

# India's One-Hour Insurance Problem



**How quick insurance choices  
lead to unsuitable outcomes**

Findings from an original survey of  
Insurance Agents and Customers

upstox

# From the founder's desk

I'm immensely proud to present this in-depth report on insurance-buying trends in India, titled *India's One-Hour Insurance Problem*.

This report stems from our core belief that financial decisions, especially those as critical as insurance, must be made with clarity and confidence. The findings are, frankly, a call to action.

Our survey revealed a structural misalignment in the insurance ecosystem. The most striking finding is that 63% of buyers purchased a life policy in under an hour, suggesting quick choices over informed ones. This is compounded by deep-seated trust issues, with 63% believing their agent was more focused on commission than their needs, and 60% rating their trust on their agent at 3 or below.

Crucially, the knowledge gap is wide on both sides. A significant portion of buyers lack basic product literacy, while 60% of agents admit they don't fully understand how to calculate annualised returns. This report is our contribution to sparking a necessary conversation about transparency, particularly the clear disclosure of real versus nominal returns. We hope it serves as a roadmap for industry participants to build a more trusting and financially sound future for the Indian consumer.

**Kavitha Subramanian**

Co-founder, Upstox

A black and white photograph of a man with dark hair and a beard, wearing a dark button-down shirt. He is sitting at a desk, looking down at a document he is holding with both hands. The background is slightly blurred, showing a computer monitor and some office equipment. The text "Quick Choices, Unsuitable Outcomes" is overlaid in white, bold, sans-serif font across the middle of the image.

# Quick Choices, Unsuitable Outcomes



# 63%

of respondents got less than an hour of explanation from their agent, raising questions about policy understanding at the customer level.



# 50%

of them did not know the difference between a ULIP and an endowment policy.



# 54%

endowment and ULIP customers weren't told that a failure to pay renewal premiums may lead to a reduction in their principal investment.



On a scale of 1 to 5,

# 60%

of respondents rated their trust on their agent at 3 or below (1 being the lowest and 5 being the highest).



# 63%

believed that their agent was focused more on their own commission than the customer's needs.



# 60%

agents admitted they don't fully understand how to calculate annualised returns.



# 39%

agents agreed that they pass back insurance commission, despite being prohibited by law.



## **INTRODUCTION**

Insurance is a critical tool for protecting individuals and their families against financial losses from unforeseen events like death, accidents and illnesses. It provides a financial cushion and peace of mind by covering the lives of breadwinners and unexpected costs arising from medical bills, car accidents and other forms of eventualities.

Despite this, insurance has historically been one of the most mis-sold products in India. Very often, it has been bundled with investments and sold as investment-first products with an embedded life risk cover element as an afterthought.

In an attempt to understand insurance selling practices, Upstox along with Fingrowth Media surveyed hundreds of respondents—both agents and customers—to understand their knowledge gap and their understanding of insurance.

