Recalibrating Economics of Insurance Distribution

Part 2

Distribution Costs & Commission Structure

Public Consultation Paper

September 2026

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Recalibrating Economics of Insurance Distribution

Part 2

Distribution Costs and Commission Structure

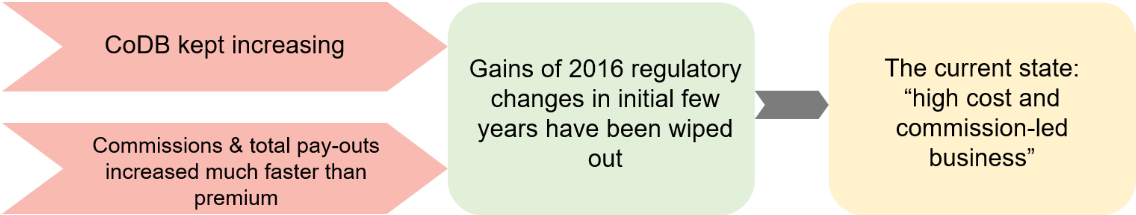
1. Background

Part I of this Consultation Paper examined the state of the Indian insurance industry's growth, market structure, and cost efficiency. It noted that while insurance premiums have grown over the last decade, this growth has broadly tracked Gross Domestic Product rather than outpacing it, leaving a wide protection gap relative to the size and needs of the economy. It further observed that this growth has been concentrated among a few large insurers, with most companies unable to achieve meaningful economies of scale, and that the number of policies issued, particularly in life insurance has not expanded enough to meaningfully extend coverage.

Part I also highlighted that the Cost of Doing Business (CoDB) for insurers remains high, and it has not shown sustained improvement despite regulatory reforms introduced over the last decade. Within this cost structure, commissions paid to distributors constitute a significant share. For life insurers, commissions account for a notable portion of total premium procured, and the proportion is even higher for general insurers.

Building on this diagnosis, Part II[1] turns to a detailed examination of distribution costs and commission structures across the industry. It analyses how commission rates vary by product, distribution channel, and insurer; the extent of additional payments made to distributors beyond regulated commissions; and how these practices affect outcomes for insurers, distributors, and policyholders alike.

Successive rounds of regulatory reform, beginning in 2016 and revised further in 2023 and 2024, do not appear to have met their underlying objectives. The CoDB has kept rising and commissions and total pay-outs to distributors have grown faster than premium, so that the gains achieved in the years following the 2016 regulatory changes have been wiped out, leaving the industry in what may be described as a “high cost and commission-led business” today.



Commissions continue to form a significant part of the CoDB. Excluding the two largest insurers, commissions for life insurers stood at 10% of total premium procured in FY26.

[1] ***The data in Part 2 pertains to FY25, unless otherwise stated***.

Excluding the largest insurer, commissions for general insurers stood at 17% of total premium procured in FY26, underscoring the extent to which distribution costs continue to weigh on the industry's cost structure even after successive rounds of reform.

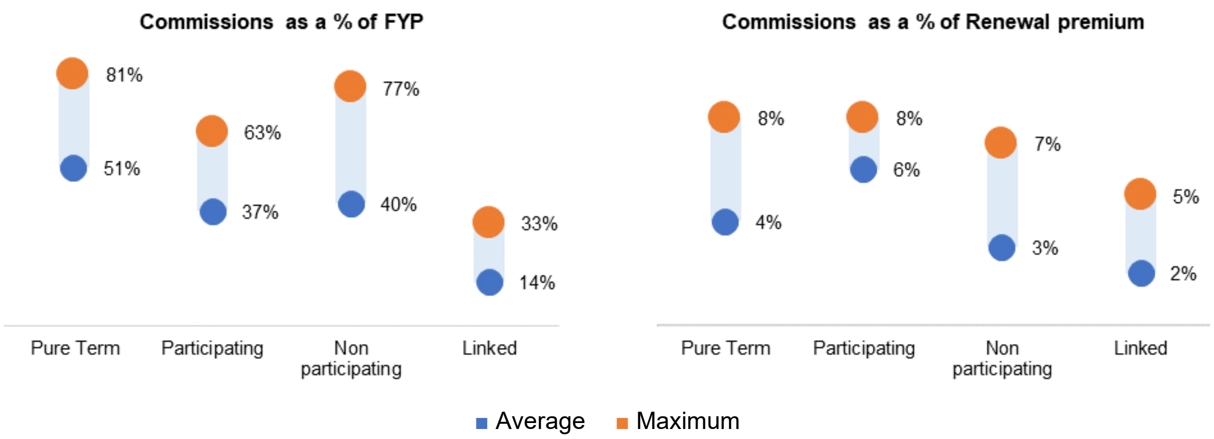
2. There is wide variation in commission rates

2.1 Commission rates vary based on class of product, line of business, nature of premium

2.1.1 For **individual life insurance products** such as pure term, participating, non-participating savings and linked products, the average commission amongst insurers ranged from 14% to 51% of the **first-year premium**[2] (FYP), excluding business sourced through direct and online channels. The maximum commission ranged from 33% to 81%.

2.1.2 For **renewal business in life insurance**, the average commission amongst insurers ranged from 0% to 5%, whereas the maximum commission ranged from 2% to 8%, significantly lower than the commission levels observed for new business.

Graph 1: Commission as a percentage of life insurance premium

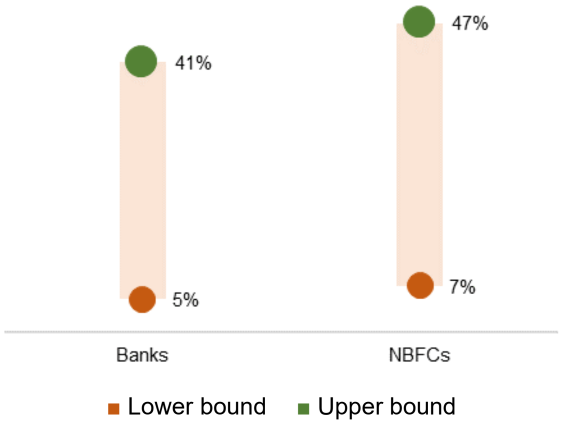


Note: Maximum and average commission figures include rewards and proportionate incentives, apportioned based on the share of commission and rewards paid to the product line (out of the total commission and rewards paid).

2.1.3 For **credit life insurance products**, which are relatively low-effort products as pure-term insurance is typically bundled with loans for housing or motor vehicle, the average commission paid to lending banks ranged from 5% to 41%. The commissions paid to lending NBFCs ranged from 7% to 47%.

[2] *First year premium (FYP) is the premium received in the first year of the policy (excluding single premium)*

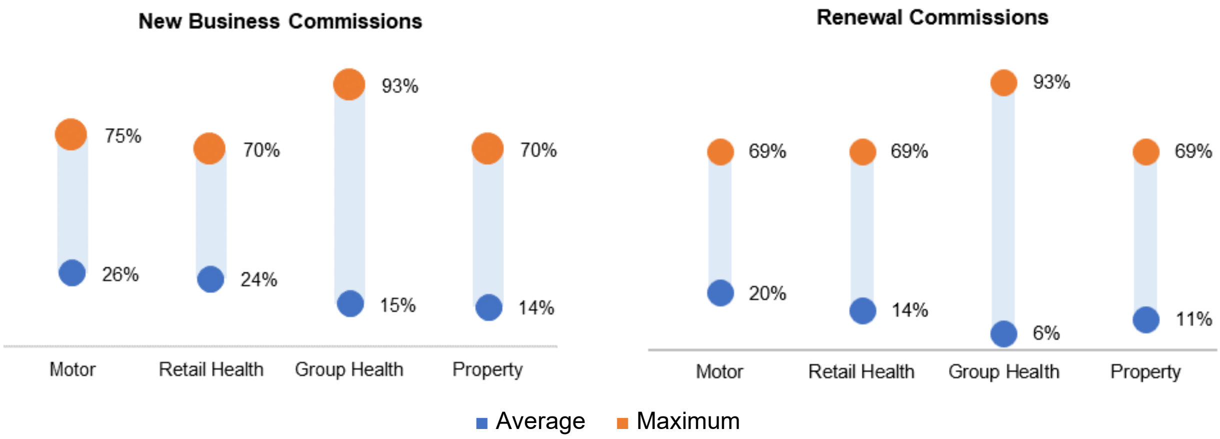
Graph 2: Credit life – Average Commission Range



2.1.4 For **general insurance companies**, average commission on products including motor, health and property insurance, ranged from 6% to 29% of the premium. At the same time the maximum commission paid by the insurers ranged from 32% to 93%.

2.1.5 In the case of **renewal business, general insurance** companies paid average commission from 6% to 21% across all products, including motor, health and property insurance. The maximum commission paid by the insurers ranged from 32% to 93% indicating that companies are paying peak commissions even for renewal business and not just to acquire new business.

Graph 3: Commission percentage of largest LoBs in General insurance



2.1.6 For **group health insurance**[3], the average commission for the general insurance sector stood at 12%, while the maximum average commission of any insurer was 32%. The peak commission paid by any insurer to a distributor touched 93%. These levels are comparable to, and in some cases higher than, the average and maximum commissions for **individual health insurance**, which stood at 17% for the general insurance sector as a whole and 27% being the highest average commission in retail health of an insurer. This is particularly unusual and counter-intuitive because group health policies are known to have high claims ratio and group policyholders are in a position to negotiate relatively lower premiums as

[3] *In para 2.1.6, the average commission rate is the industry average, and the maximum commission rate is the highest among all insurers*

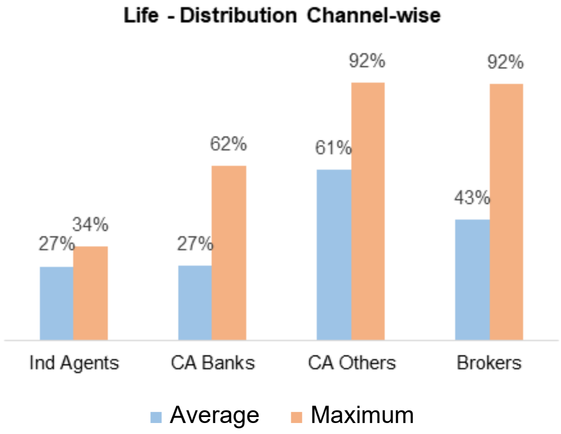
compared to individual policyholders. However, they do not appear to escape from high commission rates being embedded in that pricing without their knowledge.

