



Remuneration To Key Management Persons (KMPS)

IRDAI, through its circular dated May 25, 2026, has amended the Master Circular on Corporate Governance for Insurers, 2024. The amendments strengthen governance over remuneration of Key Management Persons (KMPs) by linking compensation with financial soundness, policyholder outcomes, claims servicing, grievance redressal and overall governance standards. The amendment is effective immediately from May 25, 2026.

Key Amendments Introduced

- IRDAI has strengthened transparency requirements by mandating insurers to disclose the performance parameters used for determining KMP remuneration, along with corresponding performance data for the preceding three years on their websites.
- Insurers are required to provide periodic disclosures on key performance indicators, including quarterly reporting of financial soundness and monthly reporting of product performance, claim responsiveness, grievance redressal and related improvements, thereby strengthening transparency and policyholder-centric governance.
- The Nomination and Remuneration Committee (NRC) must ensure that remuneration is aligned with policyholder outcomes, risk-adjusted performance, risk horizon and long-term sustainability.
- For FY 2026-27, minimum parameters as instructed by IRDAI shall mandatorily include following for assessment of performance of all KMPs for the payment of variable pay or incentives and for the purpose of disclosure:

Parameters	Details	Weightage
Indicated parameters by IRDAI		
For Life Insurance (Note a)	'Assets under management' to 'Total premium' ratio	40%
	'Renewal premium' to 'New business premium' ratio	
	Proportion of "total number of policies issued" during the year to "total number of policies exited from the books (pre-mature exits + exits due to death + exits due to maturities)" during the year	
	'Expense of management' to 'Gross direct premium' ratio	
Products' performance and improvements thereof	Features, premium, performance and returns of all products collectively contributing 90% of new or renewal premium (each of these aspects explained in the circular)	
	Display of board approved policies for commission payments (average and maximum for each product or line of business), product approvals, and anti-fraud measures	
Claim responsiveness and improvements thereof	Detailed parameters explained in the circular	
Grievance redressal and improvements thereof	Detailed parameters explained in the circular	
Implementation of Indian		10%



Parameters	Details	Weightage
Accounting Standards (Ind AS)		
Removal of dark patterns in company's own interaction with the public and ensuring the same for company's distributors.		
Total		
<u>Other Parameters to be decided by the NRC / Board</u>		
NRC / Boards may prescribe additional performance metrics aligned with business strategy, provided such metrics and their measurement criteria are clearly incorporated in the remuneration policy.		50%
Net Total		100%

Note:

For General and Stand Alone (SA) Health Insurers following parameters shall be replaced for "Indicated parameters by IRDAI":

Parameters	Details
For General and SA Health Insurers	Line-wise net incurred loss ratio
	Line-wise 'renewal premium' to 'new business premium' ratio
	'Expense of management' to 'Gross direct premium' ratio

The amendments are expected to enhance transparency and accountability in executive compensation by linking remuneration to measurable business outcomes and policyholder interests.

Reference: <https://irdai.gov.in/document-detail?documentId=9508062>