
MIS-SELLING OF INSURANCE AND CONSUMER PROTECTION

Magizhva. R, B.A.LL.B. (Hons), LL.M., Tamilnadu National Law University

ABSTRACT

The mis-selling of the insurance policies is a very serious matter to be concerned about in the insurance sector of India. Mis-selling is an immoral and unethical act which misuses consumers by selling insurance policies without revealing or misrepresenting the policy's features or failing to disclose relevant issues to the customer. Even though there are firm legal regulations which are governed by the Indian Regulatory and Development Authority of India Act, 1999, The Consumer Protection Act, 2019 and by the IRDAI Regulations, instances of Mis-selling still happen at a regular interval. These acts lead to very serious consequences, such as monetary loss, a decrease in public confidence in the insurance sector, and lapsing of the policies, which can occur when consumers are unable to meet their requirements. This research paper will analyse the extent of all the legal legislations and regulations that ensure the protection of the consumers and the liability of the insurance companies or the insurance agents, and the redressal mechanism which the affected consumers have to address their grievances. This paper also focuses on the reason why does the insurance agents do the unethical act of doing it, such as lack of education on selling the insurances and on consumer protection, the pressure put on the agents to reach the goal levels in order to receive incentives. This research aims to bring out the gap between the frameworks and the implementation of the legislations, which makes the liability more stringent and ensures the protection of the consumer in India within the Insurance Sector.

Keywords: Mis-selling, Insurance agents, Insurance Companies, Liability, Consumer Protection.

1. INTRODUCTION

The insurance industry is a key source of providing financial stability and risk management for individuals and businesses. India has seen rapid expansion in both life and general insurance markets over the last twenty years due to rising levels of consumer awareness, growing technology and regulatory reforms. To the note of the context of this growth, however, is the emergence of "mis-selling" practices, which often lead to the misleading, deceptive, or unethical practices used by insurance agents to sell insurance products to consumers. Mis-selling occurs when the agents and the intermediaries in the insurance companies gives the attributes for the sale of the product in a way, where they fail to disclose the information of the products and the risks and liabilities involved in buying the insurance plans and also sometimes certain insurance policies which doesn't suit the policyholders, these all are being done to accomplish the level they have to achieve and their obligations in doing it. The amount of harm it causes to the policyholders are enormous where they undergo major financial losses and also the insurance sector loses all its trust and credibility of the policyholders and the consumers. There are certain framework which is given by the IRDAI Act of 1999, and also certain guidelines given by the Consumer Protection Act, 2019 etc. guidelines etc. which permits for the duties which has to be imposed in the insurers and the scheme of redressal.

2. RESEARCH PROBLEM

Mis-selling takes place when insurance intermediaries or insurance agents gives inaccurate or deceptive information, where they fail to disclose about the full information about the policy to the policyholders, forced the policies upon the customers where they are not deemed fit to the specific insurance policy which is being calculated by the financial position and the risk profile of the consumers. These behaviours by the agents are out of mere pressure where they've been pressured to meet the sales targets, commission incentives and the bonus they get out of the work they do. But the actions and effects arising out of the behaviours of the agents are even worse when they incur financial losses, policy cancellations, and there would be a chance of long-term disruption of the financial plans, and most importantly, the customers lose the trust which they have in the insurance sector. While there are many legal remedies and a redressal mechanism in which a customer can ask for their claim, such as a complaint to the IRDAI Ombudsmen, approaching the consumer courts or through the raising of any complaints, all of which will lead to delays, ignorance or the lack of enforcement of the outcome. To add by this the accountability of the consequences caused is made directly liable on the insurance agent and the company will be made vicariously liable. Here, liability is the fundamental issue, which is commonly divided between the agent responsible for the action of the misselling and the vicarious liability of the company. This eventually leads to the ambiguity in accountability, especially in the cases of systematic failings when the corporate or the company prioritises sales. The existing consumer protection mechanisms, such as the IRDAI Ombudsmen Scheme and the consumer courts, will not

always give effective solutions, and also cause delays, which will overall lack the enforcement. Thus, it is tough to examine the effectiveness of the regulatory authority, the allocation of the accountability and the adequate redress mechanisms.

