

Quote by Shravan Shetty, Managing Director, Primus Partners

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Could IRDAI's proposed reforms change Insurance Marketing?

With greater transparency, suitability and accountability at the centre of the proposals, the reforms could have implications well beyond insurance distribution.

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Insurance advertising has long relied on a familiar mix of protection, aspiration and emotion. But a new set of proposals from the Insurance Regulatory and Development Authority of India (IRDAI) could make the mechanics behind the sale just as important as the promise being made.

On September 23, IRDAI released its consultation paper, Recalibrating Economics of Insurance Distribution, proposing changes across commissions, distribution structures, market conduct, transparency and digital infrastructure. The proposals include clearer disclosure of commission structures, documenting customer needs and suitability, curbs on forced bundling and commission clawbacks in cases of mis-selling.

For marketers, the implications could extend beyond compliance. They could affect how products are advertised, how they are presented on digital platforms and how much of the economics behind a policy reaches the consumer.

From persuasion to clearer disclosure:

A key proposal is that insurers and large distribution entities disclose their commission policies and structures in a simple and accessible manner, with certain commercial policies also carrying commission disclosures. IRDAI has also proposed bringing direct and indirect, monetary and non-monetary remuneration within the regulatory definition of commission.

Akshay D'Souza, Independent Consumer Consultant, sees this as an important correction to a sales-led system. "Traditionally, India's Financial services companies (including Insurance) have been notorious for push-based selling across multiple customer communication touchpoints, with online being one of the more important acquisition channels."

He adds, "Marketing teams need to be able to fundamentally think of better consumer practices in advertising and digital campaigns without taking the shortcuts of using unfair practices to prey on gullible customers."

The proposal also seeks to tackle forced bundling and dark patterns, while requiring greater documentation of customer needs and suitability. In cases of mis-selling, IRDAI has proposed linking the salesperson to the policy and allowing commission claw-back.

For brands, that could put greater scrutiny on the journey between an advertisement and the eventual sale. A product positioned as protection cannot be communicated in a way that obscures important costs, limitations or conditions further down the funnel.

The end of fine-print communication?:

Independent Brand and Digital Advisor Ashok Lalla believes the bigger change could be in how information is presented. "While the exact contours of the final guidelines are yet to be finalised, what's certain is that insurance marketing, advertising and selling will see greater transparency and less opacity."

He adds, "This will result in insurance brands, their distribution platforms and selling agents needing to adopt greater 'front-of-the-pack labelling' that's easy to understand, rather than hide behind copious and usually difficult-to-follow fine print."

That could have a direct bearing on digital acquisition, where consumers often move from an ad to a landing page, comparison interface or sales call within minutes. The regulator's proposals for clearer distribution structures and digital, pull-based infrastructure such as Bima Sugam could further strengthen the consumer's ability to understand and compare products before purchase.

The economics of distribution are also under scrutiny. IRDAI's consultation paper notes that, between FY23 and FY25, new business premium generated through a sampled group of corporate agents rose 28 per cent, while total distributor remuneration rose 125 per cent.

Shravan Shetty, Managing Director, Primus Partners, says the proposed changes could affect conversion as well as the wider insurance distribution ecosystem. "The new guidelines, if implemented, will increase friction, leading to lower conversion rates than the current rate."

Trust becomes part of the proposition:

For insurance brands, greater disclosure need not remain a compliance exercise. Lalla sees it as an opportunity to build transparency into brand positioning. "This change is the insurance sector's 'Jaago grahak' moment, and smart brands will take this opportunity to meaningfully portray themselves as the more transparent and honest brand with nothing to hide," he shares.

D'Souza similarly expects the proposals to reduce the scope for commission-led selling, while noting that some provisions could change during consultation. He mentions, "Insurance will still be sold for its emotions and benefits, but commission disclosures can offer some insights for a buyer to know if the driver for the Insurance agent is commission or the buyer's best interest."

The final rules may change before they take shape, but insurance marketers may have to prepare for a simpler expectation from consumers—tell them what they are buying, what it costs and what sits behind the sale. In a category built on trust, the way that information is communicated could become as important as the promise of protection itself.