

Insurance distribution reforms: will lower commissions benefit policyholders?

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Industry experts want measurable outcomes and monitoring mechanisms to ensure insurers pass on any savings to customers.

Summary

Irdai's proposed commission caps and expense rules could reshape insurance distribution. Brokers warn of job losses and weaker service, but will lower costs translate into better outcomes for policyholders?

The deadline for feedback on Irdai's proposed insurance distribution reforms is approaching. The Insurance Brokers Association of India (IBAI) has sought an extension, but no decision has been announced. The association warns that proposed commission caps and changes to expenses of management (EoM) could threaten intermediaries' viability, jobs and customer servicing.

How much merit do these concerns hold? We examine the key arguments and what the reforms could mean for policyholders.

Revenue risk

IBAI estimates that the proposals could slash broking revenues by 60-70%, putting up to 1 million jobs across the insurance distribution ecosystem at risk.

Ashish Teni, senior specialist – insurance and reinsurance at Trilegal, highlighted the structural differences between corporate agents, such as banks, and brokers.

“Corporate agents may benefit from other business lines, whereas insurance brokers rely more directly on remuneration from insurance distribution and permitted ancillary services to support their operations. They must also meet regulatory capital requirements and sustain significant expenditure on skilled personnel, technology, infrastructure and customer servicing.”

As India pursues its '[Insurance for All by 2047](#)' goal, Teni said the impact on distribution capacity warrants careful consideration. “Brokers play an important role in extending insurance access to customers, including through last-mile distribution. A calibrated transition, realistic implementation timelines and a clearly defined framework for alternative revenue streams would help intermediaries adapt while preserving customer access and appropriate conduct standards,” he added.

Bejon Misra, a consumer policy expert and former member of the Insurance Ombudsman Advisory Committee, said brokers should provide Irda with a detailed revenue-impact assessment. With the government allowing 100% foreign direct investment ([FDI](#)) in insurance, he said, new international entrants could intensify competition while expanding business and employment. Intermediaries must innovate, he added.

The consultation paper also proposes allowing Insurance Distribution Entities (IDEs) and Insurance Distribution Persons (IDPs) to distribute other financial products, subject to regulatory approvals, as well as non-financial products. Misra said this could diversify their income and cushion the impact of lower commissions.

Why differentiate between distributors?

[Brokers](#) and web aggregators can work with multiple insurers, unlike individual agents, who represent one insurer across life, health and general insurance. Agents seeking wider product choice may work through brokers as point-of-sale persons (POSPs) or sub-brokers.

Mayank Gosar, founder and CEO of Softcon Capital, questioned why POSPs working through brokers should earn less than agents tied directly to insurers.

“If brokers’ commissions are reduced, they may pass on the cuts to their POSPs. Why should a distributor offering customers a choice across insurers earn less than one selling for a single insurer? The remuneration structure needs greater parity between these channels,” he said.

An insurance industry executive, who did not wish to be named, said POSPs must have viable economics to keep distributing retail policies. “Some increase in the proposed limits for retail products, such as motor insurance and health renewals, could be considered. Otherwise, POSPs may lose the incentive to sell and service these policies,” the executive said.

Service costs

Critics argue that treating distribution primarily as a sales expense overlooks intermediaries’ role after a policy is sold, particularly during claims.

Misra said digital innovation and efficiency could improve post-sale support. “The objective should be to build a trustworthy and efficient system that delivers quality service. Better processes can reduce costs while improving the customer experience,” he said.

Saurabh Vijayvergia, founder and CEO of Coversure, argued that higher commissions do not necessarily guarantee good servicing today.

"Distributors raising servicing concerns should explain the assistance they provide, its cost and how customers could be affected. Technology can reduce repetitive administrative work, but customers also need access to people who can exercise judgement and take responsibility. Insurers retain their own servicing obligations. Changes in distribution economics should be assessed against whether customers continue to receive dependable assistance from both," he said.

Segment differences

IBAI has cited a deterioration in general insurers' financial performance: the loss ratio rose from 82.88% in FY25 to 84.8% in FY26, while the combined ratio increased from 112.61% to 117.83%. The loss ratio measures claims against earned premiums; the combined ratio adds expenses. A ratio above 100% generally means claims and operating expenses exceed premium income.

However, industry-wide averages may mask differences between segments, the unnamed insurance executive said.

“The larger question is why the debate is centred on general insurance when life insurance premiums are more than three times those of general insurance. Within general insurance, over 20% of premiums come from group health and government schemes, where EoM is below 12%. Loss ratios in group health and similar segments can be around 100%, compared with approximately 70% in retail health and 80% in motor insurance,” the insurance expert, who did not wish to be named, said.

"Loss ratios are higher in corporate and government segments, while profitability is driven by retail customers. This subsidy to favour corporate at the cost of retail is wrong," the executive added.

Teni echoed the same sentiment. “Assessing the impact of distribution reforms requires more than looking at aggregate commission or expense figures. In retail insurance, a granular assessment of distribution costs, underwriting performance, claims experience and overall product economics is important. Equally, the assessment should examine whether any savings translate into tangible customer benefits, including improved affordability, coverage and service. This would provide a more complete basis for evaluating the likely impact of the proposed reforms,” he said.

Passing savings

Lower commissions and EoM are expected to benefit customers, but reduced distribution costs do not automatically mean lower premiums or better coverage. Without monitoring, insurers could retain the savings.

The removal of GST on individual life and health insurance premiums offers a precedent: premiums increased instead of delivering the expected relief to policyholders.

Misra said the consultation paper needs measurable outcomes and accountability. “The consultation paper needs a clear implementation framework. Simply lowering commissions and EoM does not guarantee that policyholders will benefit. The regulator should specify measurable outcomes and an accountability mechanism to ensure that savings are reflected in customer pricing or services,” he said.

Gosar also cautioned against assuming that lower commissions would benefit customers.

“Why are brokers being made scapegoats in this debate? Reforms are necessary, but cutting commissions primarily reduces distributors’ earnings. Unless there is a mechanism to ensure savings reach customers, insurers could benefit without policyholders seeing any tangible improvement. [Irdai](#) must guard against a repeat of what had happened after GST relief last year,” he said.

Insurance distribution needs reform, but curbing excessive incentives should not undermine viable channels or post-sale support. The final regulations will determine whether Irdai can balance lower costs with reliable service—and ensure policyholders actually benefit.

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