RESEARCH OBJECTIVES

1. To critically examine the forms of mis-selling of insurance policies in different sectors of the insurance sector in India.
2. To examine the existing legal and regulatory mechanism which governs mis-selling and the specific regulation specifically such as IRDAI and under the Consumer Protection Act.
3. To study the accountability of the agents and the insurance companies in relations to misspelling and its ambiguities.
4. To analyse the effectiveness of the consumer protection measures and the grievance redressal mechanisms which are used by consumers who are affected.

RESEARCH QUESTIONS

1. What are the common forms of misseling of insurance policies in different forms of insurance sector in India?
2. To what extent does the existing legal frameworks and regulations such as IRDAI guidelines and the Consumer Protection Act mitigate the risk of the misspelling of the insurance policies?
3. To what extent does the agent/intermediary/insurer be deemed responsible for the misselling of insurance policies by the intermediaries?
4. How effective are consumer protection and the redressal mechanisms in what they do for address misselling of complaints?
5. What would be effective measures to facilitate more accountability and a better interest of the policyholders?

REVIEW OF LITERATURE

1. **Abhijit Chakraborty & Ashim Kr. Das, *Ethics in Insurance Selling In India – A Conceptual Approach*, 8(2) Int'l J. Bus. Ethics Dev. Econ.44 (2019).**

Research has established that the ethical dimensions in the insurance business is crucial because

the insurance products are typically complex, intangible, and typically long lasting (Chen & Mau, 2009; Diacon & Ennew, 1996). When agents conduct themselves ethically, it fosters trust amongst clients and is linked to customers being loyal to the agent (Talwar & Ali, 2016). However, agents also act unethically when mis-selling, which may be due to commission pressures and a lack of supervision (Lagace et al., 1991). While the ethical dimensions of financial services is widely researched, limited studies exist that specifically address insurance agents ability to act ethically in India, creating a significant research opportunity

2. Biju Dominic & Reshmi, Dealing with *Misselling: Impact of Behavioural Interventions on Insurance Agents*, 14(2) NHRD Network J. 228 (2021)

Research indicates unethical conduct in the sale of insurance as a result of rationalisation, socialisation and institutionalisation that facilitates the practice (Manz et al., 2005). Complicated insurance products, commission incentives and minimal oversight encourage agents to engage in the misselling (Cooper & Frank, 2002; Kurland, 1996). It has also been shown that moral disengagement and peer pressure sustain unethical selling practices (Dubinsky et al., 1986; Ameer & Halinen, 2019). Nevertheless, scant research has tested behaviour-based interventions, or nudges to reduce unethical behaviour in insurance selling. The purpose of this paper is to test and provide evidence on the impact of behaviour economics in encouraging and maintaining ethical integrity among insurance agents.

3. Manohar Giri & Devlina Chatterjee, *Life Insurance Purchase Motives, Policy Choice and Lapsation: A Case of Mis-selling?*(Indian Inst. Of Tech., Kanpur, Working Paper, n.d.).

A notable development in more recent literature is emphasizing the role of agencies and the phenomenon of mis-selling. Crosby and Stephens (1987) and Coe et al. (2016) observe that the financial literacy of consumers is often very low, and that consumers depend heavily on insurance agents to help them make decisions about policies. Multiple studies highlight the aggressive or misleading nature of some selling practices (Ericson and Doyle, 2006; Vijay and Tamilselvan, 2011; Anagol et al., 2017). Many of these sales practices are incentivized by large commission payments associated with cash-value policies. In the Indian context, agents sometimes influence consumers to purchase policies that do not fit their needs; mis-selling in India was estimated to have cost ordinary consumers \$28 billion from 2004-2011 (Halan et al., 2014).

RESEARCH METHODOLOGY

This research uses a doctrinal, analytical method that examines domestic legal system and regulatory

framework of mis-selling that arises in the insurance sector in India. Legislative sources include: the Insurance Regulatory and Development Authority of India (IRDAI) Act, 1999, Consumer Protection Act, 2019, and related guidelines or circulars from the IRDAI including judicial decisions/judicial precedents. Secondary sources include books, journal articles, research papers and reports, that either describe or analyze the ethical and legal issues related to selling insurance. The study is qualitative and descriptive in nature, and the aim is to assess and discuss possible reforms of the legal framework concerning the mis-selling of insurance products to determine liability, and as a vehicle to maximize consumer protection and regulatory compliance.

