



PRODUCT SHOWCASE

**INSURANCE**

**BUYOUT**

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# What is Insurance Policy Buyout?

## Insurance Policy Buyout

A secured short-term investment opportunity where investors acquire assigned ULIP policies at a discount, earning ~11% - 12.5% XIRR through debt-fund growth, with low risk and tax-efficient maturity benefits.

# What is Investment in Pre-owned Policies?

## Investment

Its a safe, high return and tax-efficient investment option

Millions of policyholders in India surrender/lapse their life insurance policies during its tenure

Any Individual can invest in such policies where original policyholder wants to surrender or lapse his/her policy.

This transaction is called re - assignment whereby the ownership of policy changes to the person who is investing

- a. All rights/benefits of the policy shifts to the new owner
- b. Investor earns tax free assured returns
- c. Returns can be between 7-12% (post tax)
- d. Average investment period can be 3-10 years

# Why policy holders assign lapsed ULIP policies?

- ULIP Policies have a mandatory lock-in period of 5 years
- In case of surrender within the lock-in period:
  - The surrender value cannot be paid before end of the lock-in period
  - The policy holder has to reverse all tax benefits previously availed. Any gain on surrender also becomes taxable.
  - Not only does the policy holder lose life cover, but also has no way to encash / monetize the policy during the lock-in period
- On discontinuance of ULIP policies, the entire fund value must be switched to a discontinuance fund which can only invest in government securities
- This provides an exit option to policy holders during the lock-in period – immediate payment of a calculated surrender value as well as continued life cover