## **STUDY OBJECTIVES**

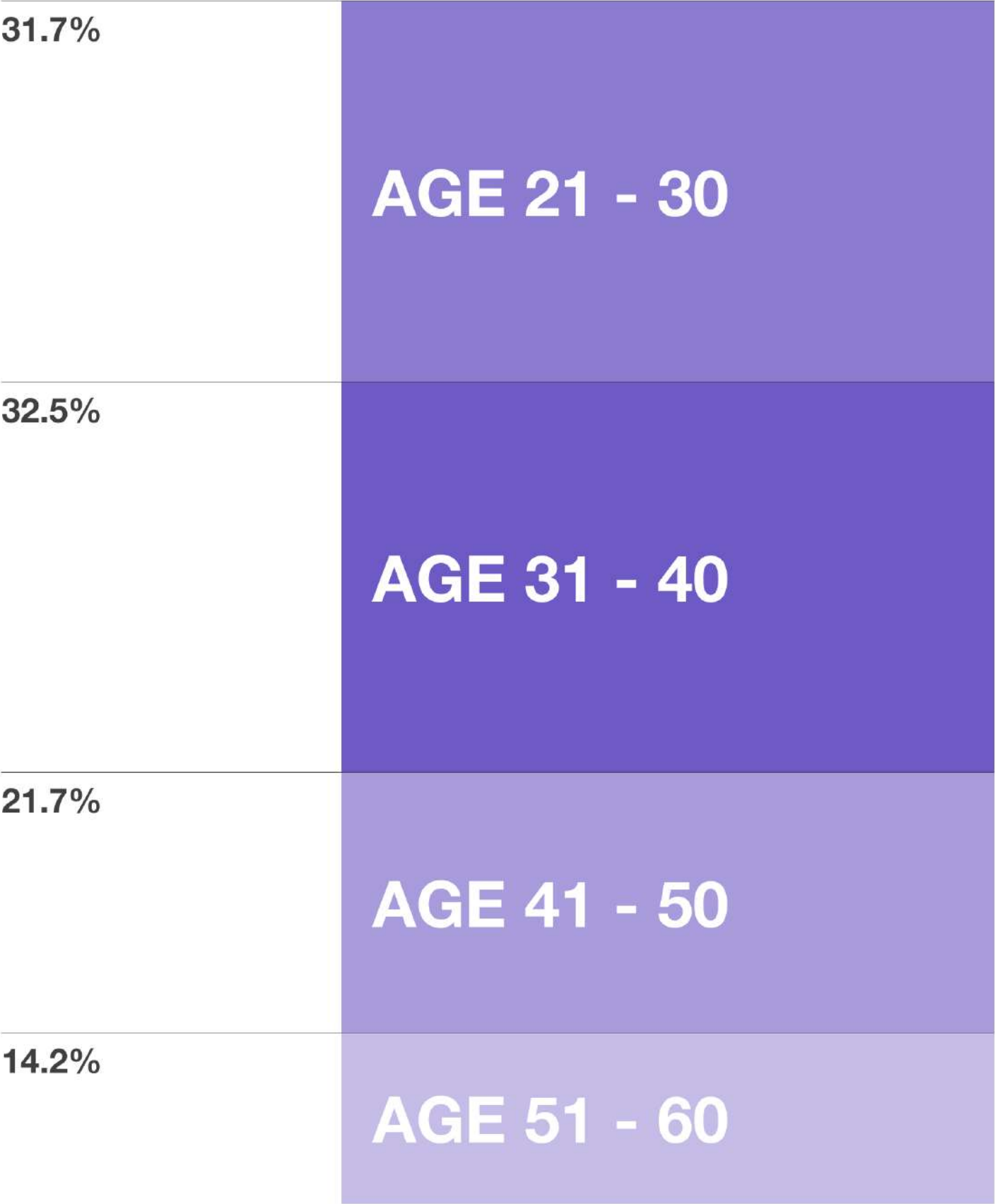
- Find out how well customers understand about the products they purchase.
- Map agent incentives, practices and pressure points.
- Identify the consumer-agent gap that drives misalignment, dissatisfaction and long-term financial impact.

## **SAMPLE SIZE**

The study covered qualitative discussions with 300 individuals and a quantitative survey of 450 individuals, consisting of customers and agents. Agents surveyed represented both public and private insurance companies, covering all of the top 10 life insurers.

## **METHODOLOGY**

- Respondents were spread across 20+ Indian cities, including metros and non-metros across diverse age, professional and educational backgrounds.
- A mix of telephonic and in-person interviews were conducted to collect responses from the respondents.
- Multi-option questions are presented as the percentage of respondents who selected each option.
- The qualitative interviews and quantitative surveys were conducted with people who purchased insurance within the last 5 years. 57% of them bought insurance within the last 2 years.
- 93% of respondents had at least one endowment policy or ULIP.





# Executive Summary (Customers)

63%

said that agents took less than 1 hour to explain policy features, benefits and other comparable products before selling.

39%

believed that they were misled or kept underinformed.

63%

believed that their agent was focused more on their own commission than their needs.

47%

found their returns to be lower than what they expected at the time of purchasing the policy.

60%

On a scale of 1 to 5, 60% of respondents rated their trust in agents at 3 or lower. 1 being the lowest, 5 being the highest.

50%

said that they won't recommend their agents to others.