SCOPE AND LIMITATION

This study aims to address the concerns with the mis-selling of insurance products in India covering both segments of the industry, life and general insurance. It studies the prevailing legal and regulatory framework in the IRDAI Act, 1999, the Consumer Protection Act, 2019, and the various guidelines issued under the IRDAI Act in addressing mis-selling and protecting consumers. The study is Indian focused and mainly uses secondary data, including laws and guidelines, case laws, and academic material. The study refrains from examining reinsurance or other international comparable insurance practices. The thematic emphasis of the study is limited to the legal, regulatory, and consumer rights.

CONCEPTUAL FRAMEWORK OF MIS-SELLING OF INSURANCES IN INDIA

2.1 Nature of Mis-selling of Insurances in India:-

Selling insurance coverage in bad faith is the selling of insurance products that occurs when the seller provides false, misleading, or incomplete information to consumers. Bad faith selling usually happens as a result of an agent or intermediary's failure to disclose key terms of the policy, such as: policy exclusions, surrender fees, or risk factors, or when the agent or intermediary sells a product that is not appropriate for the financial needs and risk tolerances of the consumer. Mis-selling insurance products is a violation of the duty of utmost good faith that applies to contracts of insurance, which obligates both parties in an insurance contract to conduct themselves honestly and act with transparency.¹ In India, the practice of mis-selling insurance often arises from aggressive sales tactics, management incentives on achieving and maintaining targets, and a less than adequate commitment to ethics oversight. These elements undermine the integrity and reliability of the insurance system.

¹ Abhijit Chakraborty & Ashim Kr. Das, *Ethics in Insurance Selling In India – A Conceptual Approach*, 8(2) Int'l J. Bus. Ethics Dev. Econ.44 (2019)

2.2 Forms and Practices of Mis-selling Insurances:-

Mis-selling manifest in various ways within the Indian insurance industry. Common instances are misrepresenting policy benefits, withholding key terms and conditions, bundling of addons that are not required, and selling high-risk or long-term policies to customers who are unsuitable for them. Life insurance agents may misrepresent the returns and not disclose the very low surrender value of Unit-Linked Insurance Policies. Agents who deal with general insurance may not disclose exclusions of policies for health or motor. Consumers who have only a limited level of financial literacy are especially vulnerable to exploitation. The root cause of mis-selling is the structure of commissions, reach targets and the absence of a standardized system for disclosure. Systems of mis-selling are contrary to the purpose of insurance which is financial protection and ultimately lead to consumer dissatisfaction with the insurance process and erosion of trust within the industry.

2.3 Causes and Consequences of Mis-selling of Insurance:-

The causes of mis-selling are both institutional and behavioral. At an institutional level, the commission-based remuneration structure, lack of supervision of intermediaries, and ineffective enforcement of the IRDAI regulations contribute to the emergence of mis-selling behavior. At a behavioral level, Agents justify mis-selling behavior by asserting it is necessary to meet profitability, sales, or other business parameters or by peer pressure.² The impact is considerable; by being mis-sold insurance policies, consumers are affected by financial loss, declines in claims, and premature policy termination; insurers are affected by reputational harm and consumer confidence. The frequency and severity of mis-selling has also increased litigation filed before Consumer Courts, or complaints lodged with the IRDAI Ombudsman with systemic compliance and/or accountability gaps. In the end, mis-selling weakens public trust in the insurance system, and it highlights calls for improvements such as oversight governance, the training of agents, and consumer awareness which generally help ensure acceptable transparency, integrity, and fairness in practice in the insurance transaction.

3. LEGAL AND REGULATORY FRAMEWORK IN INDIA FOR MIS-SELLING INSURANCES IN INDIA

3.1 Insurance Regulatory and Development Authority of India:

The Insurance Regulatory and Development Authority of India (IRDAI), founded under the IRDAI Act of 1999, is the main regulator of the Indian insurance industry. The goal of the authority is to promote and protect the interests of policyholders and ensure the insurance market operates fairly, transparently,

² Biju Dominic & Reshmi, *Dealing with Misselling: Impact of Behavioural Interventions on Insurance Agents*, 14(2) NHRD Network J. 228 (2021)

and ethically. IRDAI has developed and issued a number of regulations, circulars, and guidelines to address issues related to mis-selling and accountability on the part of insurance companies and intermediaries. Specifically, the IRDAI (Protection of Policyholders' Interests) Regulations, 2017, and the revised Master Circular on Protection of Policyholders' Interests, 2024³, contains specific language prohibiting misleading advertisements, requiring complete disclosure of policy features, and requiring product suitability assessments and verification before the issuance of a policy. These rules compel insurers and agents to provide accurate illustrations of the policy's benefits and preliminary values and risks. They also empower the IRDAI to impose penalties, suspend licenses, and revoke registrations in the event of violations.