# Salient Features of this Product

- Liquidity Risk
- Interest Rate Risk



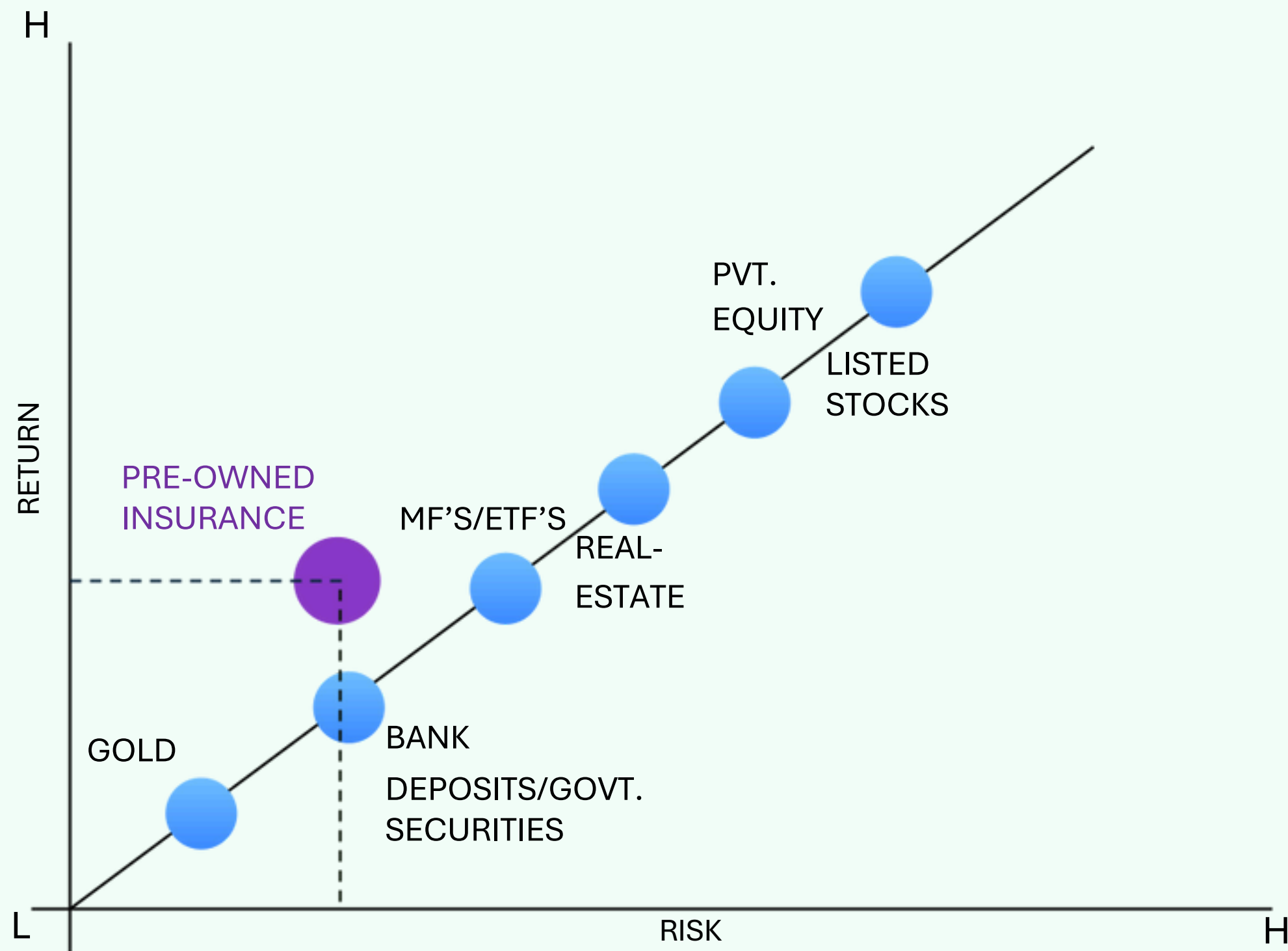
9 -12%  
Tax-Efficient



2-4  
Years



# How Safe, Viable & Lucrative is the Product?



- ❑ Assignment of policies is a legitimate process allowed as per Insurance Act
- ❑ IRDAI ensures all insurance companies comply to capital adequacy norms hence risk is negligible
- ❑ Assignment of policies is being done by insurance companies for more than 20 years in India.
- ❑ Investment in Pre-owned policies is an opportunity for investors who want an asset class which is tax free
- ❑ It provides higher returns than FD's with same safety.

Investment in pre-owned insurance policies will be a thriving asset class in 3-4 years time

# The Insurance Buyout Process

## ULIP Policy Surrender during Lock-in

- ULIPs have a 5-year lock-in.
- If surrendered within lock-in: Surrender value is paid after lock-in, Gains are taxed and Life Cover stops for PH.
- Reassignment offers an exit option during lock-in: immediate surrender value + continued life cover.

## The Reassignment Process

- Investors buy Individual Policies in a process of reassignment.
- Policies are acquired at a discounted surrender value, generating an IRR of ~11% - 12% for investors.
- The investors' funds are fully secured by way of underlying portfolio of G-Secs & Liquid investments of the Debt Fund of the Insurance Company

## Investment Benefits at the end of Lock-in

- Funds remain in a 100% debt fund, which has delivered ~6-7% returns in the past year.
- At the end of the lock-in, the policy is liquidated and fund value is paid to investors.
- The life insured receives monetary benefit and retains partial life cover post-assignment.
- In case of death, the nominee receives the sum assured minus the investor's return.

# Tax Applicability

- **Taxability of Individual ULIP Policies**
- ULIP Policies are defined as Capital Assets as per the Income Tax Act Any amount received on maturity is exempt from tax u/s 10(10D) of the Act
- If the aggregate premium paid by any person is more than Rs.2.5 lakhs in respect of policies issued after 31st March 2021, gains on maturity are treated as Long Term Capital Gains and taxable at 12.5%

# Regulatory Framework

- Governed by Section 38 of Insurance Act ensuring transparent assignment rules
- Insurer validates eligibility & ensures policy is compliant before assignment
- Assignment is absolute and irrevocable, securing investor rights until maturity

# Investment Process

- Pre-screened ULIP list shared with investor
- Investor chooses policy based on expected XIRR and lock-in period.
- Relevant documentation is initiated for signoff by Assignor (Policy Holder) and Assignee (Investor)
- Post signoff documents are submitted to insurance company for approval
- Insurance company accesses the case and gives approval.
- Investor is request to make the payment
- Payment is released to insurance company and policy holder
- Insurance company issues endorsement letter

# HOW DOES IT WORK ?

One time payment - ULIP

Original Policy – 5 pay 10 years  
 Premium paid by policy holder 1,20,000  
 Fund Value at end of 2 years – 1,10,637  
 Investor Pays – 68,910 + 60,000 = 1,28,910  
 Investor Gets – 1,85,266 after 3 years (at end of 5 year lock-in)  
 ROI – 12.9%

ROI	12.9%
Year	Cashflow
0	-128910
1	0
2	0
3	185266

Investor RoI  
12.9%

Original Policy – 5 pay 10 years  
 Premium paid by policy holder 3,00,000  
 Fund Value at end of 3 years – 3,16,456  
 Investor Pays – 2,60,228 + 1,00,000 = 3,60,228  
 Investor Gets – 4,38,149 after 2 years (at end of 5 year lock-in)  
 ROI – 10.3%