2.1.7 For **motor insurance** in the new vehicles category, which is a low-effort product given that third-party insurance is mandatory and is often bundled with own-damage cover, the average commission ranged from 17% to 40%. The maximum commission for this category ranged from 24% to 75%. *(refer graph 8)*

2.2 Commission rates vary significantly based on distribution channels

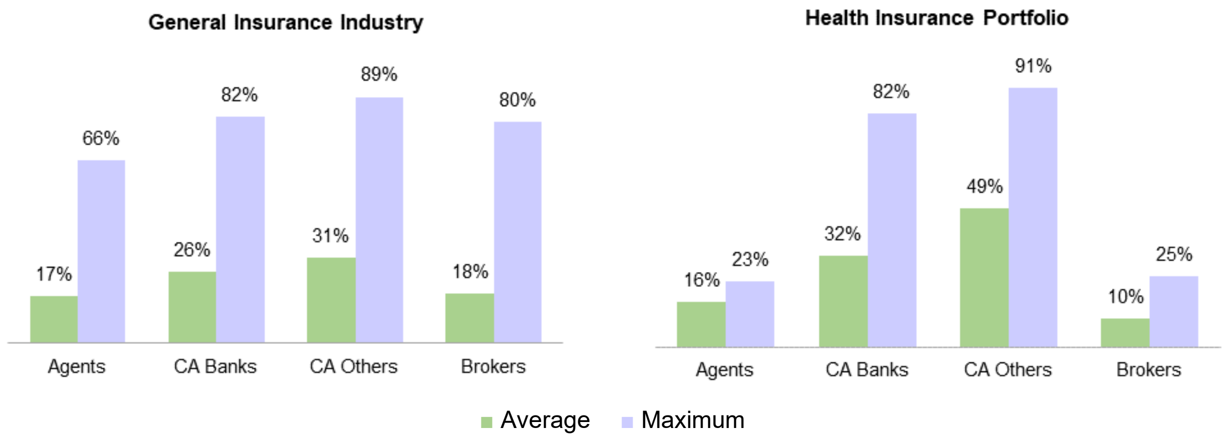
2.2.1 For **life insurance products**, the average commission paid to agents and corporate agents, including banks and other entities, ranged from 27% to 61% of the **first-year premium** (FYP), whereas the maximum commission ranged from 34% to 92%. These two distribution channels collectively account for approximately two-thirds of total life insurance business.

Graph 4: Commission as a percentage of life insurance FYP



2.2.2 For **general insurance companies**, the average commission paid to agents and brokers ranged from 17% to 18%, whereas the maximum commission paid to these categories of distributors ranged from 66% to 80% of gross premium. These two distribution channels collectively account for almost two-thirds of the total general insurance business.

Graph 5: Commission as a percentage of premium[4]



[4] *In Graph 5, the maximum commission rate is the highest among all insurers for that particular channel*

2.2.3 For **health insurance**, brokers and agents collectively account for 63% of the total premium. The average commission paid to these channels ranged from 10% to 16%. Whereas the maximum commission ranged from 23% to 25%. However, the highest commission paid to any distributor was in the Corporate Agent category.

2.2.4 **High distribution costs in the corporate health insurance market have become institutionalised rather than merely transactional.** Despite having the scale and bargaining power to negotiate directly with insurers, large corporates continue to rely on insurance brokers for negotiation leverage and service support. Consequently, intermediary-led distribution has become an embedded feature of the corporate health insurance ecosystem, resulting in recurring distribution costs year after year.

2.2.5 For **motor insurance**, OEM brokers and dealers, referred to as Motor Insurance Service Providers (MISPs), account for 46% of the total motor insurance premium. The average commission paid to them ranged from 15% to 40%, whereas the maximum commission ranged from 24% to 75%.

2.3 Commission rates vary based on different insurers

2.3.1 **Private life insurers** paid an average commission of 9% of the total premium mobilised during FY26. However, the largest private life insurer, with an almost 10% market share, paid a significantly lower commission of 4%, whereas the second-largest private insurer paid 11%. Across private life insurers, commission payments ranged from 3% to 39%.

2.3.2 **Private general insurers** paid an average commission of 20% during FY26. The commission payments by all private general insurers ranged from 15% to 31%. In comparison, public sector general insurers paid a significantly lower average commission of 11%. The wide variation in commission payments across insurers indicates the prevalence of a commission-led distribution approach adopted by several insurers.

3. High commission rates are further augmented by additional distributor payments

(termed as rewards, incentives, promotional event expenses, brand value payments, and on-site placement of personnel to support distributors)

3.1 Total pay-outs[5] by **private life insurers** averaged 9% of the total premium, ranging from 3% to 32%. The largest private life insurer paid 5% to its promoter bank, which also acts as a corporate agent for the distribution of its insurance products. The second-largest private life insurer paid 15% to its promoter bank.

3.2 Total pay-outs by **private general insurers** averaged 24%, ranging from 14% to 52%[6]. The average commission paid to group entities have increased significantly from 11% to 24%, whereas the maximum commission increased sharply from 23% to 81% during the period FY23 to FY25.

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[5] *Total pay-outs include commission, rewards, incentives and any other pay-outs to the distributors*

[6] *Data based on - (i) individual insurance agents who contributed more than ₹1 crore to the insurers' GDP in any of the last three completed financial years; and (ii) insurance intermediaries who contributed more than 1% of the insurer's GDP, or ₹10 crores, whichever is lower, in any of the last three completed financial years.*

4. There are significant related party payments made by both insurers and large distributors

4.1 **Private life insurers** paid an average of 31% of their total commissions to related parties, with the proportion reaching as high as 95% in certain cases.

4.2 The average commission rates in such related-party arrangements ranged from 3% to 32%.

4.3 The wide variation in commission rates is reflective of differences in the business and investment strategies of promoter banks, NBFCs and group companies. While some groups may seek to maximise value for policyholders and the investee insurer, others may have greater incentives to maximise commission income for themselves.

4.4 The presence of common directors on the boards of investee insurers and their promoter banks or NBFCs may carry potential conflicts of interest.

5. Bancassurance makes high business contribution, particularly in life insurance, but remains a cost-inefficient channel

5.1 **Life Insurance**: Bancassurance entities generate around 45% of the total premium of private insurers. They received an average commission of 10% of the total premium (new and renewal business). The average commission paid to bancassurance entities ranges from 4% to 37% across insurers.

5.2 **General Insurance**: Bancassurance entities generate about 5% of the premium yet received an average commission of 26%. In contrast, agency and broker channels collectively generate around 63% of the premium but receive a substantially lower average commission of 17% to 18%.

5.3 The bancassurance channel therefore emerged as one of the costliest channels for insurance distribution. Rather than translating into lower costs or better outcomes for customers, the significant customer access available to bancassurance entities appears to be contributing to the maximisation of commission income.

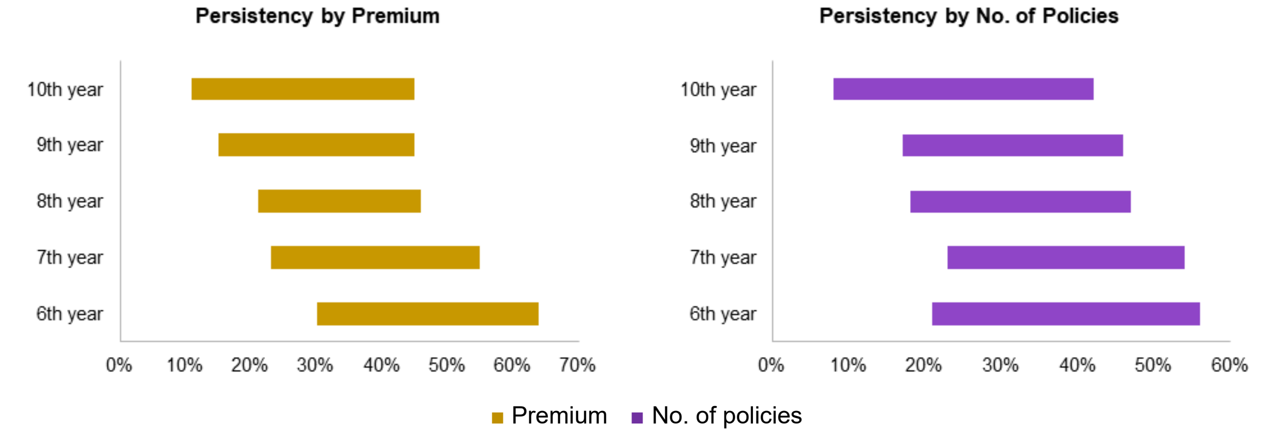
5.4 Bancassurance entities are permitted to distribute products of up to nine life insurers, nine general insurers and nine standalone health insurers. Despite having the ability to choose among multiple insurers, the tie-ups are influenced by the commission offered rather than selecting insurers offering the most competitive prices or returns, particularly for life insurance products. Customers may remain oblivious of the relatively high commissions embedded in the products being offered to them.

6. High commissions are leading to poor outcomes

6.1 Life Insurance

6.1.1 The life insurance industry today experiences high premature exits, low persistency rates and stagnation in number of in-force policies. The minimum and maximum persistency trends between 5th year and 10th year for selective insurers reflect very poor trends both on premium basis and on number of policies basis, with the minimum recorded as low as 8% after the 10th year.

Graph 6: Range of Persistency beyond 5 years



6.1.2 Products purchased online without involvement of intermediaries exhibit higher persistency. This seems to be a reflection of appropriate products being bought directly instead of commission led sale of unsuitable products. (*refer graph 5 in Part I*)

6.1.3 **Persistency trends are also a clear reflection of significantly large pre-mature exits and possibly indicating poor solicitation**. This is visible in the benefits paid by life insurers.

Graph 7: Benefits paid by Life Insurers

TOTAL BENEFITS PAID: ₹6.3 LAKH CRORE			
7%	35%	37%	20%
Death claims ₹0.47 lakh crore	Maturity benefits ₹2.23 lakh crore	Surrender pay-outs ₹2.33 lakh crore	Annuity/pension & other ₹1.26 lakh crore

6.1.4 The combination of high surrender pay-outs (37% of total benefits) and low persistency may reflect possible commission-driven churning and premature exits.