PRODUCT LITERACY AND  
EXPECTATIONS

71%

did not know the difference between a participating and non-participating policy.

50%

did not know the difference between an endowment policy and a ULIP, even though many owned one.

52%

did not know the difference between inflation-adjusted and total returns.

54%

of endowment or ULIP customers weren't informed that a failure to pay renewal premium may lead to a reduction in the principal amount.



# Executive Summary (Agent)

**83%**

of agents get more than 10% commission on the first-year premium invested by customers.

**46%**

of agents got more than 5% commissions on renewal premiums paid by the customers, as compared to a commission of 0.1% to 2% received by mutual fund agents.

**48%**

agents said that they feel pressured to meet contest targets set by their insurers.

**39%**

agents agreed that they pass back insurance commission, despite being prohibited by law.

A black and white photograph of a man in a dark suit and light-colored shirt, looking down at a document he is holding. He is standing in front of a large window with vertical blinds. To his right, there is a potted plant with long, thin leaves. The text "Detailed Findings" is overlaid in the center of the image.

# Detailed Findings

ADVICE DEPTH

63% of respondents received under an hour of explanation, making it too little for multi-year contracts, resulting in incomplete product understanding. Buyers miss how premiums, benefits and risks evolve, which skews expectations and often leads to disappointment or disputes later.

The gap isn't only on the agent side. Many customers don't ask questions; they accept the agent's view and don't compare alternatives. This leads to incomplete understanding and a higher chance of disappointment later.

It becomes important to note that the simpler the product, the less explanation is required. For instance, 72% of those who purchased a simple term policy also received an explanation of less than an hour.

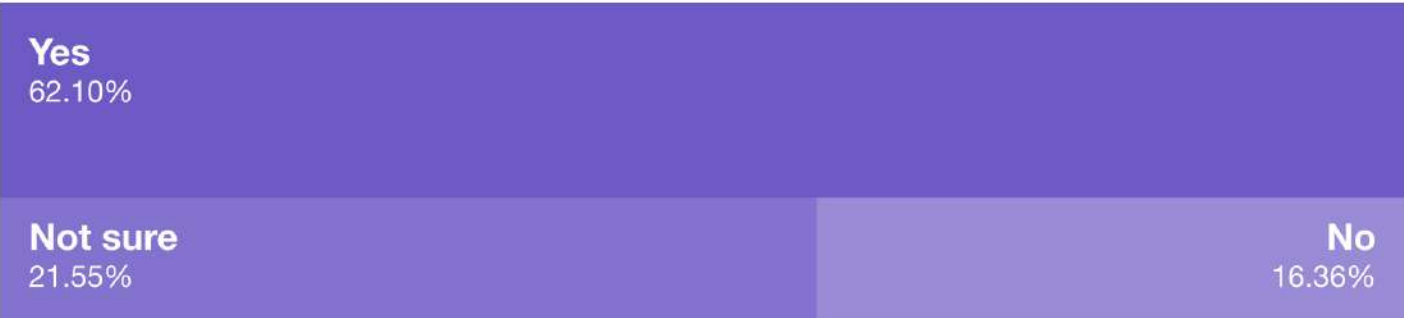
How much time did the insurance agent take in explaining to you about the product?