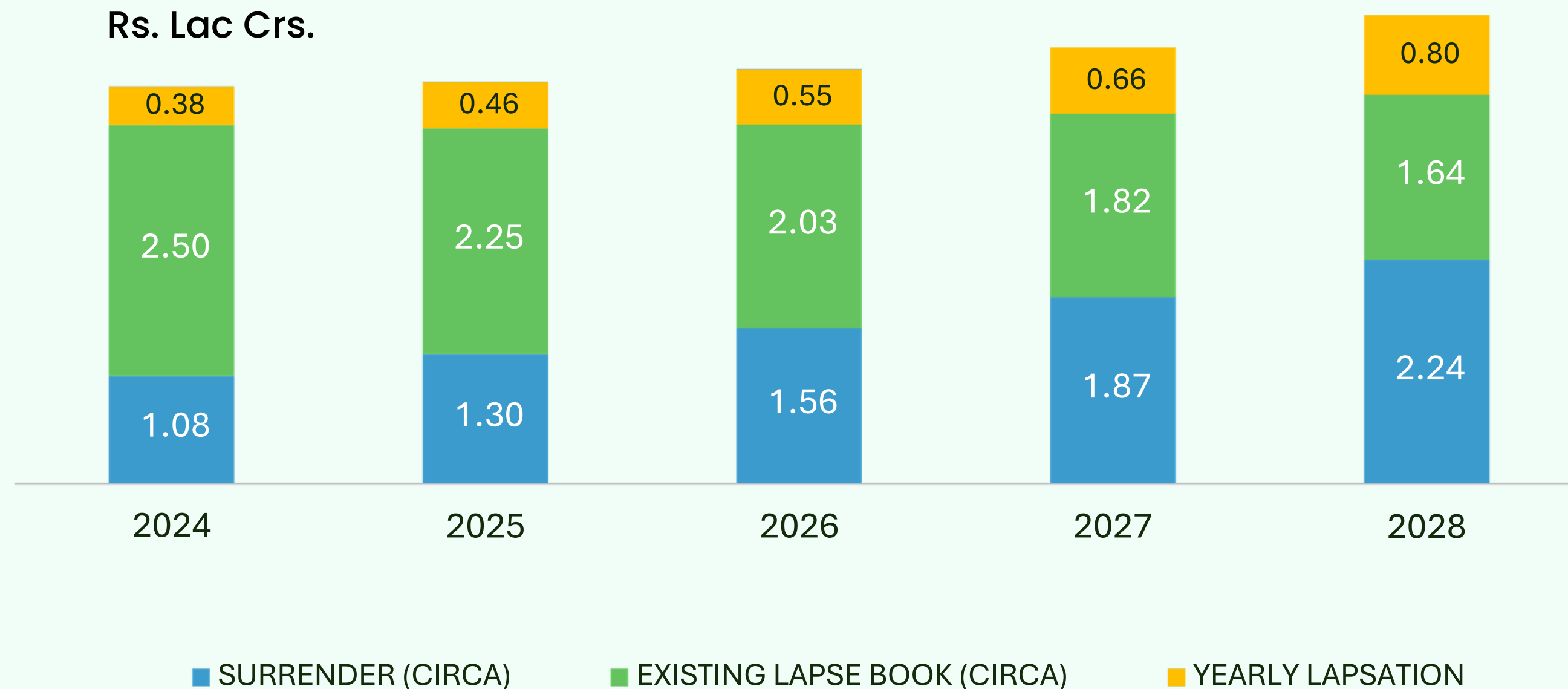
ROI	10.3%
Year	Cashflow
0	-360228
1	0
2	438149

Investor RoI  
10.3%

# Sample Policies

Investment Date	Liquidation date	IRR	Investment Amount
06-12-2025	22-Mar-27	12.35%	₹2,75,544
06-12-2025	28-Jan-28	12.13%	₹2,12,386
06-12-2025	16-Feb-29	12.37%	₹89,540
06-12-2025	14-Sep-29	12.15%	₹83,599

# Estimated Market Size of Insurance Lapse Book



**Going by the recent trend (last 5 years), the expected size of the lapse book is expected to cross Rs. 4.5 lac crs**

**Assignment will cure almost 12-15% of the total lapse book annually – leading to an investments of Rs. 50K crs in this instrument**



Thank You

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