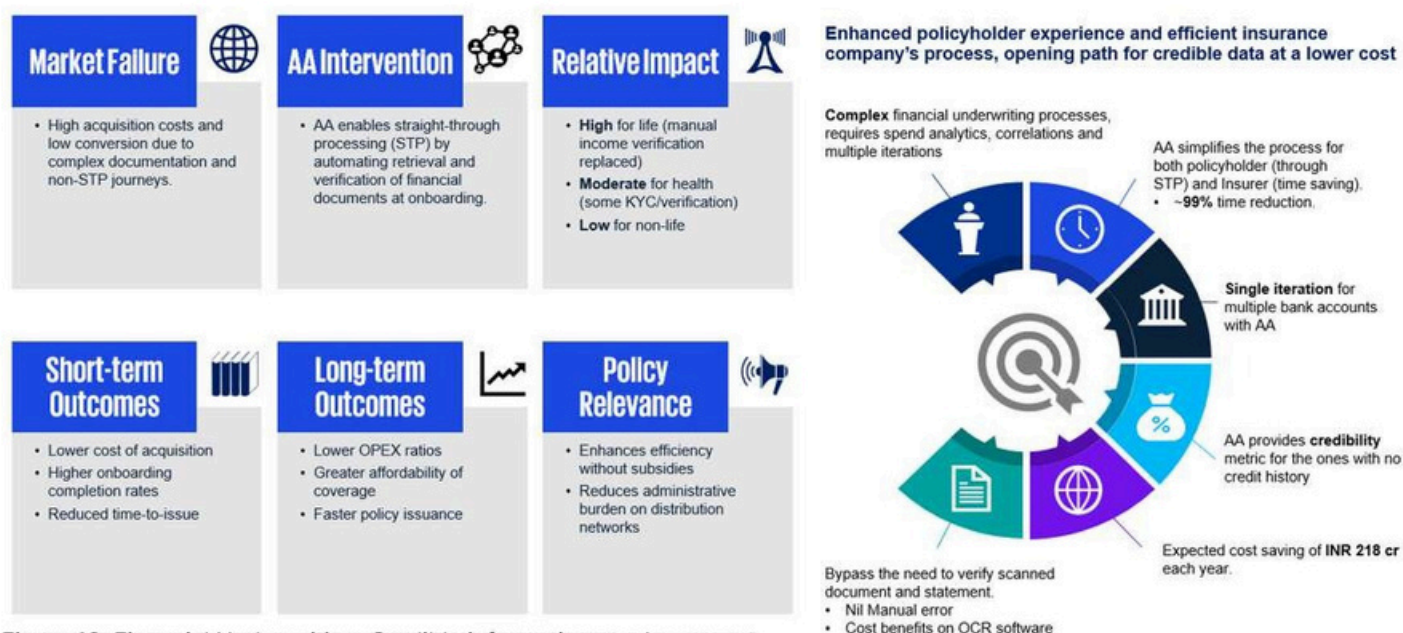


Figure 16: Financial Underwriting: Credible information at a lower cost

Interviews with leading insurers and early adopters of the AA framework indicate that financial underwriting remains one of the most complex and resource-intensive steps in the insurance journey. Unlike medical underwriting, which is largely rule-based, financial underwriting requires multiple layers of analysis such as expenditure patterns, income verification, and cross-checking premium payments. This process often involves repeated back-and-forth with customers and can take three to seven days to complete.

Currently, insurers spend about **16 minutes** manually reviewing a single bank statement, a process prone to errors and reliant on unstructured PDF data that often requires expensive OCR tools. AA reduces this effort to below a few minutes, eliminating manual interpretation and delivering over 90%-time savings for both insurers and policyholders. It also lowers underwriting costs significantly: at present, verifying bank statements costs around **₹65 per policy**, with additional costs in about **15%** of cases. By sourcing verified data directly through AA, this cost can be substantially minimized while improving accuracy.