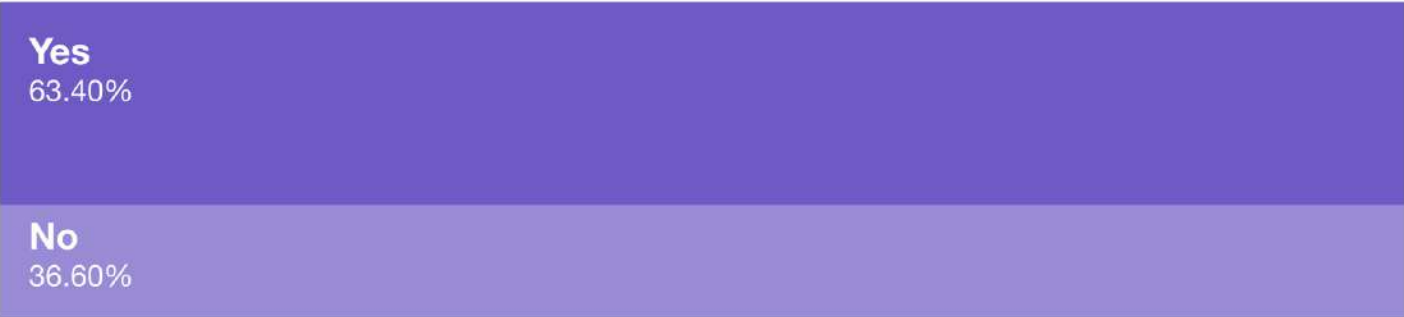
## FIT AND FRICTION

Hence, 38% reported uncertainty about suitability, and 63% perceived agent incentives as dominant. Inadequate understanding limits clarity and leads to mistrust, which can't only be attributed to the agent's selling behaviour.

Do you feel the product was right for your needs in hindsight?



Do you now feel your agent was focused on commission more than your needs?



## PARTICIPATING VS NON-PARTICIPATING

Consequent to the poor understanding, 71% of customers do not know the difference between participating (par) and non-participating (non-par) insurance policies. In par policies, the policyholder receives a share of the insurer's profits.

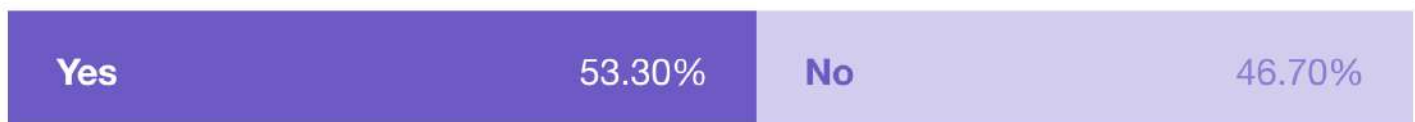
**Do you understand par vs non par policy?**



When you look at the number of policies sold, India's largest insurer – LIC, sells around 57% of policies sold as non-participating (Source: [LIC Targets 40% Non-Par Products](#)).

Why does this matter? Lack of understanding leads to customers' assuming illustrated bonuses as guarantees. This aligns with our findings, with 47% later reporting returns lower than expected and 39% feeling misled/under-informed.

**Were the returns in line with your expectations?**



**Do you feel misled or under-informed?**



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## ENDOWMENT VS ULIP

Further still, 50% of the customers did not know the difference between ULIP and endowment policies. The majority of them actually owned either one of the two types of policies. They bought insurance purely on the agent's pitch, trusting the presentation rather than the product. The decision was guided by how the numbers were shown—projected returns, bonuses or maturity values—not by what they were actually signing up for.

The reliance on agents can be explained in many cases by the fact that agents are friends / family members, so people trust their recommendations. Besides that, the complexity of products, a general apathy towards insurance and lower financial literacy continue to drive buying decisions.

These two are pitched as “investment-plus-insurance” to individuals—sold on maturity values and projected bonuses—so to understand the difference it's very crucial.

**Do you know the difference between an endowment and a ULIP policy?**



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## REAL (INFLATION-ADJUSTED) VS NOMINAL RETURNS

52% of respondents don't know the difference between inflation-adjusted and total returns. Nominal is the headline gain, whereas real is what's left after inflation, e.g., an 8% nominal return with 6% inflation translates to a 2% real return.

Why does this matter? Even though we don't agree, many customers still purchase insurance considering it an investment product. Since the returns shown are typically nominal returns, outcomes are likely to be overestimated. Assume you make 7% nominal returns over the life of the policy. With an inflation of 6%, that makes your real returns only ~1%.

Even if you receive ₹1 crore after 15 years, with 6% annual inflation, its purchasing power will fall to roughly ₹41.7 lakh in today's terms. In other words, the same ₹1 crore will buy less than half of what it does today.

**Do you know the difference between inflation-adjusted and total returns?**

Yes	52.00%	No	48.00%
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As highlighted above, insurance is still sold as an investment-cum-protection product. Most customers do not realise that they will:

- **Get lower returns over the life of the policy; or**
- **End up paying exorbitant premiums**

They fail to realise that a simple combination of a term-insurance policy and a mutual fund SIP would lead to better returns and lower payouts.

