



VARDHARMA LAW

Insurance Intelligence

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THIS MONTH

Five developments shaped insurance law this month. IRDAI proposed lower expense limits and new commission caps for insurers, and its recent overhaul of the rules for insurance agents and brokers continues to draw attention as deadlines approach. The regulator also fined ICICI Lombard one crore rupees over outsourcing lapses. The Supreme Court settled how compensation is calculated when an unmarried person dies in a motor accident, and property insurance got more expensive after the Gujarat floods.

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01

IRDAI,
CONSULTATION
PAPER RELEASED
23 SEPTEMBER 2026

IRDAI Proposes Tighter Expense Limits and New Commission Caps

IRDAI wants insurers to spend less of their premium on running costs. Life insurers would need to bring their expenses down to 15 percent of premium income within two years, and to 12.5 percent within five. For general insurers, the ceiling would fall from 30 percent to 20 percent over five years.

Commissions are also being reworked. Distributors would earn no commission on motor third party cover, and agents would be capped at 2.5 percent. Health insurance commissions on first-time sales would sit at around 15 percent for distribution entities and 20 percent for agents. Life insurance commissions would range from 5 to 20 percent for intermediaries and 6.25 to 25 percent for agents, depending on how long premiums are paid.

The paper also proposes stopping banks and lenders from making insurance a condition of getting a loan, banning volume-linked incentives for bank and NBFC staff who sell policies, and requiring cost audits for distributors earning more than ₹100 crore from insurance-related revenue.

KEY TAKEAWAY

Distributors would earn no commission on motor third party cover and agents would be capped at 2.5 percent. Bank and NBFC staff could no longer receive volume-linked incentives for selling policies.

02

IRDAI RULES,
NOTIFIED 30 JULY
2026, DEADLINES
RUN INTO 2027

New Rules for Insurance Agents and Brokers

IRDAI has notified the Insurance Intermediaries (Amendment) Regulations, 2026, which change how corporate agents, insurance brokers, insurance marketing firms and web aggregators are regulated. The big shift is from periodic renewals to continuous supervision.

Until now, intermediaries had to renew their registration every few years. Under the new rules, a registration stays valid as long as the intermediary pays an annual fee that cannot be refunded, and continues until IRDAI suspends or cancels it or the intermediary surrenders it. The annual fee is the higher of ₹10,000 or 0.04 percent of the commission and other receipts the intermediary received from insurers in the previous financial year.

Intermediaries holding registrations that were valid for three years must apply for a fresh certificate by 31 January 2027. Those who miss it can still apply until 31 March 2027, with reasons and an additional fee of ₹750. After that, an intermediary that has not applied must stop operating and seek fresh registration.

The rules also require every policy to be traceable to the salesperson who sold it, and require additional disclosures from intermediaries with majority foreign ownership and those crossing certain commission income limits.

KEY TAKEAWAY

Intermediaries holding three-year registrations must apply for a fresh certificate by 31 January 2027, or by 31 March 2027 with reasons and an additional ₹750 fee. Those who miss both must stop operating.

03

IRDAI ORDER
DATED 7
SEPTEMBER 2026

IRDAI Fines ICICI Lombard One Crore Rupees

Reference No.: IRDAI/E&C/ORD/MISC/116/9/2026

This case has been years in the making. It began with an inspection by IRDAI in September 2019, followed by show cause notices in July and December 2024, and ended with a ₹1 crore penalty on ICICI Lombard General Insurance. The regulator found problems in how the insurer handled event management and sales support work, payments to individual agents linked to other insurers, and checks on outside vendors. These fell short of the Outsourcing Regulations of 2017 and the Corporate Governance Guidelines of 2016.

ICICI Lombard has 45 days to pay, the order must be placed before its board, and an action taken report is due within 90 days. The insurer can still appeal to the Securities Appellate Tribunal under Section 110 of the Insurance Act.

04

SUPREME COURT
OF INDIA, 5
SEPTEMBER 2026

Motor Accident Compensation for an Unmarried Victim Follows His Own Age

Reliance General Insurance Company Limited versus Priyanka Das and Others, 2026 INSC 950, Justices S.V.N. Bhatti and N.V. Anjaria

A 33-year-old manager died after a truck hit his motorcycle. When his family claimed compensation, the question that reached the Supreme Court was a technical one: whose age decides the multiplier used to calculate the payout, the victim's or his dependents'.

The tribunal had used a multiplier of 16, standard for his age group, and awarded ₹82,56,152, shared between his fiancée, his father and his mother. The Punjab and Haryana High Court later raised the fiancée's share slightly. The insurer argued the multiplier should follow the parents' age instead. The Supreme Court disagreed, relying on its earlier rulings in Munna Lal Jain and Sube Singh, and held that for an unmarried person the multiplier follows his own age. Both appeals were dismissed, and the award stood.

05

MARKET
INTELLIGENCE,
REPORTED 20
SEPTEMBER 2026

Property Insurance Gets Costlier After the Gujarat Floods

The industry has estimated losses of close to ₹5,000 crore from this year's Gujarat floods. According to Bajaj General Insurance, property premiums are now rising, mostly because insurers are giving smaller discounts rather than because base rates have changed. Some large industrial policies had been discounted by as much as 99 percent.

Natural catastrophe cover is seeing a sharper rise than fire and allied perils cover. Extra reinsurance capacity, including from GIFT City-based reinsurers, had kept prices low for about a year before this correction.

KEY TAKEAWAY

Rising property premiums reflect smaller discounts rather than higher base rates, and natural catastrophe cover is rising faster than fire and allied perils cover.

CONTACT

We'd welcome a conversation.

Vardharma Law advises PE and VC funds, portfolio companies, and founders on fund structuring, M&A, regulatory compliance, and disputes. If any developments on this issue are relevant to a current matter, please reach out.

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