For health and non-life products, where insurers often rely on credit bureau soft pulls, AA provides a broader and more inclusive signal of customer credibility, especially for those without a formal credit history. Early adopters report that **30–50%** of customers already choose AA-enabled journeys, depending on the segment. If scaled across the industry, this could yield annual acquisition cost savings of **₹218 crore**, while improving speed, accuracy, & customer experience.

4. Pro-active fraud detection at the policy issuance:



Figure 17: Fraud detection at onboarding and claims with AA.

When people buy insurance, part of their premium goes toward genuine claims, but a significant portion is absorbed by fraud and the administrative costs of managing it, creating a deadweight loss for the entire system. Fraudulent activity, including fake claims and misreported details, is estimated to cost the Indian insurance industry around **\$6 billion** annually, inflating premiums by roughly **10%**. This is not just an accounting loss, it's an economic inefficiency: resources that could have lowered premiums, expanded coverage, or funded innovation are instead spent on plugging avoidable leakages.

A substantial fraction of this loss occurs upstream and can be prevented at the underwriting stage through stronger KYC and financial verification. By enabling real-time access to verified financial information, the AA framework allows insurers to detect misstatements at issuance, rather than during claims, significantly reducing leakage. Even if 20% of these costs remain fixed, up to **8%** of premiums could be saved, directly benefiting honest policyholders.

Economically, this translates to lower frictional costs in the insurance market. Reducing fraud-induced deadweight improves allocative efficiency: premiums reflect actual risk rather than the cost of system inefficiencies. This, in turn, improves solvency margins, strengthens settlement ratios, builds customer trust, and enables insurers to expand their underwriting capacity, making coverage more affordable and accessible across the board.

5. Persistency and lapse improvement:



Figure 18: Improved persistency - knowing the customer needs.

A significant share of insurance policies in India lapse within the first year of issuance, with the 13th-month lapse rate remaining stubbornly high, especially for investment-linked products with larger premium outflows. According to the Alagappa Institute of Insurance Management (2014), around **20%** of ULIP policies lapse within the first year, with financial stress faced by policyholders emerging as a key driver.

This is not merely a servicing issue, it reflects a gap in financial suitability assessment at onboarding. The AA framework can help close this gap by enabling insurers to assess spending patterns, income flows, and financial resilience upfront. Expense analysis derived from verified data can flag affordability concerns early, allowing insurers to tailor product recommendations or payment structures accordingly.

By pre-empting financial stress scenarios before issuance, insurers can lower lapse rates, improve persistency, and build more stable portfolios. Better persistency also translates into lower acquisition cost wastage, improved profitability, and stronger long-term customer relationships.