Long-term average returns across different fixed-income products



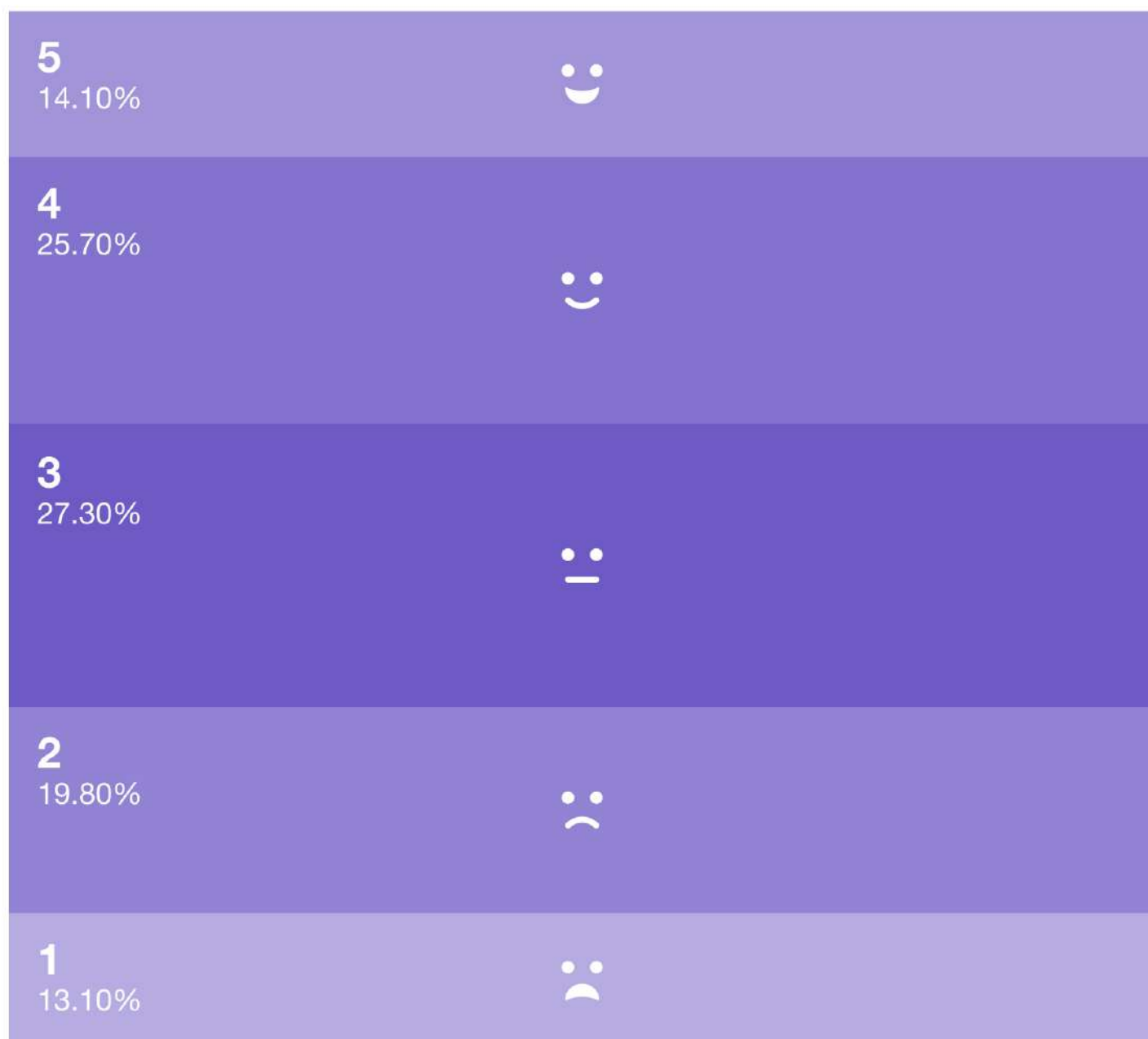
Long-term average returns across market-linked products



## TRUST IN AGENT

Trust levels appear fragmented; only 14% rated their agent at the highest trust score (5), while the largest group (27%) gave a mid-level rating of 3. Combined with 26% rating 4 and 20% rating 2, this indicates a moderate trust base. Overall, trust in agents remains moderate, suggesting that while many customers are not outright distrustful, few demonstrate strong confidence—reinforcing the need for transparent communication and deeper advisory engagement to strengthen trust over time.