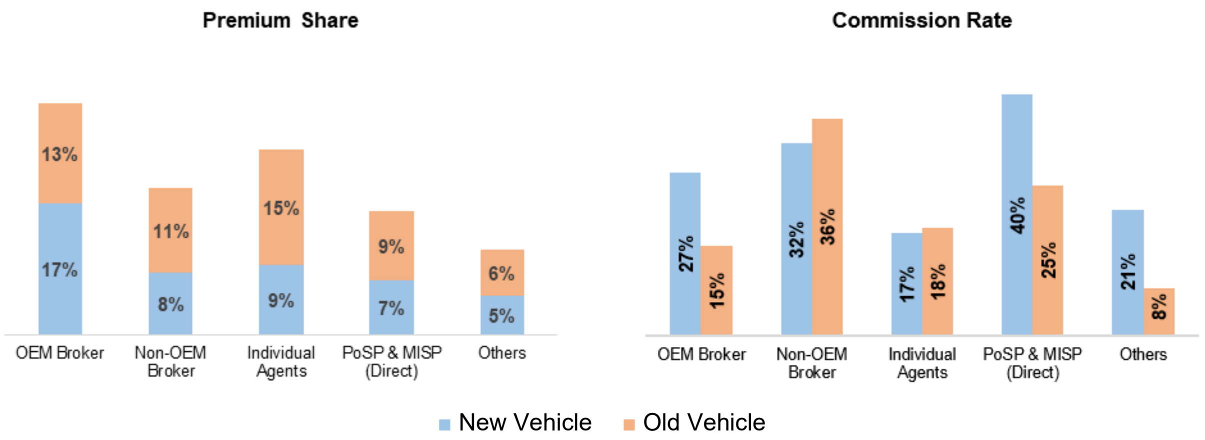
6.2 General Insurance

6.2.1 The consequences are possible upward pressure on premiums and high churn of policies.

7. Motor insurance entails one of the highest commission rates

7.1 Motor insurance records some of the highest commission pay-outs among all lines of businesses, despite a significant portion comprising mandatory Third-Party Liability insurance, for which premiums are regulated.

Graph 8: Motor Portfolio – Premium Share Vs Commission rate by channel



7.2 Commission rates on new vehicles by & large are higher than on older vehicles, though it is far easier to sell insurance for new vehicles, since no vehicle can leave the showroom without insurance.

8. Rising distribution costs and commission-driven behaviour is evident in health insurance

8.1 In health insurance, high commissions, concentrated portability, and commission-led group business indicate that intermediary incentives are becoming stronger drivers of market behaviour than customer value, underwriting quality or claims experience.

8.2 The premium charged by top six retail health insurers with more than two-thirds market share for their top selling products has increased by around 6% to 15% per year (CAGR from the respective product launch dates up to FY26), outpacing general inflation significantly. While medical inflation is a key driver, the coexistence of high distribution cost also contributes to increase in the premium rates and affordability concerns.

8.3 Relatively high commission rates even on renewal of health policies are also contributing to the CoDB.

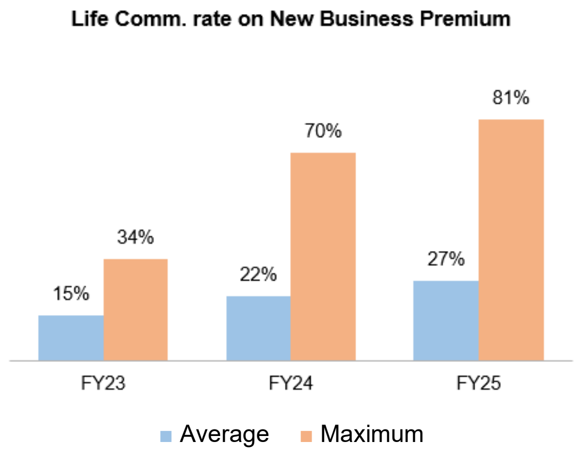
8.4 High FYP seems to induce portability from one insurer to another.

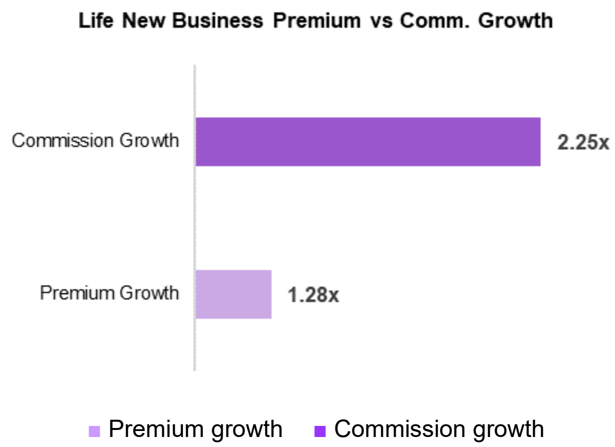
9. Interests of distributors are not aligned with those of policyholders and insurers

9.1 Corporate Agents (in respect of life insurance)

9.1.1 Life insurance commission rates on new business have risen sharply from FY23 to FY25, with the higher rate indicating increasing distribution costs. While new business premium has increased only 1.28 times, commissions have increased 2.25 times, indicating that commission costs are rising much faster than business volumes.

Graph 9: Life Insurance – Sampled CA analysis



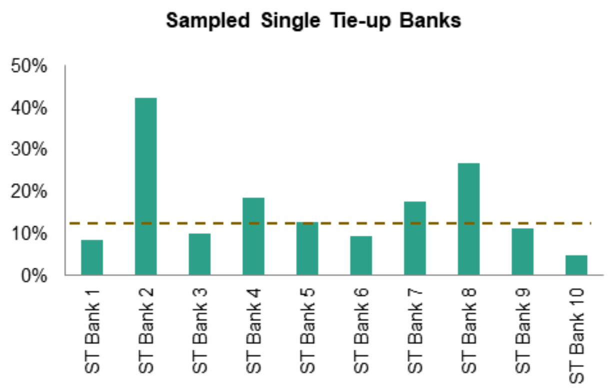


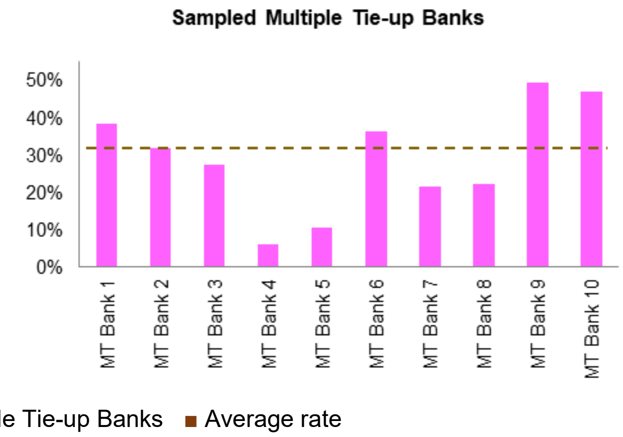
9.1.2 Single tie-up bancassurance arrangements have been more restrained than multiple tie-up arrangements.

9.1.3 Single tie-up bank arrangements entailed average total pay-outs of 13% of the life new business premium generated and the range of such pay-outs was 5% to 42%.

9.1.4 Multiple tie-up bank arrangements entailed much higher average total pay-out of 33% of the life new business premium generated and the range of such pay-outs was 6% to 72%.

Graph 10: Life Insurance – Avg. Commission rate of New Business for Sampled Bank CA*



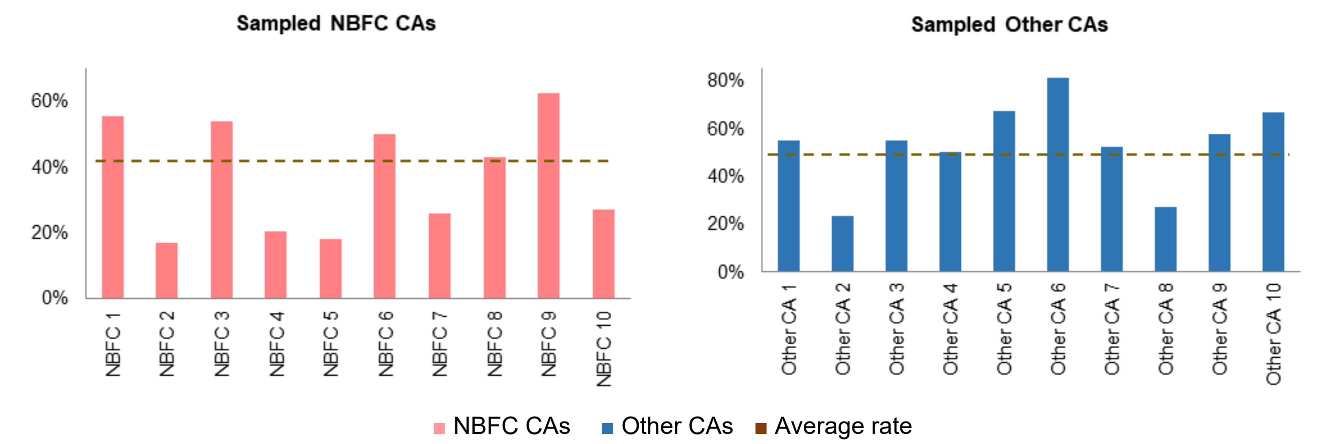


Top ten corporate agent banks based on new business premium, presented in no particular order.

9.1.5 Tie-ups with NBFCs entailed total pay-outs of 42% of the life new business premium generated and the range of such pay-outs was 13% to 67%.

9.1.6 Other corporate agents got average 49% of the life new business premium generated as the total pay-outs and the range was 21% to 81%.

Graph 11: Life Insurance – Avg. Commission rate of New Business for Sampled NBFC & Other CA FY2025*



** Top ten corporate agents (NBFCs and others) based on new business premium, presented in no particular order.*

9.1.7 Wide variations are observed in bancassurance arrangements

a. The largest private life insurer made a total pay-out of 8% on first year premium to its promoter bank, which has opted to maintain a single tie-up arrangement as a corporate agent.

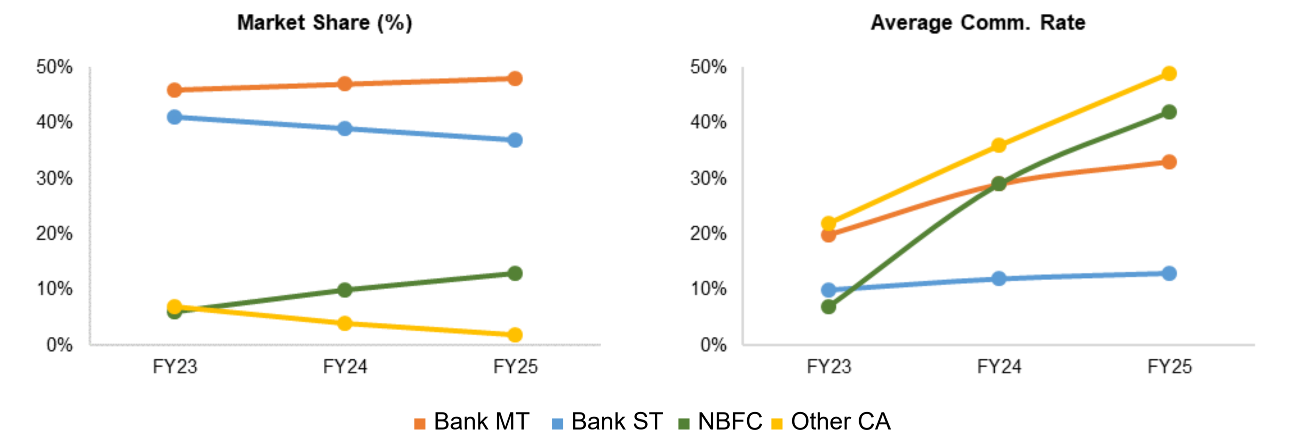
b. The second largest private life insurer made a much higher total pay-out of 42% on first year premium to its promoter bank, which has opted to have multiple tie-up arrangements as a corporate agent.

c. Quite often, banks as corporate agents seek competitive bids from insurers, with commission as one of the deciding parameters.

d. A detailed analysis of bancassurance is placed as Annex 1.