6. Industry's Macro level benefits from the implementation:

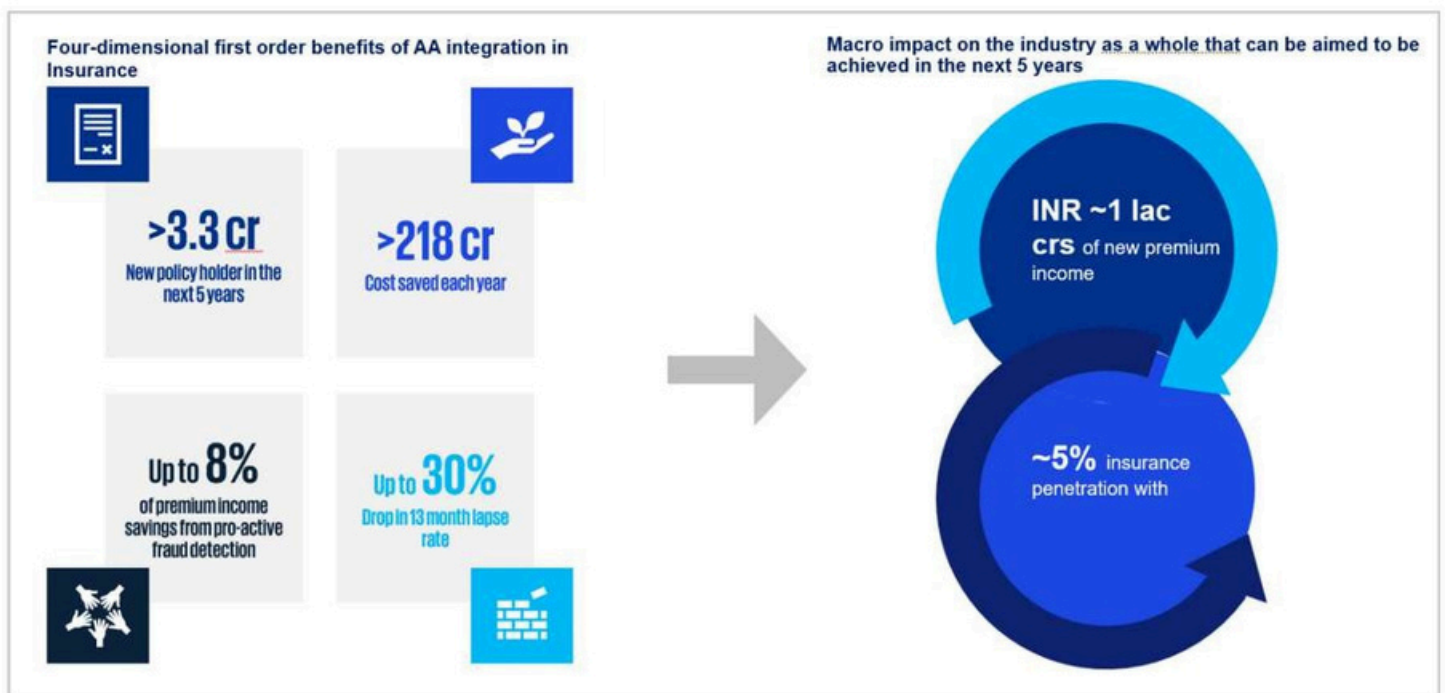


Figure 19: Industry's Macro level benefits from the implementation:

The AA framework is positioned to deliver structural gains to India's insurance industry, addressing long-standing frictions around access, efficiency, and trust. By unlocking secure, verified financial data for an estimated 33–40 crore working individuals in middle- to low-income segments, AA enables insurers to reach previously underserved markets such as gig workers, the unorganized sector, and self-employed individuals. Even modest adoption rates could generate thousands of crores in additional premium income, helping lift insurance penetration near 5% in the medium term, and narrowing the gap with global benchmarks.

On the operational front, AA simplifies and accelerates financial underwriting, bringing turnaround times down from days to minutes, lowering costs, and improving accuracy. These efficiencies can save hundreds of crores annually in acquisition costs, while strengthening fraud detection at issuance, potentially reducing premium leakage by up to 8%. This translates to fairer pricing, improved settlement ratios, and higher trust among policyholders.

Further, by making financial resilience and spending patterns visible at underwriting, AA supports better persistency and lower lapse rates, reducing revenue leakage from early policy discontinuation. Taken together, these benefits make AA far more than a technological upgrade - it is a macro-level enabler of market expansion, cost rationalization, and portfolio stability, advancing both insurer profitability and financial inclusion.

Recommendations and Imperatives

The insurance industry is entering a strategic phase in its adoption and usage of the AA framework. FY26 is poised to be an inflection year, with insurance expected to emerge as a significant use case within the AA ecosystem, alongside lending and capital markets.

Over the past few years, the technical rails have stabilized, regulatory coordination has deepened, and a dedicated self-regulatory structure is being established to steer ecosystem evolution. Policymakers have signaled strong intent to expand the scope and scale of AA, particularly through broadening the universe of financial information (FI) types, improving data reliability, and strengthening governance mechanisms.

Crucially, the customer side is already primed for this transition. According to recent research by CGAP and Sahamati¹⁴, customers in India are already primed to adopt the AA ecosystem. The study found that over 70% of surveyed users cited convenience as their primary motivation for using AA, while more than 60% valued the secure and paperless nature of the data-sharing journey. Thus, demand-side readiness is not a bottleneck.