On a scale of 1-5, how much do you trust your agents recommendations?



## WORK EXPERIENCE

We connected with a diverse range of insurance agents, nearly half of whom had more than 10 years of experience and could therefore shed some light not only on changing insurance selling but also on buying behaviour.

How many years have you worked as an insurance advisor?



## PROFILE AND AFFILIATION

Almost two-thirds sold endowment plans and term insurance, showing a healthy demand-side requirement towards guaranteed and pure term products.

**Agents often mentioned that the younger generation preferred term insurance products more than endowment and ULIPs.**

Term insurance adoption is higher in metros at 62% versus 47% in non-metros. This gap shows uneven protection awareness.

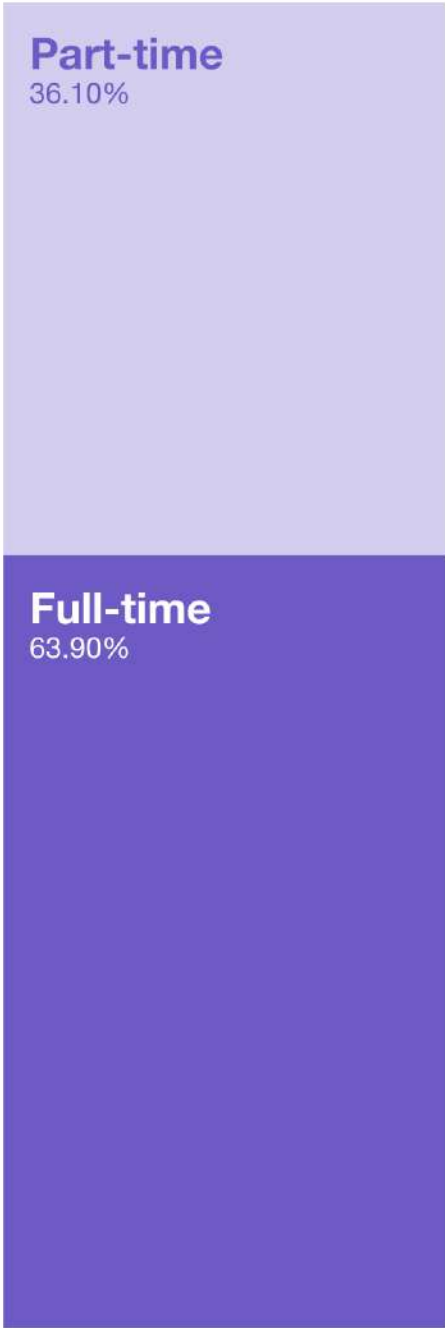
What type of products do you primarily sell?