9.1.8 The new business market share of the bank single tie-up, bank multiple tie-up and other corporate agents has remained broadly stable, whereas the share of NBFCs has increased over FY23 - FY25. At the same time, although average commission rates have risen across all four corporate agent groups, the increase is more prominent for NBFC and other CA.

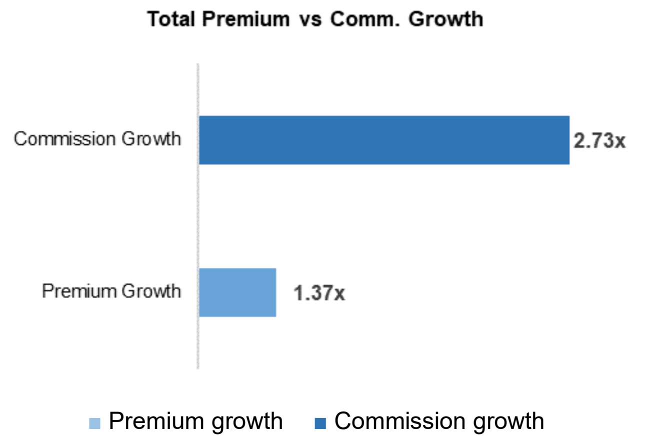
Graph 12: Life Insurance – Sampled CA analysis



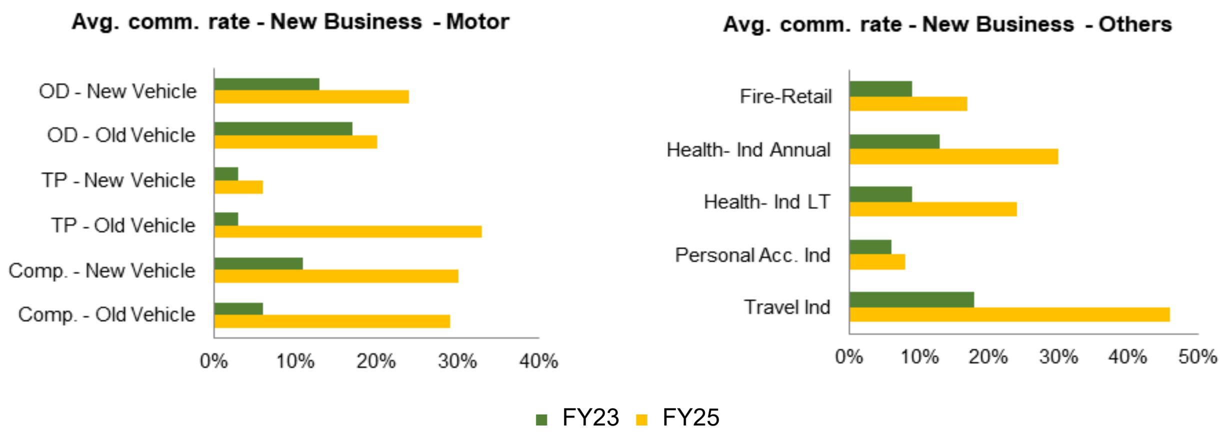
9.2 Brokers (in respect of general insurance)

9.2.1 Commissions of brokers have grown substantially faster than the premium sourced through them, from FY23 to FY 25. The premium has increased by 1.37 times whereas the commission has increased by 2.73 times during this period. Rising commission has direct adverse implications on policyholder cost.

Graph 13: General Insurance – Sampled brokers analysis

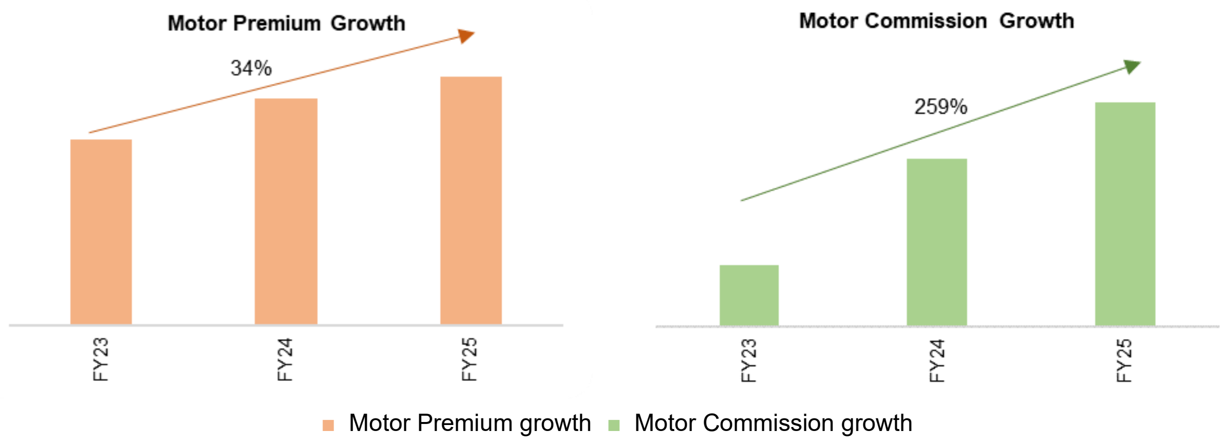


Graph 14: Sampled brokers analysis



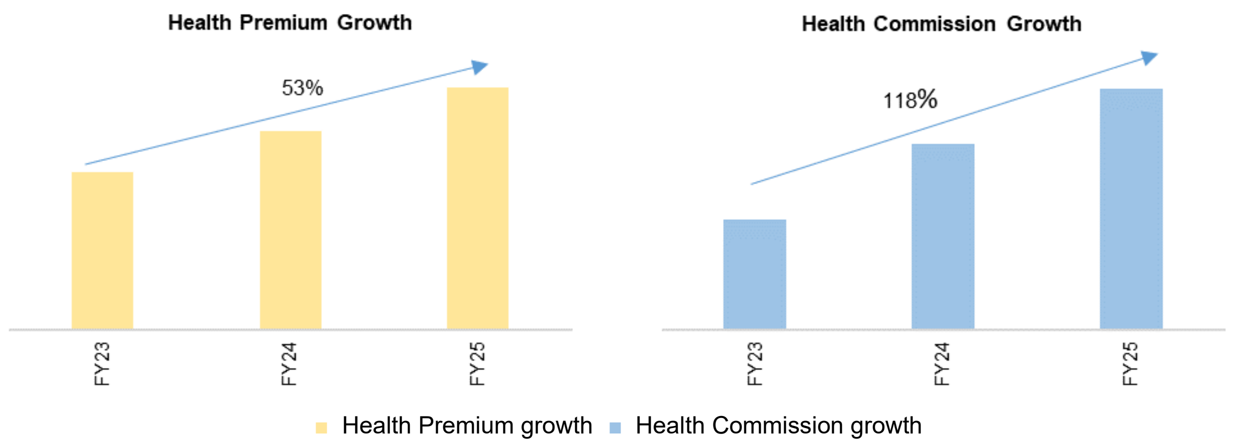
9.2.2 Commission growth points to a structural shift in how distribution competition is being fought, one most visible in motor insurance.

Graph 15: Sampled brokers analysis – Motor Business



9.2.3 Health insurance shows a similar but more concerning pattern, despite the fact that it has increasingly become a customer-initiated purchase.

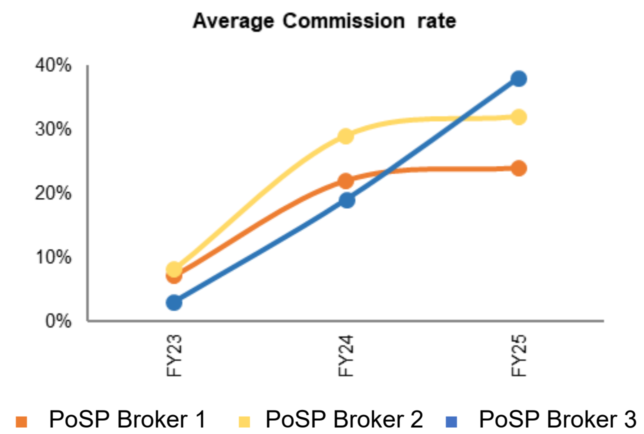
Graph 16: Sampled brokers analysis – Health Business



9.2.4 Detailed analysis of brokers primarily doing retail business is placed as Annex 2.

9.2.5 **Brokers with PoSPs**[7]
The trend of sharp increase in average commission rates of PoSP brokers over the three-year period reflects their evolving engagement with insurers.

Graph 17: PoSP led Brokers' analysis*



** These brokers are among the largest brokers.*

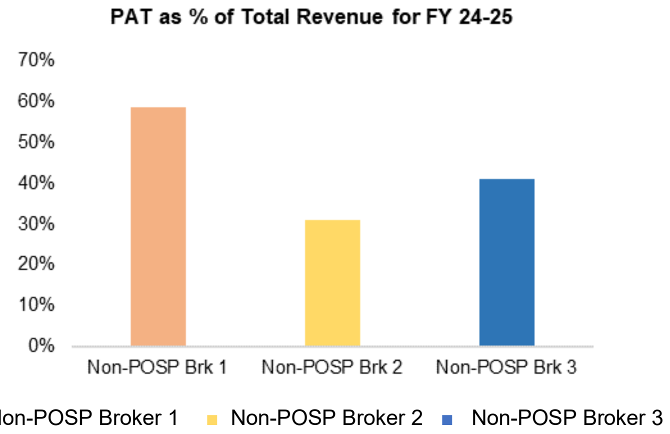
9.2.6 **Brokers without PoSPs**[8]

a. Commission earned by large brokers without PoSPs and serving large corporate customers is much lower at about average 6% to 11% from FY23 to FY25. However, the range of commission for different lines of business for FY25 is 5% to 17%.
b. The expense ratio of such large brokers varies from 33% to 60%, resulting in large margin as profits.
c. Such brokers also take up reinsurance and consultancy services.

[7] *It is generally observed that brokers with PoSPs predominantly undertake retail lines of business.*
[8] *It is generally observed that brokers without PoSPs predominantly undertake commercial lines of business.*

d. The profit after tax (PAT) of 3 such large brokers were in the range of 30% to 60% of their total revenues.

Graph 18: Non-PoSP Brokers' analysis*



** These brokers are among the largest brokers.*

9.2.7 Such large margins, PAT and commission rates remain unknown to their customers. The imperative of bringing down CoDB for their corporate customers will require bringing in transparency in the commission rates.

