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Insurance: which intermediary is better for buying a policy?

An individual agent can understand your needs better and help you deal with claims

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When chartered accountant Anmol Jaju, a resident of Mumbai, wanted to buy a motor insurance policy for his two-wheeler—a Honda Activa, he visited the website of an online broker and zeroed in on a top insurer that offered a lower premium. "I filled up my vehicle's information on the broker's platform. Most other sections got automatically populated," says Jaju. So far, so good.

Three months after buying the policy, he received a call from the insurer saying that he had taken a policy for a four-wheeler but had paid the premium for a two-wheeler, which is considered a fraud. "They told me to pay the difference in premium. Later, I figured out that the error was due to the RTO (regional transport office) mistakenly classifying my scooter under LMV (light motor vehicle, which covers cars) category. The insurer refused to return my premium and said it can issue a new policy only after I produce a customized letter from the RTO rectifying its mistake. My two-wheeler is uninsured to this day. I cannot take it out on the roads," says Jaju.

Jaju's experience shines the spotlight on the role of intermediaries in helping you buy the right insurance and also assisting you when claims are to be filed.

An aggrieved Jaju says he received no support from the online broker. "They call you a hundred times at the time of buying the policy but their services stop when you call them for complaint resolution," he says.

That has also been the experience of marketing executive Ravi Lamba from New Delhi. He bought a health policy for his parents directly from a private insurer in 2012, when his parents were under 60 years of age. The premium was ₹28,000 then. By 2021, it had risen to ₹47,843. Instead of renewing the policy, he decided to port it to another insurer.

"I used to get a lot of calls from an online broker about porting the policy. I checked out other insurance policies in the market and told the sales executive to make sure the new policy offers the same benefits as the old one. He confirmed the same and ported the policy to another private insurer at a premium of ₹32,345," he says.

Unfortunately, Lamba's father had to be hospitalized the same year. The insurer insisted on a 30% co-payment since his father was now more than 60 years old. As per the co-payment terms, an insured agrees to bear a percentage of the medical bills.

"Since it was a ported policy and not a fresh one, the co-pay shouldn't have been applicable. I paid the 30% in the hospital but I contested it later. It took me months to fight my case over their unreasonable demands. They even asked me to produce policy documents of the last eight years with the previous insurer, among others," he says. Lamba, too, fought a lone battle with no support from the intermediary.

There is hardly any due diligence done by insurers or intermediaries when they onboard a policyholder. Troubles start when the insured file a claim and realize they are left to fend for themselves.

New business premium by intermediaries in FY22 (%)

	Individual agents	Banks and other corporate agents	Brokers	Direct sales	Online direct sales	Web aggregators
Life insurance	55.01	33.9	1.94	7.16	1.36	0.19
General insurance	22	8.43	35.11	24.25	1.16	NA*
Health insurance	31.32	10.43	25.86	29.52	2.09	0.39

New business premium includes first year premium and single premium. All figures are only for individual new business, it doesn't include group business, micro insurance agents, [illegible]

Source: IRDAI

Premium comparison across intermediaries

(in ₹ crore)

	Insurers' websites*	Online brokers (Policybazaar)	Individual agents
Term insurance			
Max Life Smart Secure Plus	11,524	11,524	12,130
HDFC Click 2 Protect Life	13,792	13,792	13,931
Health insurance			
Tata AIG Medicare Premier	13,663	13,663	13,663
Care Supreme	10,592	10,592	11,151

Premium is calculated for 30-year-old non-smoker male, residing in Zone 1, [illegible]

Source: Beshak.org

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Choosing intermediaries across products

	Offline agents	Insurers' websites	Online brokers	Banks
Life (term)	✓*	✓		Avoid buying insurance from banks, say experts
Life (endowment)**				
Health insurance	✓			
Motor insurance#	✓			
General insurance##		✓	✓	

*Only if you feel the agent will help out the family in your absence; **Avoid buying life (endowment)
#Dealer for new vehicles, offline agents for old vehicles; ##excluding health and motor; home, cyber insurance, etc.

The next-door agent

Intermediaries are of various types: individual or corporate agents, brokers, web aggregators and point of sales people (POSP). Banks, non-banking financial services, and e-commerce platforms such as Amazon, Flipkart are corporate agents. Banks are the most dominant in this segment.

Experts say you should avoid buying policies from a bank unless you personally know someone there. In most cases, relationship managers (RMs) at banks sell you products because they have sales targets to meet. But when you need help with the claims, you find that the RM may have either got a transfer or shifted jobs, and existing bank executives may not prioritize your complaint.

"Sales executives at online brokers, too, have sales targets. So, they tend to promote products of insurers offering them higher commission," says an insurance executive on the condition of anonymity.

As for individual agents, most people consider them to be a nuisance but they are the ones who turn up to support you during a claim. To be sure, some of them are known to mis-sell products. Yet, they are known to be easily accessible. These agents have their own challenges—they mostly rely on word-of-mouth publicity and have a limited product bouquet. "You must enquire about the range of products they are allowed to sell. Some agents or POSP may have a tie-up with brokers to sell a variety of products. One should prefer them over the ones offering limited choices," says Dhirendra Mahyavanshi, co-founder, Turtlemint, an online broker which empowers small retail agents with technology and suggests suitable products across insurers based on algorithms.

There are websites that help you find your trusted 'next-door' individual agent. Beshak.org is one such. It is an online platform of insurance advisers and doesn't sell insurance products.

Buyers should check if the intermediary is selling the right product and can also act in their best interests

Insurance experts say it's important how you choose the right intermediary. "Byte-size coverage such as cyber theft, screen damage, cycle insurance, should be routed through the seller with a corporate agent licence. Online brokers come in handy for customized offerings, while individual agents should be considered for high-value insurance. They can offer you the right policy based on your needs," says Aditya Sharma, chief distribution officer–retail sales at Bajaj Allianz General Insurance. "For instance, car dealers offer you better motor insurance when buying a new vehicle, while individual agents can get you a better deal in case of old vehicles," he adds.

Insurers do offer direct to customers (D2C) plans, and a 5% discount was so far available for buying a D2C plan online. Now, as per guidelines issued by the insurance regulator Irdai in April, insurers have to reduce the premium on D2C policies by passing on the benefit of decreasing management expenses to the policyholder.

Commission structure

Buying directly from the insurance company cannot be everyone's cup of tea. And, a reduced premium alone shouldn't be the reason to go direct.

"It doesn't matter from where you are buying the policy because premiums remain the same in one product across channels," says Srinidhi Shama Rao, chief strategy officer, Aegon Life.

Insurance regulator Irdai came out with a circular on expenses of management (EOM) in March which says general insurers need to cap EOM at 30% of the gross written premiums in a financial year and health insurers at 35%. This includes operating expenses along with distributor commission. "One company might decide to pay more distribution commission and spend less on marketing, while another could spend more on the marketing and pay less commission to agents. The new EOM regime offers flexibility in how insurers want to pursue their business," says Mahyavanshi of Turtlemint.

While this does not affect the end user in any way, it can be inferred that a distribution channel will promote the insurer giving more commissions.

Experts say buyers need to make the right choice of intermediaries. They need to check if the intermediary can understand their needs and act in their best interests. If the answer is a yes to both, they may go ahead with the specific intermediary.