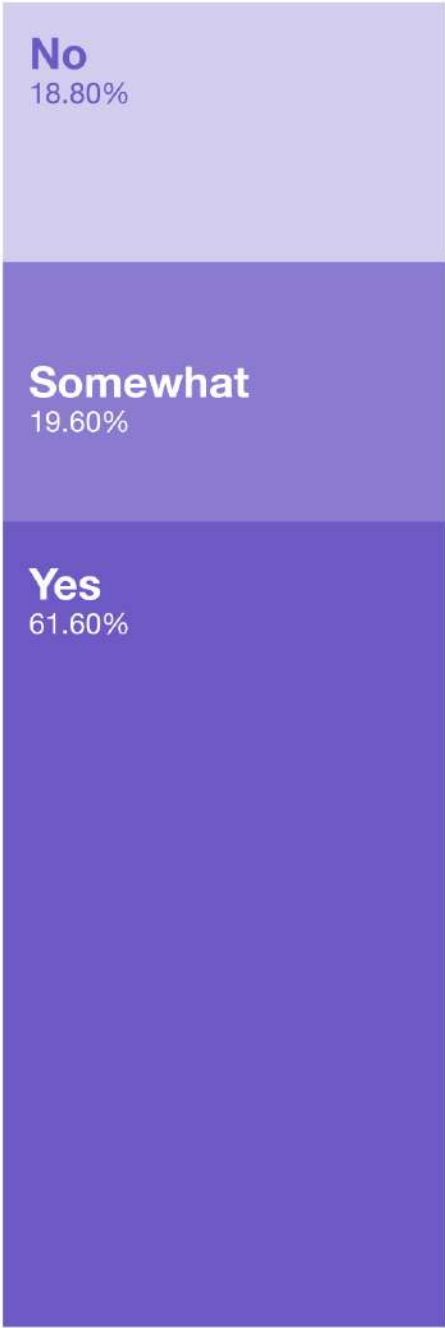
# WORK MODE AND INCOME SATISFACTION

With 64% agents operating part-time, insurance often functions as a secondary occupation. Lack of a fixed timeline and variability in the level of income are often cited as some of the key reasons for having more than one occupation. On a more encouraging note, 62% report income satisfaction, indicating that the model can be rewarding and sustainable.

Did/do you work full-time or part-time?



Are you satisfied with your income?



## TARGETS VS CLIENT NEEDS

One-third acknowledge pressure misalignment. They admitted that they have had to focus more on their targets than on their clients' needs.

Have you ever felt that your company's targets forced you to prioritise sales over client needs?

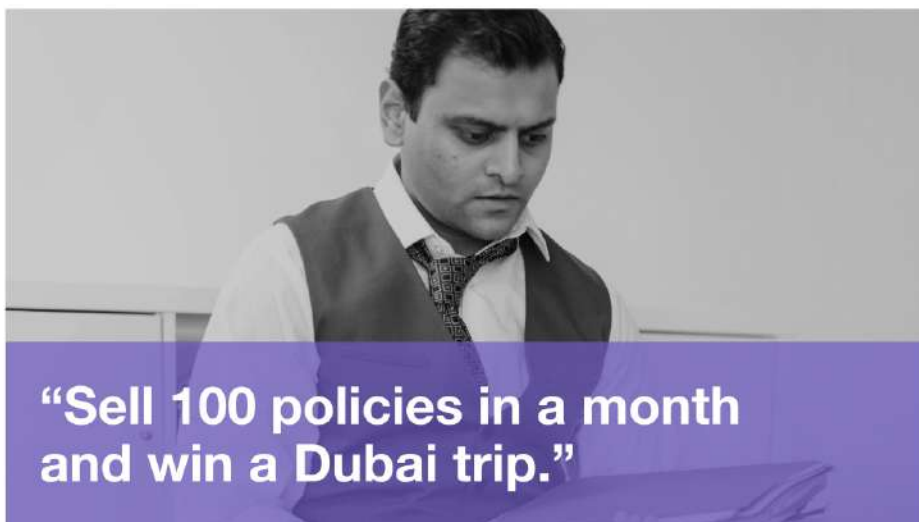
**No**  
68.60%

**Yes**  
31.40%

## SOLD PRODUCT TO MEET CONTEST TARGET

48% of the agents feel pressured to sell specific products to meet contest targets either occasionally or always.

Contest refers to short-term incentive schemes or sales competitions run by insurers.



Do you feel pressured to sell certain products (e.g., high-commission plans) to meet contest targets?

