

Multi-year health insurance policy sales dip as agents' commissions drop

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The sale of multi-year health insurance policies has declined following the implementation of new accounting norms by the insurance regulator for non-life insurance companies to report their premiums. As a result, insurers have revised the commission structure for agents, making these policies less attractive for them to sell, according to sources.

"There is a drop in sales of multi-year health insurance policies after the change in accounting norms. Agents are important distribution partners for health insurance policies, and after the revision in norms, they find it less attractive to sell these policies as the commissions will be distributed across the years," said a senior executive at a standalone health insurer.

The Insurance Regulatory and Development Authority of India (Irdai) revised the format for reporting premium figures, requiring non-life insurance companies to report long-term premiums based on $1/N$, where N is the number of days of the policy. The norms took effect on October 1, 2024.

Insurers have also revised their com-



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mission structure accordingly to an annual basis, which, according to agents and insurers, has made these policies less attractive for agents to sell.

"There has been a drop in the sale of multi-year health insurance policies after the norms were introduced because there is no longer an incentive to sell them. The person selling these policies will not receive the commission upfront. If the health insurance policy is canceled by the

insurer citing non-disclosure of material facts, it will impact the customer's income, as they will have to forfeit the remaining premium. In the case of a regular premium, the customer can always switch to another insurer," said an insurance distributor.

Agents account for a major share of health insurance distribution.

According to Irdai's annual report for 2023-24, individual agents contributed 30 per cent of health insurance premiums, and this channel accounted for 72 per cent of individual health insurance premiums.

Saurabh Bhalerao, associate director, BFSI Research, CareEdge Ratings, said, "Multi-year health insurance policies are generally expensive for customers as they tend to have higher premiums. But when compared to a regular premium, they are also more affordable because these premiums are less affected by rising medical inflation, as they are paid in the first year itself. On the other hand, a lower sale of multi-year policies makes revenue slightly unpredictable for insurers, as it increases the possibility of porting at the end of the year due to a rise in premiums caused by adverse claims experience or other demographic factors."