Annexure 1 – Life insurance distribution through Corporate Agents (FY25)

Examining distribution costs through the lens of policyholder value

Life insurance distributed through corporate agent's accounts for a significant share of new business in India and represents one of the largest channels of insurer acquisition expenditure. This section examines distributor pay-out across banks, NBFCs and other corporate agents using a representative sample covering approximately 92% of total corporate agent premium and 89% of total commission. The sample represents around ₹80,000 crore of new business premium generated during FY25. It analyses commissions, rewards, annual incentives and other payments to assess how distribution costs vary across products and channels, and the implications of these trends for policyholder value, insurer acquisition costs and the overall efficiency of the life insurance distribution framework.

1. Distributor remuneration has grown far faster than premium growth and now represents a substantial component of first-year premium. Between FY23 and FY25, new business premium generated through the sampled corporate agents increased from approximately ₹63,000 crore to ₹80,000 crore, a growth of around 28%. During the same period, total distributor remuneration - including commissions, rewards, annual incentives and other payments - increased from approximately ₹9,580 crore to ₹21,600 crore, a growth of around 125% - indicating that the increase in pay-outs was driven not just by higher business volumes but also by significantly higher remuneration levels. Effective distributor remuneration represents around **27 percent** of first-year premium. As these costs are ultimately funded from policyholder premiums, their magnitude and structure assume increasing importance from the perspective of customer value, insurer expense management and regulatory oversight. (*refer graph 9*)

2. Base commission[9] no longer reflects the true cost of insurance distribution. In addition to base commission, insurers now make substantial payments through rewards, annual incentives and other commercial arrangements. These additional payments increased total remuneration by 30 to 60 percent over the base commission. Assessing only the base commission therefore understates the actual acquisition cost incurred by insurers.

3. Banks continue to determine the acquisition cost of most retail life insurance business. Banks account for nearly ₹68,000 crore of the premium analysed in this study and therefore largely shape the cost of distributing retail life insurance through corporate agency channel. Given the dominant role of banks in life insurance distribution, changes in remuneration within this channel have significant implications on insurer expenses and product pricing.

4. The same category of insurance product often carries substantially different distribution costs. The analysis finds considerable variation in remuneration for identical product categories. For example, commission in ULIPs ranges from around **5% to nearly 40%** across different corporate agent arrangements, despite the products serving broadly similar customer needs. Such wide differences are difficult to attribute solely to product characteristics

[9] *Base Commission: Pure Commission excluding Reward / Incentive / Any other Payment*

or distribution effort and suggest that insurer payouts are increasingly being driven by competition for distribution shelf space rather than by the effort involved in selling the product.

5. Post-EOM competition appears to have increasingly shifted from product innovation to competition for distribution. For a given insurance product, policyholders generally pay the same premium irrespective of the distribution channel, even though insurers incur materially different acquisition costs. The relatively moderate payouts observed in Single Tie-up Banks, where insurers do not compete for shelf space, compared with substantially higher payouts in Multiple Tie-up Banks, suggest that remuneration is increasingly influenced by competition to secure and retain distribution relationships. **These trends raise an important policy question as to whether distributor payouts should be linked to the effort involved in advising and servicing customers, or to the intermediary's ability to negotiate higher payouts from insurers.** *(refer graph 12)*

6. Traditional savings products continue to attract the highest distributor commissions. Across the corporate agent channel, the **average commission[10] (including rewards)** on non-participating savings products ranges from **around 29% to 60%** of first-year premium, whereas participating savings products range from **around 32% to 57%**. **These are average commission levels; however, commissions exceed 65% for certain corporate agents in individual product segments.** As acquisition costs increase, it becomes important to assess whether the resulting products continue to offer fair value over the policy term.

7. NBFCs have emerged as the fastest-growing corporate agent channel, driven almost entirely by loan-linked insurance. NBFCs represent the most significant structural change in the life insurance distribution landscape following the implementation of the EOM Regulations, 2023. New business premium sourced through NBFCs increased from **₹3,600 crore in FY23** to **₹10,300 crore in FY25**, nearly tripling within two years. During the same period, total distributor payout increased to approximately **₹4,300 crore**, translating into an effective payout of around **42%** of new business premium. The rapid expansion of this channel has also been accompanied by a sharp increase in NBFC registrations as corporate agents following the EOM framework. (*refer graph 12*)

8. The defining characteristic of this channel is that approximately **93%** of its business comprises **single-premium Group Credit Life and Group Fund-Based Single Premium products** linked to retail loans. These products are generally offered at the point of loan origination, where customers often have limited opportunity to compare products, choose the insurer or negotiate the premium. Commission levels on Group Credit Life have increased from around **5% in FY23** to around **28% in FY25**, whereas effective payouts are estimated at around **45%** after including other remuneration components. Given that these products are typically sold alongside loans, where customers have limited opportunity to compare alternatives or exercise informed choice, the rapid increase in distributor remuneration raises important questions regarding transparency, product suitability and whether remuneration remains proportionate to the nature of the distribution activity.

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[10] *Commission: Commission + Rewards*

9. Higher distributor payouts warrant closer examination of customer outcomes and distribution practices. Distributor payouts have increased significantly faster than premium growth, while 61st month persistency in life insurance remains at only **48.4%**, indicating that more than half of policyholders discontinue their policies before completing five years despite heavily front-loaded remuneration. As remuneration structures become increasingly acquisition-focused, greater attention may be required to indicators such as product suitability, policy replacement, customer understanding, grievance trends and policy persistency. Particular attention may also be warranted where insurance is sold alongside core banking products and services, to ensure that customer choice remains genuine, product recommendations are appropriate and remuneration incentives do not influence product suitability.

Annexure 2 – General insurance distribution through brokers (FY23 - FY25)

Examining the Rising Cost Through the Lens of Policyholder Value

General insurance distributed through brokers accounts for a significant and growing share of premium acquisition in India and represents a channel where remuneration structures have shifted markedly over a short period. This section examines broker commission across retail lines especially motor and health and other broker arrangements, **using a representative sample covering approximately 90% of total broker-led general insurance premium**. It analyses how commission rates have evolved between FY23 and FY25 across products and lines of business, and the implications of these trends for policyholder cost, broker incentive alignment and the overall sustainability of the broker distribution framework.

1. **Broker commission has grown substantially faster than the premium it is paid on**. Total general insurance premium routed through brokers rose from around ₹74,460 crore in FY23 to ₹1,01,862 crore in FY25, **an increase of around 37%.** Over the same period, total broker commission including rewards rose from around ₹6,348 crore to ₹17,348 crore, **an increase of around 173%**. Average commission rose from around 8.5% to 17%. This divergence between premium and commission growth indicates that the cost of broker distribution is rising independently of the underlying business volume. (*refer graph 13*)

2. **Motor and Health together account for nearly 80% of all broker-placed general insurance premium:** With Motor at 47% and Health at 32%, these two LOBs overwhelmingly dominate the broker channel, reflecting both the mandatory nature of motor insurance and the growing penetration of health products through retail channels.

3. **Retail lines account for a disproportionate share of commission relative to premium**. Retail business contributed around 54% of total premium in FY25 but around 78% of total commission, driven principally by individual health and motor own damage products. Within retail, premium grew with an increase of around 37%, whereas commission grew with an increase of around 248%. This pattern suggests that growth in retail broker remuneration has been driven less by expanding business volume and more by rising rates on existing business. Across retail LOBs, new business commission rates more than doubled from FY23 to FY25, while most corporate LOBs saw modest or no movement, reflecting a significantly steeper commission escalation in retail lines.

4. **Commission growth points to a structural shift in how distribution competition is being fought, one most visible in motor insurance.** Between FY23 and FY25, motor premium grew by around 34% whereas motor commission grew by around 259%, with average commission rates rising from around 9% to around 25%, nearly tripling over two years for the same underlying product. As the point of sale in motor insurance is typically controlled by the dealer or OEM-linked broker at the moment of vehicle purchase, customers are generally not in a position to compare or negotiate, and the resulting pricing power appears to reflect control over distribution access rather than advisory effort or product competition. (*refer graph 15*)

5. **Retail health insurance shows a similar but more concerning pattern, given that it has increasingly become a customer-initiated purchase.** Health insurance premium grew by around **53%** between FY23 and FY25, whereas broker commission grew by around **118%** over the same period, with retail health average commission rates increasing from around **10%** to **30%**. This sharp increase in distribution cost has occurred even as rising medical inflation and hospitalisation costs have made health insurance a product that customers increasingly seek on their own. The continued escalation in acquisition costs assumes greater significance as affordability remains a key challenge and the **'missing middle' continues to remain inadequately insured.** (*refer graph 16*)

6. **The trend in average commission rates of PoSP brokers over the three-year period reflects their evolving engagement with insurers.** The commission of PoSP brokers have increased sharply as retail distribution has expanded. This suggests that insurers are increasingly willing to offer higher remuneration to secure access to retail customer networks, where customers generally have limited visibility of distributor remuneration and limited ability to influence the distribution cost embedded in the product. The trend indicates that competition is increasingly being driven by access to retail distribution rather than by differences in product complexity or distribution effort. (*refer graph 17*)

7. **Rising commission has direct implications for policyholder cost.** Since commission is funded from premium, sustained rate increases in retail and health products may raise policy costs over time, and the wide variation across similar products raises the possibility that broker recommendations are influenced by remuneration rather than policyholder fit. Cross-selling and add-ons, while often useful, warrant scrutiny as to whether they are need-driven or commission-driven. Broker expertise remains valuable in complex commercial risk placement, suggesting any response should distinguish such segments from high-cost retail acquisition channels.