Customers are willing and prepared to engage with AA-enabled journeys, provided that insurers and intermediaries offer low-friction, trustworthy, and well-integrated experiences. The following recommendations are structured across organizational and policy levers, to institutionalize AA as a structural enabler of growth, inclusion, and trust in India's insurance sector.

¹⁴ Convenience Drives Rapid Adoption of Account Aggregators in India | Blog | CGAP

Organizational Recommendations

The insurance industry needs to recognize the AA framework not merely as a faster or more secure way to collect data, but as a strategic lever to transform the business itself. When embedded thoughtfully, AA can enable sharper underwriting, richer product design, proactive servicing, advanced fraud detection, and deeply personalized customer engagement.

Early adopters across financial services have already shown that treating AA as core infrastructure rather than a tactical add-on delivers measurable returns: lower costs, faster decision-making, improved portfolio visibility, and access to new customer segments. For the insurance sector, this is a moment to compete smarter, not just operate more efficiently. The table below outlines specific organizational levers that can help translate this strategic intent into actionable steps across operations, technology, and customer engagement.

Table 5: Organizational Recommendations

Area of Focus	Recommended Actions	Intended Outcome
Strategic Alignment	1. Embed AA in core business strategy and product lifecycle. 2. Link internal KPIs and incentives to AA-driven adoption and outcomes.	AA becomes a growth enabler, not just a data collection channel.
Customer Funnel & Event Tracking	1. Implement funnel and event tracking to monitor and optimize consent journeys. 2. Identify and address drop-off points.	Improved efficiency, better operational visibility.
Distribution & Capacity Building	1. Train agents, brokers, and call center staff on AA value proposition. 2. Standardize messaging and consent guidance.	Stronger last-mile enablement and customer trust.
UI/UX & Tech	1. Streamline consent flows with UI/UX improvements. 2. Reduce friction to convert readiness into adoption.	Higher completion rates, better user experience.
Customer Awareness	1. Create awareness on customer benefits such as faster issuance, reduced paperwork, and personalized products.	Increased customer willingness and higher customer engagement.

Policy Recommendations

The policy environment around the AA ecosystem is already moving in a direction that strongly supports sectoral scale-up. Regulators and policymakers have signaled clear intent to broaden the financial information (FI) universe, improve reliability, and strengthen governance through a self-regulatory structure. This creates a unique opportunity to anchor insurance as a frontline use case in the next phase of the AA ecosystem's growth.

In addition to addressing friction in user authentication through OTPs, policy efforts should focus on strengthening the supply side through data availability and upgrading data standards. These interventions will not only enable insurers to use AA efficiently but also create shared value across adjacent sectors such as personal finance management, wealth management, and lending. The table below outlines the priority policy levers to accelerate this transition.

Table 5: Policy Recommendations

Area of Focus	Recommended Actions	Intended Outcome
FI Type Expansion	Enable access to additional FI types, such as: 1. ITR data (Central Board of Direct Taxes) 2. EPFO passbooks (Employees' Provident Fund Organisation) 3. Expanded GST returns (Goods and Services Tax Network) 4. Joint & corporate accounts 5. Small savings schemes	Richer, more diverse data for underwriting, risk management, and inclusion.
Reducing Authentication Friction	Introduce principle-based alternatives to OTP, such as token-based authentication, biometric approval, or passkey models.	Lower drop-offs, smoother consent flows, more reliable and secure access.
Insurance Schema Upgrade	Upgrade the insurance schema to create a single structured source of policy information, covering key policy attributes, claims history, and status.	Stronger value of insurance data and cross-sectoral use cases such as lending against insurance (LAI).

The Ministry of Road Transport and Highways' Data Sharing Policy (August 2025) has laid the foundation for secure data sharing of verified vehicle and mobility data. Onboarding the National Transport Repository (NTR) as an FIP, which integrates Vahan, Sarathi, eChallan, eDAR, and FASTag data, can significantly expand the value of AA in insurance.