3.2 Consumer Protection Act, 2019:-

The Consumer Protection Act, 2019 is an essential part of the legal framework to deal with mis-selling in the insurance industry. Under the 'deficiency in service' definition in Section 2(11) of the Act, acts of misrepresentation, negligence, or omission on the part of an insurance agent or insurance company can establish liability for mis-selling. Consumers should be able to bring their claim to one of the Consumer Disputes Redressal Commissions and recover the monetary relief they seek which may include refunding the purchase price, or compensation, or a cancellation of the policy. ⁴The Act now allows customers the right to bring a complaint for unfair trade practices, which include false or misleading representations about the nature or benefits of insurance products. The recently added provisions under the 2019 Act, such as e-filing complaints, mediation cells and higher pecuniary jurisdiction have streamlined and increased the accessibility and efficacy of consumer redressal. Mis-selling can also be treated as a deficiency in service if insurers fail to satisfy their disclosures or duty of care to provide advice.

4. LIABILITY AND ACCOUNTABILITY IN MIS-SELLING OF INSURANCES IN INDIA

4.1 Liability of Insurance Agents and Intermediaries:-

Agents and intermediaries of insurers serve as the primary interface with the customer and take on an important role regarding fair sales practice. Unfortunately, when it comes to most mis-selling incidents, it often depends on the actions of the intermediary to misrepresent, misstate, and mislead consumers based on the insurance intermediary's declaration on behalf of the customer when completing a sale. IRDAI has put forth an entire set of regulations to govern the insurance agent's communication and responsibility for disclosing premiums, risks, surrender values, exclusions. For example, the IRDAI

³ IRDAI/ACTL/MSTCIR/MISC/89/6/2024

⁴ *What is a Consumer Dispute as per Consumer Protection Act?*, (Jan. 18, 2022), <https://www.taxmann.com/post/blog/what-is-consumer-dispute-as-per-consumer-protection-act>.

(Protection of Policyholders' Interests) Regulations of the 2017 and the Insurance Intermediary regulations of the 2019 require agents to demonstrate honesty, integrity, and due care while selling policies and require agents to disclose issues regarding premiums, risks, surrender values, exclusions to the consumer. In all these circumstances, the agent is personally liable for a standard of professional conduct and fiduciary duty. The IRDAI may suspend or cancel the agent's license, impose an administrative fine, or recommend criminal charges if fraudulent activity has occurred. The Insurance Ombudsman and Consumer Disputes Redressal Commission have also penalized an agent for unethical conduct frequently and often ordered an agent to compensate the policyholder's experience with cancellable terms as designed by the IRDAI regulation.⁵ However, one of the major issues of these scenarios is discoverability or traceability because the agent will at times act under the name of the company and therefore, they do not have individual liability.

4.2 Vicarious Liability of the Insurance Companies:-

Insurance companies may be liable for the acts of their agents and intermediaries based on the principles of agency law. An agent acting on behalf of an insurer means that any misrepresentation or non-disclosure by the agent is deemed to be an act of the insurer under the law. Section 182 of the Indian Contract Act, 1872, defines the relationship of principal and agent, and in the context of insurance, this makes the insurers liable for the conduct of their nominated representatives. The principle is further bolstered by the Consumer Protection Act, 2019 and a host of cases from the courts with a couple of cases that had arisen from consumer courts and the Ombudsman requiring an insurer to refund premiums, pay compensation or reinstate cover due to agent mis-selling. For example, cases against ICICI Prudential Life⁶ and HDFC Life⁷ demonstrated that insurers were responsible for the agent's failure to disclose accurate information about ULIP returns and related charges. The Insurance Regulatory and Development Authority of India (IRDAI) requires insurers to monitor their agent's conduct through compliance audits, ethical training, and internal reporting systems. Nonetheless, despite all this, without strict enforcement and supervision, this well-documented systemic mis-selling continues to happen, demonstrating that general corporate governance, oversight, and ethical accountability have a long way to go in the insurance industry.