Annexure 3 – Life Insurance - Commission and Total Distribution Pay-outs[11]

Table 1

Commission on First Year Premium

Sl.No.	Product Category	Average Commission	Maximum Commission
1	Pure Term Insurance	51%	81%
2	Participating Products	37%	63%
3	Non-Participating Products	25%	60%
4	ULIP	14%	33%
5	Credit Life Products	8%	14%

Table 2

Commission on Single Premium

Sl.No.	Product Category	Average Commission	Maximum Commission
1	Pure Term Insurance	5%	9%
2	Participating Products	2%	2%
3	Non-Participating Products	11%	45%
4	ULIP	2%	3%
5	Credit Life Products	22%	57%

Table 3

Commission on Renewal Premium

Sl.No.	Product Category	Average Commission	Maximum Commission
1	Pure Term Insurance	4%	8%
2	Participating Products	6%	8%
3	Non-Participating Products	3%	7%
4	ULIP	2%	5%
5	Credit Life Products	9%	38%

[11] *To remove outliers, the upper- and lower-end observations, collectively representing 5% of premium, have been excluded from the calculation of maximum commission.*

Table 4

Commission paid to distribution channels – First Year Premium

Sl.No.	Distribution Channel	Average Commission	Maximum Commission
1	Corporate Agents - Banks	27%	62%
2	Corporate Agents - NBFCs	42%	67%
3	Corporate Agents - Others	61%	92%
4	Brokers	43%	92%
5	Agents	27%	34%

Table 5

Commission paid to distribution channels – Total Premium

Sl.No.	Distribution Channel	Average Commission	Maximum Commission
1	Corporate Agents - Banks	10%	40%
2	Corporate Agents - NBFCs	38%	67%
3	Corporate Agents - Others	27%	65%
4	Brokers	17%	62%
5	Agents	8%	30%

Table 6

Range of New Business Commission paid by Life Insurers to Distributors

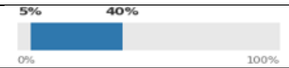
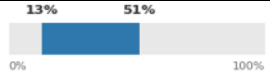
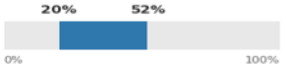
Sl.No.	Distribution Channel	Range of Average Commission	Graph
1	Corporate Agents - Banks	5% to 40%	
2	Corporate Agents - NBFCs	13% to 51%	
3	Corporate Agents - Others	20% to 52%	

Table 7

Range of Total Distribution Payouts on New Business by Life Insurers to Distributors

Sl.No.	Distribution Channel	Range of Average (Total Distribution Payout)	Graph
1	Corporate Agents - Banks	5% to 72%	
2	Corporate Agents - NBFCs	13% to 67%	
3	Corporate Agents - Others	21% to 81%	

Table 8

Range of Total Distribution Pay-outs on New Business by Life Insurers to their Promoter Banks or Group NBFCs

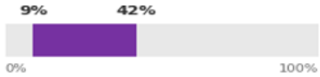
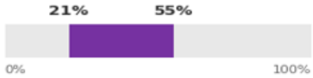
Sl.No.	Promoter/ Group	Range of Average Pay-out	Graph
1	Bank Promoters	9% to 42%	
2	Group NBFCs	21% to 55%	

Table 9

Range of Commission paid by Life Insurers

Sl.No.	Product Category	Range of Average Commission	Maximum Commission
1	Pure Term Insurance	2% to 40%	52%
2	Participating Products	2% to 34%	32%
3	Non-Participating Products	5% to 35%	40%
4	ULIP	3% to 18%	21%
5	Credit Life Products	5% to 41%	57%

Table 10

Range of Commission paid by Life Insurers to Distributors

Sl.No.	Distribution Channel	Range of Average Commission	Maximum Commission
1	Corporate Agents - Banks	3% to 37%	40%
2	Corporate Agents - NBFCs	7% to 46%	46%
3	Corporate Agents - Others	4% to 66%	65%
4	Brokers	3% to 57%	62%
5	Agents	0% to 33%	30%

Table 11

Range of Total Distribution Payouts by Life Insurers to Distributors

Sl.No.	Distribution Channel	Range of Average (Total Distribution Payout)	Maximum Commission
1	Corporate Agents - Banks	3% to 37%	41%
2	Corporate Agents - NBFCs	7% to 63%	63%
3	Corporate Agents - Others	4% to 66%	68%

4	Brokers	3% to 57%	62%
5	Agents	0% to 33%	31%

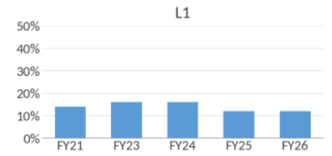
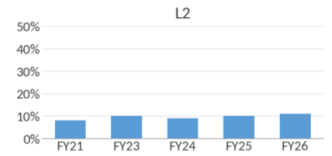
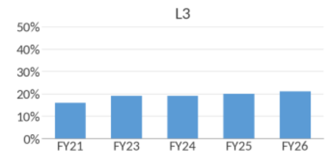
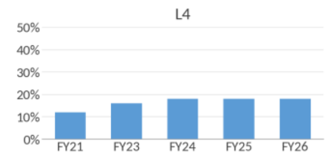
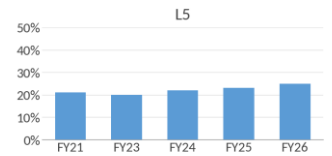
Table 12

Range of Total Distribution Pay-outs by Life Insurers to their Promoter Banks or Group NBFCs

Sl.No.	Promoter/ Group	Range of Average (Total Distribution Payout)	Maximum Commission
1	Bank Promoters	4% to 17%	46%
2	Group NBFCs	15% to 63%	63%

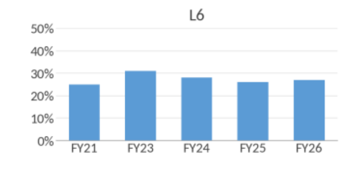
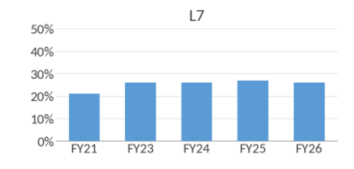
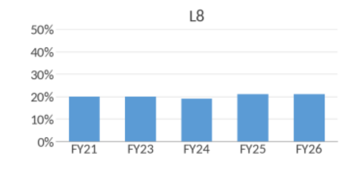
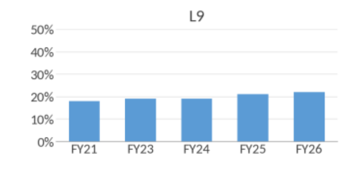
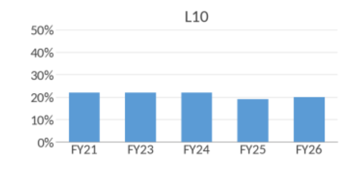
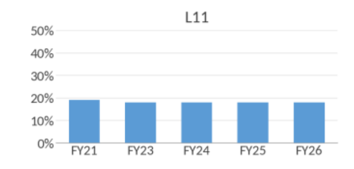
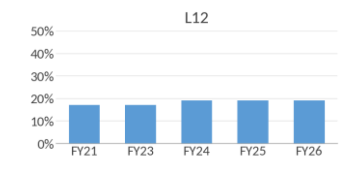
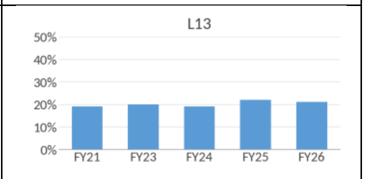
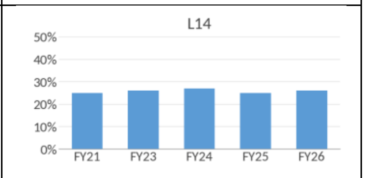
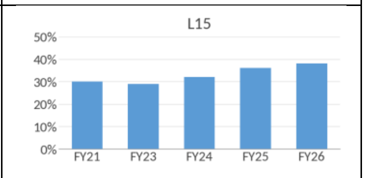
Table 13A

Total Expense to Total Premium Ratio of Life Insurers[12]

Sl. No.	Insurer[13]	Market Share in FY25	FY21	FY23	FY24	FY25	FY26	Graph
1	L1	Above 10%	14%	16%	16%	12%	12%	
2	L2	7.5% to 10%	8%	10%	9%	10%	11%	
3	L3		16%	19%	19%	20%	21%	
4	L4	5% to 7.5%	12%	16%	18%	18%	18%	
5	L5	2.5% to 5%	21%	20%	22%	23%	25%	

[12] *Those in business for at least 5 years*

[13] *Insurers are not arranged in any particular order within the group*

6	L6		25%	31%	28%	26%	**27%**	
7	L7		21%	26%	26%	27%	**26%**	
8	L8	1% to 2.5%	20%	20%	19%	21%	**21%**	
9	L9		18%	19%	19%	21%	**22%**	
10	L10		22%	22%	22%	19%	**20%**	
11	L11	0.5% to 1%	19%	18%	18%	18%	**18%**	
12	L12		17%	17%	19%	19%	**19%**	
13	L13		19%	20%	19%	22%	**21%**	
14	L14		25%	26%	27%	25%	**26%**	
15	L15	Less than 0.5%	30%	29%	32%	36%	**38%**	

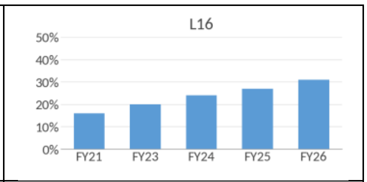
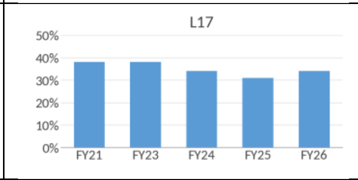
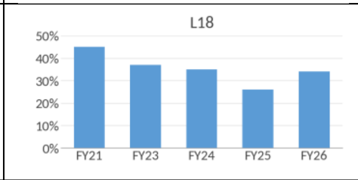
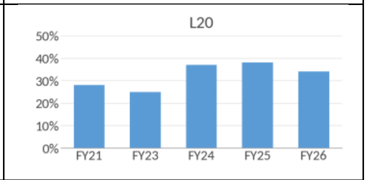
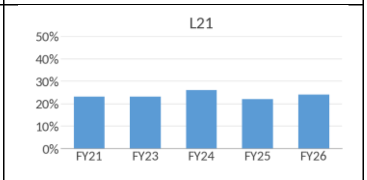
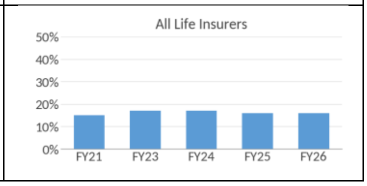
16	L16		16%	20%	24%	27%	**31%**	
17	L17		38%	38%	34%	31%	**34%**	
18	L18		45%	37%	35%	26%	**34%**	
20	L20		28%	25%	37%	38%	**34%**	
21	L21		23%	23%	26%	22%	**24%**	
	All Life Insurers	**100%**	**15%**	**17%**	**17%**	**16%**	**16%**	

Table 13B

Insurers with expenses more than 50% in any of the 5 years

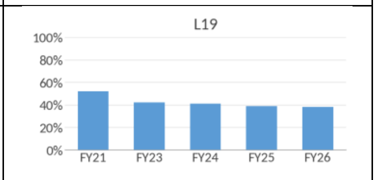
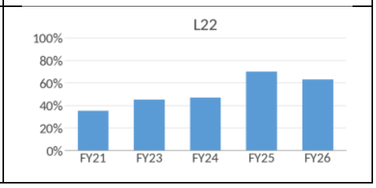
Sl. No.	Life Insurer	Market Share in FY25	FY21	FY23	FY24	FY25	FY26	Graph
19	L19	Less than 0.5%	52%	42%	41%	39%	**38%**	
22	L22		35%	45%	47%	70%	**63%**	

Table 14

Persistency in terms of number of policies[14]

