

IRDAI Defines Commission Structure for Brokers in Group Health and Group Personal Accident

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/EINPresswire.com/ -- The Insurance Regulatory and Development Authority of India (IRDAI) has recently clarified the commission structures for brokers and agents selling group policies, including health and [group personal accident](#) products. This move is aimed at creating transparency in the insurance distribution system, ensuring fair remuneration for intermediaries while protecting the interests of policyholders. For customers, especially employers purchasing group health or personal accident insurance, understanding how commissions are structured provides clarity on how policies are marketed and priced.



Why commissions matter in insurance

Insurance commissions are the earnings of intermediaries—agents, brokers, or corporate agents—who facilitate the sale of policies. They are typically calculated as a percentage of the premium. While commissions serve as an incentive for distribution, they also influence how [health insurance](#) products are promoted and which plans reach customers most effectively.

By defining clear limits, IRDAI ensures commissions are aligned with the value of the product and prevents mis-selling that could arise if agents are excessively incentivised to push certain policies.

The difference between group and individual insurance

- Group insurance refers to a single master policy covering multiple people, often employees of a company or members of an organisation. Premiums are generally lower because of collective bargaining and simplified underwriting.
- Individual insurance, on the other hand, is customised for one person or family, with higher

premiums and more detailed medical assessments.

Because of their bulk nature, group policies tend to have lower commission rates than individual ones. However, brokers still play a critical role in designing, negotiating, and servicing these policies.

IRDAI's commission framework for group health and group personal accident

According to the regulator, commissions for group schemes are capped to ensure affordability and fairness.

- Employer–employee groups: In these cases, commissions are typically lower, around 7.5%. Since premiums are negotiated collectively and risks are spread across employees, the distribution cost is kept modest.
- Non-employer groups: For associations, societies, or other groups, commissions may go higher—up to 15%—reflecting the additional effort required in managing and servicing such schemes.

For products like group personal accident, which protect employees against accidental death or disability, commissions fall within these regulatory ranges. This ensures that brokers are rewarded fairly but not excessively.

Factors influencing commission rates

Several factors determine how commissions are structured within these limits:

1. Type of policy: A basic hospitalisation policy may attract a different commission structure compared to a comprehensive plan that includes wellness benefits, maternity cover, or critical illness riders.
2. Premium size: Larger policies naturally yield higher absolute commission values, even if the percentage remains constant. For example, a company with a high sum insured for its employees generates more commission for the broker than a smaller plan.
3. Role of intermediary: A direct agent working with one insurer may receive fixed commissions, while an independent broker negotiating across insurers might have varied structures.
4. Persistency: Insurers increasingly reward agents for maintaining long-term client relationships and policy renewals, rather than just initial sales.
5. Distribution strategy: Some insurers may offer performance-based bonuses, training support, or other incentives to attract brokers in competitive markets.

Why IRDAI's guidelines matter

By capping and clarifying commission structures, IRDAI addresses multiple concerns:

- Consumer protection: Preventing inflated premiums that could result from high intermediary costs.
- Transparency: Ensuring policyholders know how much of their premium goes towards coverage versus distribution.
- Market discipline: Reducing the risk of mis-selling products solely for higher commissions.
- Fair pay: Maintaining reasonable incentives for brokers who invest time in servicing group clients.

This balance supports both insurers and customers, while ensuring that the insurance industry remains sustainable.

Impact on brokers and intermediaries

For brokers, the clarified commission structure provides predictability in earnings. They can now focus on delivering value through policy servicing, client education, and claim assistance, rather than relying on varied commission arrangements.

At the same time, brokers dealing with group personal accident and group health policies must operate within the defined limits, which may reduce margins compared to individual policy sales. However, the volume of group policies can often compensate for lower percentages.

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