4.3 Corporate Responsibility and Ethical Accountability:-

In addition to individual accountability, mis-selling also raises issues of corporate accountability on the part of insurance companies. Mis-selling is often a larger issue and is systemic in nature because it is

⁵ IRDAI imposes Rs.2 crore fine on a corporate agent for fraudulent sales practices, Cafemutual.com <https://cafemutual.com/news/insurance/31511-irdai-imposes-rs2-crore-fine-on-a-corporate-agent-for-fraudulent-sales-practices>.

⁶ ICICI Prudential Life insurance Co. Ltd. Vs Gurmeet Singh, (2011) 3 CPR 385 (NC)

⁷ HDFC Bank Ltd. v. Kumari Reshma, (2015) 3 SCC 679

driven by the company's sales culture, target pressures, and incentive structures. Insurance companies design products that are complex and not easy for consumers to comprehend, or set unrealistic sales targets, which can indirectly facilitate the misrepresentation of the products being sold.⁸ The IRDAI (Corporate Governance Guidelines for Insurers), 2016, stipulates that insurance companies must have ethical behavior from the top down and have systems in place, within the company's internal ability, to identify, and or prevent mis-selling. Companies will need to have compliance committees and periodic audits to ensure that KMP are accountable for delivering fair business standards. If a corporation fails to prevent mis-selling, it can result in penalties, reputational loss, and loss of trust from consumers to the organization. Ethically, insurers have an obligation to align their business models with the principles of transparency, recognizing the consumer's interest.

CHAPTER-5

CONSUMER PROTECTION AND LEGAL REDRESSAL MECHANISM

5.1 Role of IRDAI and Institutional Mechanism:-

The Insurance Regulatory and Development Authority of India (IRDAI) is central to protecting policyholders through various grievance redressal processes and regulatory mechanisms. As per the IRDAI (Protection of Policyholders' Interests) Regulations, 2017, each insurer must implement an internal Grievance Redressal Cell to investigate consumer complaints regarding mis-selling and policy-based complaints. The IRDAI also launched the Bima Bharosa Portal, which lets consumers file complaints online and track the status of their complaint, adding transparency and accountability to the complaints process. Additionally, the IRDAI implements market conduct inspections and has the ability to impose fines or revoke the licenses of insurers and/or agents found guilty of mis-selling. The authority provides its licensees with circulars on a regular basis, as well as a master guideline on best practices for marketing behavior, which establishes principles of good practice regarding mandatory disclosure of terms and conditions, as well as documenting consumer consent. Each of these processes assists in promoting the insurer's obligations to act fairly and provides policyholders with multiple means for grievance redressal.⁹ The lack of awareness about these grievance redressal channels, delays in process, and lack of deterrent consequences for violators all hamper the effectiveness of these processes. As a result, greater enforcement of regulations, in education campaign directed at consumers, as well as providing for civil sanctions would do much to limit unethical sales practices.

⁸ https://www.iais.org/uploads/2022/01/Application_paper_on_fraud_in_insurance.pdf.

⁹ Manohar Giri & Devlina Chatterjee, *Life Insurance Purchase Motives, Policy Choice and Lapsation: A Case of Mis-selling?* (Indian Inst. Of Tech., Kanpur, Working Paper, n.d.).

5.2 Role of the Consumer Protection Act, 2019:-

To protect policyholders from unscrupulous conduct, including mis-selling of insurance products, The Consumer Protection Act, 2019 is an important part of the system. Under Section 2(11) of the Act, deficiency in service encompasses acts of negligence, misrepresentation, or omission on the part of service providers, including insurance agents and companies. Mis-selling constitutes deficiency in service and can be addressed in the appropriate Consumer Disputes Redressal Commissions at the district, state, or national levels, depending on the amount of the claim for damages.¹⁰ The Act has made making a complaint easier through the introduction of proposed e-filing of complaints, online mediation, and enhanced pecuniary jurisdiction. Mis-sold policyholders have the ability to pursue relief such as refunds of premiums, compensation for monetary loss, and cancellations of the mis-sold policy. Consumer courts have repeatedly ruled in favour of policyholders and found liability against insurers and agents for simply providing inadequate or misleading information. These judicial interpretations have spuriously enhanced the importance of transparency, disclosure, and accountability for insurance providers.