Year	Maximum	Minimum
1	93%	30%
2	100%	33%
3	73%	29%
4	72%	26%
5	64%	20%
6	56%	21%
7	54%	23%
8	47%	18%
9	46%	17%
10	42%	8%

Table 15

Persistency in terms of premium[15]

Year	Maximum	Minimum
1	94%	21%
2	100%	47%
3	83%	44%
4	81%	40%
5	71%	33%
6	64%	30%
7	55%	23%
8	46%	21%
9	45%	15%
10	45%	11%

[14] *This pertains to select life insurers having total market share of 33%*

[15] *ibid*

Table 16

Surrender Value of Life Insurance Policies (*Percentage of Total Premium Paid*)

Product type	Year 1	Year 2	Year 3	Year 4	Year 5
Par	33% to 57%	35% to 61%	51% to 65%	57% to 70%	61% to 74%
Non-Par	31% to 64%	37% to 69%	44% to 74%	52% to 79%	64% to 84%
Product	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Product 1 - Par (Model point: Age 35 yrs, PPT 15 yrs, PT 15 yrs, @ 8% p.a. interest rate; Annualized Premium: 14,680)	33%	35%	53%	57%	61%
Product 2 - Par (Model point: Age 35 years, PPT 7 years, PT 15 years, @ 8% p.a. interest rate; Annualized Premium: 1,00,000)	57%	61%	65%	70%	74%
Product 3 - Par (Model point: Age 35 yrs, PPT 10 yrs, PT 30 yrs, @ 8% p.a. interest rate; Annualized Premium: 1,00,000)	54%	56%	58%	60%	62%
Product 4 - Par (Model point: Age 35 years, PPT 10 years, PT 15 years, @ 8% p.a. interest rate; Annualized Premium: 1,00,000)	39%	44%	51%	67%	69%
Product 5 - Non-Par (Model point: Age 35 yrs, PPT 15 yrs, PT 15 yrs; Annualized Premium: 24,760)	37%	43%	50%	57%	65%
Product 6 - Non-Par (Model point: Age 35 years, PPT 10 years, PT 20 years; Annualized Premium: 1,00,000)	39%	46%	55%	63%	72%
Product 7 - Non-Par (Model point: Age 35 yrs, PPT 10 yrs, PT 20 yrs; Annualized Premium: 1,00,000)	64%	69%	74%	79%	84%

Product 8 - Non-Par (Model point: Age 35 years, PPT 10 years, PT 20 years; Annualized Premium: 1,00,000)	31%	37%	44%	52%	64%

Note on Surrender value for ULIP: *Surrendering a unit-linked policy between year 1 to year 4 triggers the immediate cessation of all risk and rider covers. The Unit Fund Value, net of discontinuance charges is transferred to a Discontinued Policy Fund (DPF). Because of the mandatory five-year lock-in period, the surrender value is not paid immediately. Instead, the proceeds are paid on the first business day of the 6th policy year. During this lock-in, the DPF earns a minimum guaranteed interest of 4% per annum, and the only permissible deduction is a Fund Management Charge capped at 50 basis points annually. Discontinuance charges are mandated in the Regulations/ Master Circular.*

Annexure 4 – General Insurance - Commission and Total Distribution Pay-outs[16]

Table 1

Commission on New Business Premium

Sl.No.	Product Category	Average Commission	Maximum Commission[17]
1	Motor	26%	75%
2	Health Retail	24%	70%
3	Health Group	15%	93%
4	Property	14%	70%
5	Crop	0.2%	25%

Table 2

Commission on Renewal Premium

Sl.No.	Product Category	Average Commission	Maximum Commission
1	Motor	20%	69%
2	Health Retail	14%	69%
3	Health Group	6%	93%
4	Property	11%	69%
5	Crop[18]	NA	NA

Table 3

Commission paid to distribution channels

Sl.No.	Distribution Channel	Average Commission	Maximum Commission
1	Corporate Agents - Banks	26%	82%
2	Corporate Agents - NBFCs	40%	88%
3	Corporate Agents - Others	31%	89%
4	Brokers	18%	80%
5	Agents	17%	66%

[16] *Top outlier values of involved in 5% of the premium have been excluded in maximum commission and total payouts.*

[17] *Maximum commission refers to maximum commission paid by any insurer to any intermediary within the particular product category/segment/distribution channel.*

[18] *NA – Data not readily available*

Table 4

Range of Commission paid by General Insurers

Sl.No.	Product Category	Range of Average Commission	Maximum Commission
1	Motor	13% - 50%	75%
2	Health Retail	11% - 27%	70%
3	Health Group	11% - 31%	93%
4	Property	11% - 33%	70%
5	Crop	0% - 1%	30%

Table 5

Range of Commission paid by General Insurers to Distributors

Sl.No.	Distribution Channel	Range of Average Commission	Maximum Commission
1	Corporate Agents - Banks	13% - 94%	87%
2	Corporate Agents - NBFCs	16% - 88%	88%
3	Corporate Agents - Others	12% - 64%	100%
4	Brokers	12% - 54%	81%
5	Agents	11% - 29%	73%

Table 6

Range of Total Distribution Payouts by General Insurers to Distributors

Sl.No.	Distribution Channel	Range of Average[19] (Total distribution payouts)	Maximum payout
1	Corporate Agents - Banks	NA	NA
2	Corporate Agents - NBFCs	16% - 92%	92%
3	Corporate Agents - Others	NA	NA
4	Brokers	NA	NA
5	Agents	11% - 29%	73%

[19] *NA – Data not readily available*

Table 7

Range of Total Distribution Payouts by General Insurers to their Promoter Banks or Group NBFCs

Sl.No.	Product Category	Range of Average (Total distribution payouts)	Maximum Commission
1	Bank Promoters	12% - 47%	47%
2	Group NBFCs	16% - 85%	85%

Table 8

Range of New Business Commission paid by General Insurers to Distributors

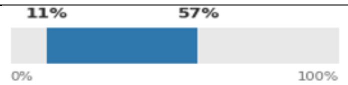
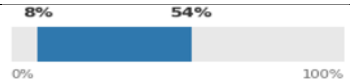
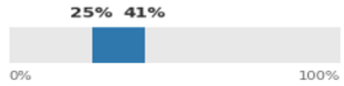
Sl.No.	Distribution Channel	Range of Average Commission	Graph
1	Corporate Agents - Banks	11% to 57%	
2	Corporate Agents - NBFCs	8% to 54%	
3	Corporate Agents - Others	25% to 41%	

Table 9

Range of Total Distribution Pay-outs on New Business by General Insurers to Distributors

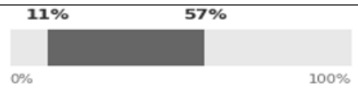
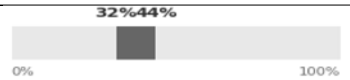
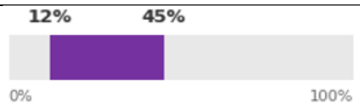
Sl.No.	Distribution Channel	Range of Average (Total Distribution Payout)	Graph
1	Corporate Agents - Banks	11% to 57%	
2	Corporate Agents - NBFCs	8% to 69%	
3	Corporate Agents - Others	32% to 44%	

Table 10

Range of Total Distribution Pay-outs on New Business by General Insurers to their Promoter Banks or Group NBFCs

Sl.No.	Promoter/ Group	Range of Average (Total Distribution Payout)	Graph
1	Bank Promoters	12% to 45%	

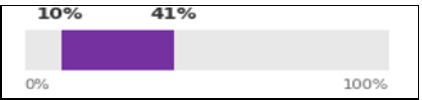
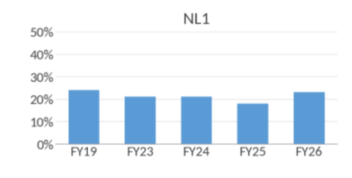
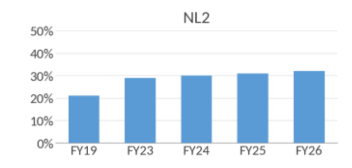
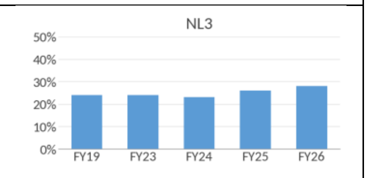
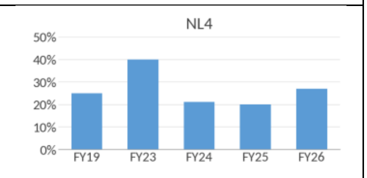
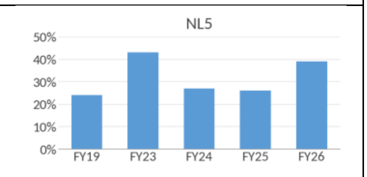
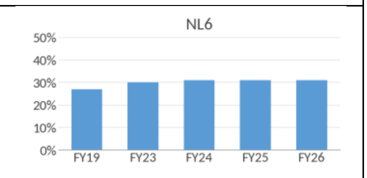
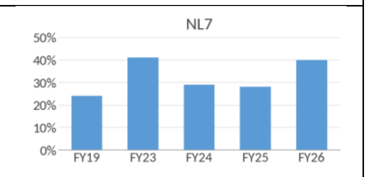
2	Group NBFCs	10% to 41%	

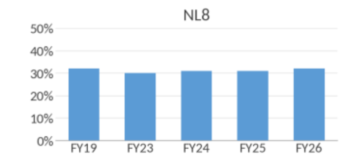
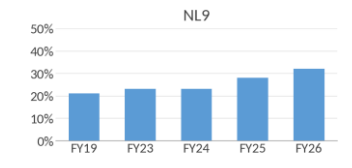
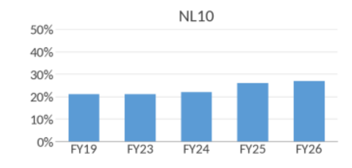
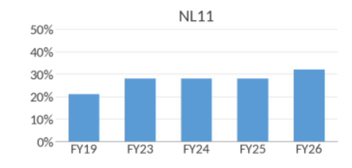
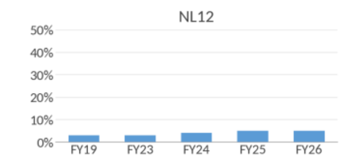
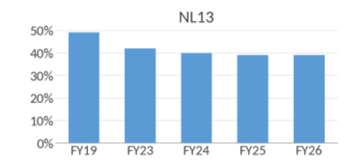
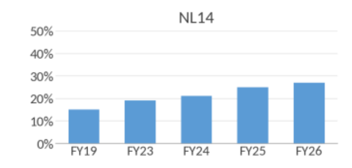
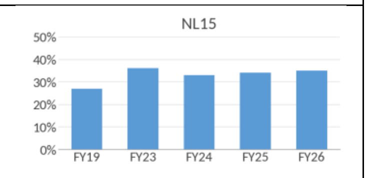
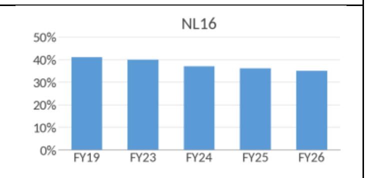
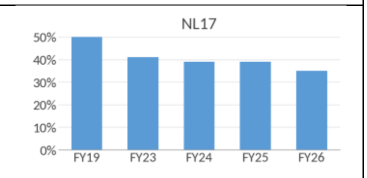
Table 11A