- For motor and non-life insurance, it would enable instant access to verified vehicle and driver data, improving underwriting accuracy, strengthening fraud detection, and speeding up claims verification.
- For life and health insurance, mobility-linked data such as accident histories or driving patterns can provide additional behavioural and risk indicators, enabling richer risk profiling and more precise pricing models.
- For embedded insurance, NTR data could support real-time, event-triggered products (e.g., usage-based motor insurance, travel-linked covers, accident riders) seamlessly integrated into digital journeys.

Bringing NTR into the AA ecosystem would extend the data universe beyond financial and tax information, bridging mobility and insurance, catalysing a new generation of data driven insurance products.

These shifts unfold against the backdrop of a broader transformation in India's digital economy. The AA framework has already demonstrated the power of trusted, consent-based data sharing in financial services. As similar data sharing frameworks emerge across health, telecom, mobility, and commerce, insurance will be uniquely placed to sit at the intersection of these data streams. The Way Forward section situates this inflection within that long-term arc, exploring how insurers can leverage the coming open data ecosystem.

¹⁵ Policy for Data Sharing from the National Transport Repository

Way Forward: Open Finance to open Data

India's Account Aggregator (AA) ecosystem, the country's implementation of Open Finance, has taken a distinctive route compared to other jurisdictions. Globally, consent is seen as the foundation of Open Finance. India has built on this idea by unbundling consent management into a separate set of interoperable entities. This ensures that customers can give, track, and withdraw consent to share their data through a single trusted interface. It also creates room for the market to design consent experiences that suit India's wide and diverse user base.

The Digital Personal Data Protection Act, 2023 will extend this model across the economy. It calls for interoperable consent managers in every sector, allowing individuals to securely share their data across different kinds of businesses. The AA framework is already showing what this looks like in practice. As the DPDP regime comes into force, we envision that these sectoral consent managers will start working together, forming the backbone of a consent-based data sharing framework that goes well beyond financial services.

This marks the early formation of India's open data ecosystem. Financial data sharing has proven the model. As similar frameworks are rolled out in health, telecom, e-commerce, mobility and other sectors, individuals will be able to share verified data across domains in a secure, standardized and efficient way. This is exactly the kind of trusted digital infrastructure needed as agentic AI begins to play a larger role in decision-making and service delivery.

For the insurance industry, this shift creates a unique opening. Insurance sits at the crossroads of multiple data-rich domains: financial, health, mobility, commerce and travel. Today, these datasets are fragmented, slow to access and costly to use. A consent-based data sharing framework can change this fundamentally. When customers can permit their data from multiple sources in real time, insurers can price risk more accurately, speed up onboarding, automate claims, and design products that are far more personalized and relevant.

This is not just about making existing processes faster; it can reshape how insurance is priced, distributed and embedded. As insurance products become easier to integrate into existing digital journeys (such as credit, travel, or mobility transactions), protection can be offered at the right time and in the right context. This embedded insurance model lowers distribution costs, expands reach, and makes protection more intuitive for users.

A deeper penetration of insurance across the population also strengthens the resilience of the digital economy itself. As more individuals and businesses are covered against health shocks, accidents, climate risks, or income volatility, the broader financial system becomes more stable. Insurance acts as a risk absorber, reducing the economic impact of shocks that would otherwise ripple through credit markets, consumption patterns, and household balance sheets.

Open data can accelerate this transition by lowering frictions and costs that have historically kept insurance out of reach for large segments of the population. The ability to permit verified data across domains allows insurers to reach users who were previously invisible or too expensive to underwrite.

India is steadily moving toward an open data economy. For insurance, this is not a distant opportunity, it is a near-term shift with system-wide implications. Those who align early with this consent-based framework, build trust into their offerings, and rethink how insurance fits into people's everyday digital experiences will shape the next phase of growth, not just for their businesses, but for the resilience and inclusiveness of the digital economy itself.