5.3 The Role of Insurance Ombudsmen Scheme:-

The Insurance Ombudsman is a specific quasi-judicial forum that aims to resolve disputes relating to insurance in a most efficient and cost effective way. The Insurance Ombudsman Scheme was set up under the Insurance Ombudsman Rules, 2017 to create an alternative way of resolving disputes rather than going to court. Insurance Ombudsmen provide a free and impartial form of redress for policyholder complaints around matters such as mis-selling, misrepresentation, delay in settlement and unfair business practices. The policyholder may complain to the Ombudsman if the value of the complaint is less than ₹50 lakh, and the insurance company has not answered the complaint within 30 days. The Ombudsman office is located in 17 centres in India, and deals with life and general insurance products. The Ombudsman can issue awards that require insurers to refund premiums, pay damages or re-write the terms of a policy.¹¹ The Ombudsman decisions are binding on the insurer, but not binding on the consumer. Where consumers are not satisfied with the Ombudsman decision, they can pursue other legal remedies. The Ombudsman thereby acts as a mechanism that strengthens and improves the consumer protection framework generally in that it offers speed, accessibility and no costs to access justice and remedial relief to consumers, particularly for mis-selling cases where the consumers may not have the capacity to pursue remedies through other means.

¹⁰ Partha Mitra, *Five Recommendations to Address Insurance Mis-selling*, *FinDev Gateway* (Aug. 23, 2024), <https://www.findevgateway.org/blog/2024/08/five-recommendations-to-address-insurance-mis-selling>.

¹¹ Sane, Renuka and Halan, Monika, *Misled and Mis-Sold: Financial Misbehaviour in Retail Banks?* (July 18, 2016). <http://dx.doi.org/10.2139/ssrn.2811150>

CHAPTER-6

ANALYSIS AND DISCUSSIONS

6.1 Evaluation of the Existing Legal Framework:-

On paper, the law and regulation of mis-selling in India is extensive, but the enforcement is limited. The IRDAI Act, 1999 plus the IRDAI (Protection of Policyholders' Interests) Regulations, 2017 plus the Consumer Protection Act, 2019 together provide a robust base to try to protect consumers. In addition, the IRDAI has issued several master circulars and guidelines requiring full disclosure of policy terms and conditions and mandatory training for intermediaries, and provider documentation of the policyholder's consent. However, monitoring these mechanisms and enforcement of IRDAI regulations is often weak. In many instances, insurance companies do not have effective internal compliance mechanisms. The IRDAI grievance platforms, including Bima Bharosa and IGMS, make it easier for consumers to access the grievance and complaint systems but continue to be underutilized due to low awareness amongst consumers.

6.2 Challenges in Enforceability and Accountability:-

One of the significant challenges to addressing mis-selling is the absence of proper enforcement of rules and regulations. Agents and intermediaries do not often receive adequate training and are often primarily motivated by commission. Accordingly creating a conflict of interest for sales vs. consumer welfare. Many of the insurers do not conduct regular compliance audits and do not record customer consent as appropriate documentation and thus accountability is limited in the event of a dispute. Furthermore vicarious liability exists in law, however due to poor enforcement by insurers, the liability rests with agents. Institutionally, the IRDAI does not have the ability to supervise thousands of agents and intermediaries across India. The Ombudsman and Consumer Forums, while substantive, are frequently slow, and process-dependent, and are not adequately aware of rural consumers. In addition, with the greater digitization of insurance products, and the proliferation of online aggregators and bancassurance sales channels, additional mis-selling has emerged that the appropriate laws or regulations have yet to adequately deal with.¹² Collectively, these gaps in enforcement suggest that while regulation may be adequate in breadth, the implementation is still and always has been the weak link in ensuring fair insurance.

¹² <https://www.insuranceinstituteofindia.com/documents/6454111/6454445/The+Journal+Dec-17.pdf/fa61cd8f-c08d-47e9-9e96-7d48c3b9fffa>.

6.3 Need for Reforms and Key Findings:-

The study indicates mis-selling in India is not simply tied to the actions of individual agents, but a systemic issue within business models, incentive structures, and a lack of consumer education. The ethical aspect in selling insurance remains underdeveloped, with agents and companies mainly focusing on profits over their ethical obligations to consumers. While existing laws contribute to liability, the uncertainty with agent-level liability and corporations creates a regulatory gap. For meaningful change to occur, the IRDAI should enhance its ongoing market conduct supervision through regular audits, increased penalties, and consumer court coordination. Mandatory suitability assessments and informed consent forms prior to issuing a policy would improve transparency. Financial literacy programs and community awareness campaigns also provide consumers the education necessary to build resilience against vague mis-selling strategies. This study concludes to effectively curb mis-selling, India must move towards new methods of enacting more than regulatory formality, and towards active enforcement, ethical compliance, and consumer governance in their insurance market.