Total Expense to Gross Direct Premium Ratio of General Insurers[20]

Sl. No	Insurer[21]	Market Share in FY25	FY19	FY23	FY24	FY25	FY26	Graph
1	NL1	Above 10%	24%	21%	21%	18%	23%	
2	NL2	7.5% to 10%	21%	29%	30%	31%	32%	
3	NL3	5% to 7.5%	24%	24%	23%	26%	28%	
4	NL4		25%	40%	21%	20%	27%	
5	NL5		24%	43%	27%	26%	39%	
6	NL6		27%	30%	31%	31%	31%	
7	NL7		24%	41%	29%	28%	40%	

[20] *Those in business for at least 5 years*

[21] *Insures are not arranged in any particular order within the group*

8	NL8		32%	30%	31%	31%	32%	
9	NL9		21%	23%	23%	28%	32%	
10	NL10		21%	21%	22%	26%	27%	
11	NL11		21%	28%	28%	28%	32%	
12	NL12		3%	3%	4%	5%	5%	
13	NL13	2.5% to 5%	49%	42%	40%	39%	39%	
14	NL14		15%	19%	21%	25%	27%	
15	NL15		27%	36%	33%	34%	35%	
16	NL16		41%	40%	37%	36%	35%	
17	NL17	1% to 2.5%	50%	41%	39%	39%	35%	

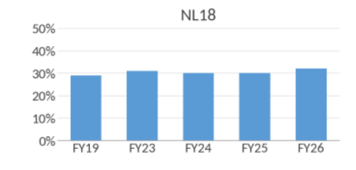
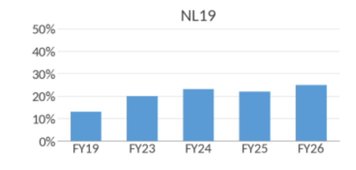
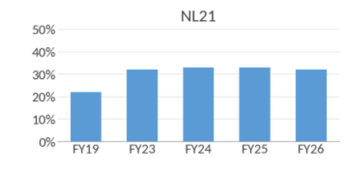
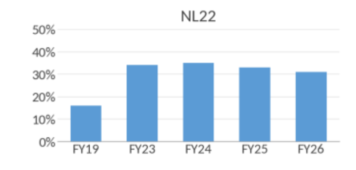
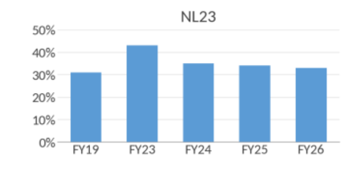
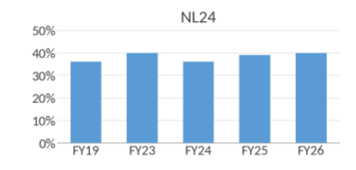
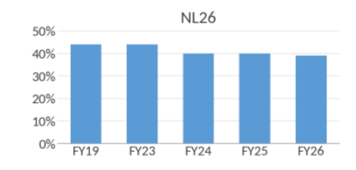
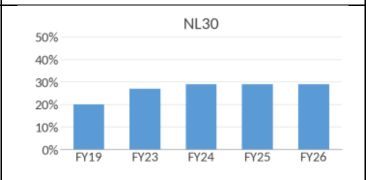
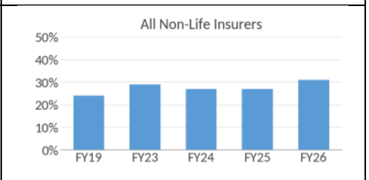
18	NL18		29%	31%	30%	30%	32%	
19	NL19		13%	20%	23%	22%	25%	
21	NL21		22%	32%	33%	33%	32%	
22	NL22		16%	34%	35%	33%	31%	
23	NL23		31%	43%	35%	34%	33%	
24	NL24	0.5% to 1%	36%	40%	36%	39%	40%	
26	NL26		44%	44%	40%	40%	39%	
30	NL30	Less than 0.5%	20%	27%	29%	29%	29%	
	All General Insurers	**100%**	**24%**	**29%**	**27%**	**27%**	**31%**	

Table 11B

Insurers with expenses more than 50% in any of the 5 years

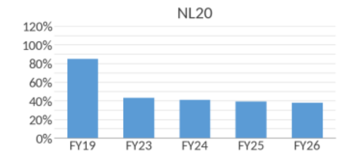
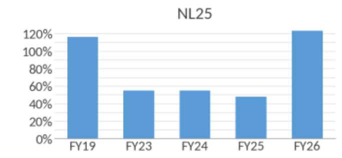
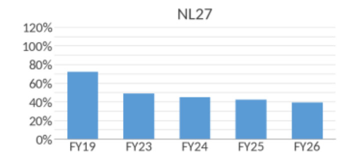
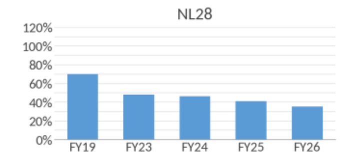
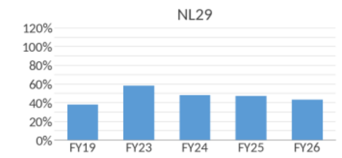
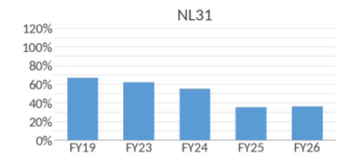
Sl. No.	Insurer	Market Share in FY25	FY19	FY23	FY24	FY25	FY26	Graph
20	NL20	1% to 2.5%	85%	43%	41%	39%	**38%**	
25	NL25	0.5% to 1%	116%	55%	55%	48%	**123%**	
27	NL27		72%	49%	45%	42%	**39%**	
28	NL28	Less than 0.5%	70%	48%	46%	41%	**35%**	
29	NL29		38%	58%	48%	47%	**43%**	
31	NL31		67%	62%	55%	35%	**36%**	

Table 12

Commission[22] on First Year Premium paid on General Insurance products

Sl. No.	Insurer[23]	Market Share in FY25	Avg / Max	Motor	Health-Retail	Health-Group	Property Retail	Crop
1	NL 1	Above 10%	Avg	13%	17%	-	11%	0%
			Max	36%	59%	-	39%	0%
2	NL 2	7.5% to 10%	Avg	29%	18%	16%	11%	0%
			Max	70%	58%	67%	70%	17%
3	NL 3	5% to 7.5%	Avg	29%	18%	14%	14%	1%
			Max	65%	65%	69%	68%	30%
4	NL 4		Avg	20%	11%	-	12%	0%
			Max	54%	30%	-	30%	0%
5	NL 5		Avg	-	-	-	12%	0%
			Max	-	-	-	45%	0%
6	NL 6		Avg	25%	18%	22%	15%	0%
			Max	67%	49%	69%	56%	0%
7	NL 7		Avg	15%	14%	-	15%	0%
			Max	24%	32%	-	32%	0%
8	NL 8		Avg	-	15%	23%	-	-
			Max	-	42%	68%	-	-
9	NL 9		Avg	19%	21%	28%	16%	0%
			Max	63%	57%	54%	41%	15%
10	NL 10	2.5% to 5%	Avg	32%	16%	-	12%	0%
			Max	67%	42%	-	46%	6%
11	NL 11		Avg	34%	19%	11%	12%	0%
			Max	69%	67%	63%	65%	0%
12	NL 12		Avg	-	-	-	-	0%
			Max	-	-	-	-	14%
13	NL 13		Avg	36%	13%	12%	14%	-
			Max	67%	57%	55%	70%	-
14	NL 14		Avg	17%	16%	-	14%	0%

[22] *Average & Maximum*

[23] *Insurers are not arranged in any particular order within the group*

Sl. No.	Insurer[23]	Market Share in FY25	Avg / Max	Motor	Health-Retail	Health-Group	Property Retail	Crop
			Max	27%	40%	-	46%	0%
15	NL 15		Avg	-	19%	23%	-	-
			Max	-	70%	70%	-	-
16	NL 16		Avg	29%	20%	24%	19%	0%
			Max	66%	33%	61%	45%	0%
17	NL 17	1% to 2.5%	Avg	-	21%	27%	-	-
			Max	-	59%	67%	-	-
18	NL 18		Avg	31%	14%	-	15%	0%
			Max	50%	35%	-	39%	20%
19	NL 19		Avg	24%	20%	-	11%	0%
			Max	61%	59%	-	54%	0%
20	NL 20		Avg	-	27%	19%	-	-
			Max	-	67%	70%	-	-
21	NL 21		Avg	27%	12%	-	17%	-
			Max	54%	32%	-	40%	-
22	NL 22		Avg	23%	-	-	19%	-
			Max	55%	-	-	34%	-
23	NL 23		Avg	27%	24%	16%	13%	-
			Max	46%	51%	65%	39%	-
24	NL 24	0.5% to 1%	Avg	27%	23%	-	24%	-
			Max	66%	47%	-	53%	-
25	NL 25		Avg	-	-	31%	20%	-
			Max	-	-	93%	20%	-
All General Insurers		100%	**Avg**	**24%**	**17%**	**12%**	**13%**	**0%**
			Max	**75%**	**70%**	**93%**	**70%**	**30%**

Table 13

Health Claim Settlement Ratio[24] of General Insurers

Sl. No.	General Insurer[25]	Market Share# in FY25	CSR FY25
1	NL1	Above 10%	73%
2	NL2		68%
3	NL3	5% to 7.5%	94%
4	NL4		80%
5	NL5		70%
6	NL6		78%
7	NL7		89%
8	NL8		67%
9	NL9		76%
10	NL10	2.5% to 5%	80%
11	NL11		82%
12	NL12		65%
13	NL13		77%
14	NL14	1% to 2.5%	67%
15	NL15		68%
16	NL16		69%
17	NL17		80%
18	NL18	0.5% to 1%	78%
19	NL19		76%
20	NL20		77%
21	NL21		71%
22	NL22		67%
23	NL23		74%
24	NL24		71%
25	NL25	Less than 0.5%	83%
26	NL26		75%
27	NL27		73%
28	NL28		84%
29	NL29		29%
All General Insurers		**100%**	**75%**

#with respect to health portfolio

[24] *Total Amount Paid / Total Amount of Claims received during the year*

[25] *Insurers are not arranged in any particular order within the group*