CHAPTER-7

CONCLUSION

Mis-selling in India's insurance sector is one of the biggest challenges to achieving transparency, accountability, and consumer trust and poses one of the most persistent and enduring battles for the industry. While a comprehensive regulatory structure exists, including the IRDAI Act, 1999, the Consumer Protection Act, 2019, and numerous IRDAI guidelines, mis-selling is still a commonplace concern for policyholders in the life insurance sector and in general insurance. The study found that it is not just that agents have acted unethically in respect of mis-selling; an examination of the causes of mis-selling revealed deep-seated structural and institutional factors. These causes are linked to target-driven sales approaches, commission-based remuneration models, insufficient education and training, and low consumer awareness. Although the legal framework provides sufficient protections on paper, enforcement is still the weakest part of the regulatory architecture. The IRDAI, as an interim measure, has introduced various schemes to enhance access to grievance redressal, such as grievance portals, inspections for market conduct, and the Ombudsman scheme itself – but all need to be monitored more sufficiently, and corpuses of deterrents must be greater in regulatory approach and implementation. The findings stress that liability for mis-selling must be shared by individuals, companies, and corporate governance, as all have a role to play in delivering fairness and ethics. Moving forward, the promise of a fair and trustworthy insurance environment in India rests with improving ethical governance in corporations as well as continuing to strengthen consumer awareness, and otherwise demonstrating increasing toughness on accountability to entitlement.

REFERENCES

PRIMARY SOURCES:

1. Insurance Regulation and Development Act, 1999
2. IRDAI (Protection of Policyholders' Interests) Regulations, 2017
3. The Consumer Protection Act, 2019
4. The Indian Contract Act, 1872
5. Master Circular on Protection of Policyholders' Interests, 2024
6. The IRDAI (Corporate Governance Guidelines for Insurers), 2016
7. ICICI Prudential Life insurance Co. Ltd. Vs Gurmeet Singh, (2011) 3 CPR 385 (NC)
8. HDFC Bank Ltd. v. Kumari Reshma, (2015) 3 SCC 679

SECONDARY SOURCES:

1. Abhijit Chakraborty & Ashim Kr. Das, *Ethics in Insurance Selling In India – A Conceptual Approach*, 8(2) Int'l J. Bus. Ethics Dev. Econ.44 (2019)
2. Biju Dominic & Reshmi, *Dealing with Misselling: Impact of Behavioural Interventions on Insurance Agents*, 14(2) NHRD Network J. 228 (2021)
3. Manohar Giri & Devlina Chatterjee, *Life Insurance Purchase Motives, Policy Choice and Lapsation: A Case of Mis-selling?* (Indian Inst. Of Tech., Kanpur, Working Paper, n.d.).
4. Partha Mitra, *Five Recommendations to Address Insurance Mis-selling*, *FinDev Gateway* (Aug. 23, 2024), <https://www.findevgateway.org/blog/2024/08/five-recommendations-to-address-insurance-mis-selling>.
5. <https://ijemr.in/wp-content/uploads/2018/01/Impact-of-Misselling-on-Insurance-Sector.pdf>.
6. *Journal of Economic Policy Reform*, 2014 Vol. 17, No. 4, 285–302, <http://dx.doi.org/10.1080/17487870.2014.971797>
7. Sane, Renuka and Halan, Monika, *Misled and Mis-Sold: Financial Misbehaviour in Retail*

Banks? (July 18, 2016). <http://dx.doi.org/10.2139/ssrn.2811150>

8. https://www.academia.edu/download/55680698/Article_38_-_Orinary_-_International.pdf.
9. https://heinonline.org/hol-cgi-bin/get_pdf.cgi?handle=hein.journals/ijlmhs11§ion=223
10. <https://www.indianjournalofentrepreneurship.com/index.php/ijom/article/view/170842>.
11. <https://scholar.archive.org/work/hpymxyjigff3zfov3b3hglacuq/access/wayback/http://www.apjor.com/downloads/2304201511.pdf>.
12. <https://doi.org/10.1177/0018726716673441>
13. https://www.iais.org/uploads/2022/01/Application_paper_on_fraud_in_insurance.pdf.pdf.