**No**  
52.30%

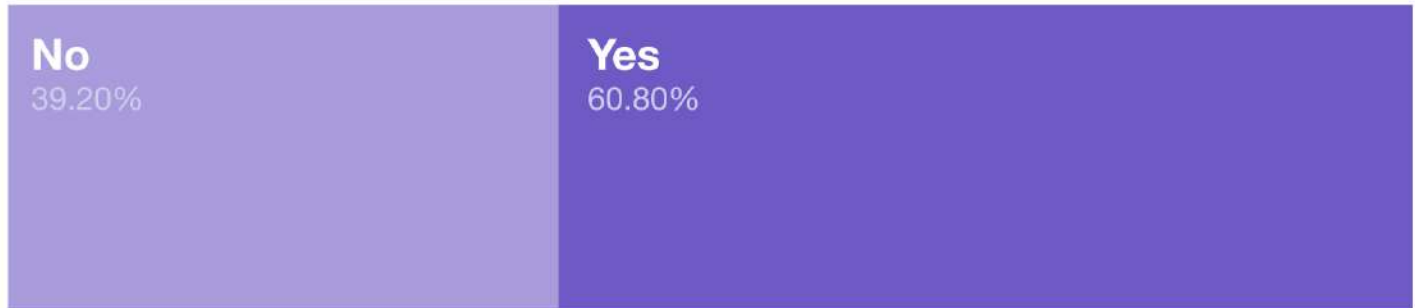
**Occasionally**  
28.90%

**Yes**  
18.80%

## COMMISSION PASS-BACK

39% of agents acknowledged passing back part of their insurance commission, signalling that rebate-linked inducements persist despite regulations against it.

**Do you pass on (or get) commissions made in an insurance product?**



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## HOW MUCH CUSTOMERS UNDERSTAND

**What agents believe and how much customers were told**

While



of agents believed that clients fully understood what they purchased,



of the customers who purchased either a traditional plan or ULIP weren't informed that a failure to pay the renewal premium may lead to a write-down in their principal investment.

When looking at an industry level, a report by IRDAI shows a persistency ratio of



A horizontal bar chart with a dark purple segment on the left and a lighter purple segment on the right. The dark purple segment is labeled '67-70%'.

**67-70%**

in the 13th month (one year after buying the policy) and about



A horizontal bar chart with a dark purple segment on the left and a lighter purple segment on the right. The dark purple segment is labeled '45-49%'.

**45-49%**

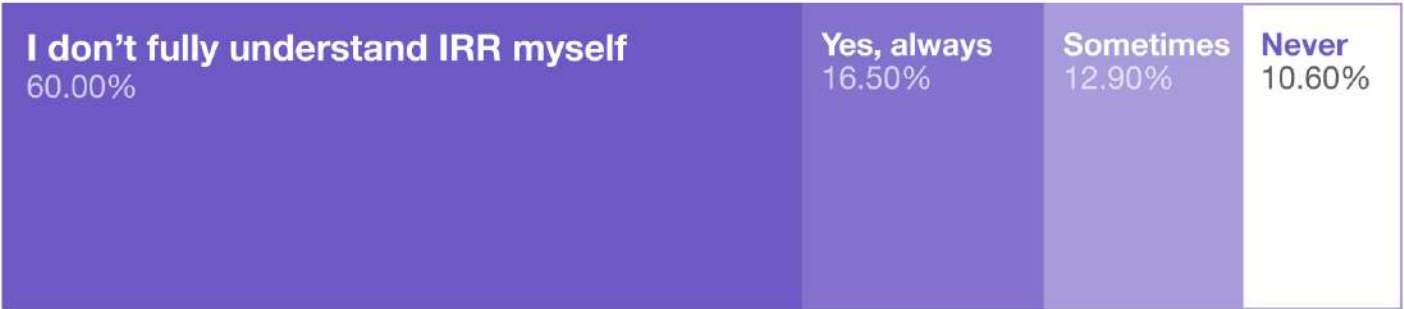
in the 61st month (after 5 years).

Persistency ratio measures how many policyholders continue paying premiums after the first year, reflecting product suitability and customer satisfaction. This once again reflects the lack of product understanding on the part of customers. Failing to pay premiums after 5 years leads to voiding of the existing policy and any accrued incidental benefits. Moreover, any new policy is likely to be more expensive, given the passage of time.

## EXPLAINING IRR/REAL RETURNS TO CLIENTS

Only **16%** “always” explain IRR and real returns; **13%** “sometimes explain”; **11%** “never explain”; and a majority, 60% admit they **don’t fully understand IRR**. This directly limits clarity on long-term outcomes and surrender trade-offs.

Have you ever explained IRR or inflation-adjusted returns to a client for a ULIP/endowment?



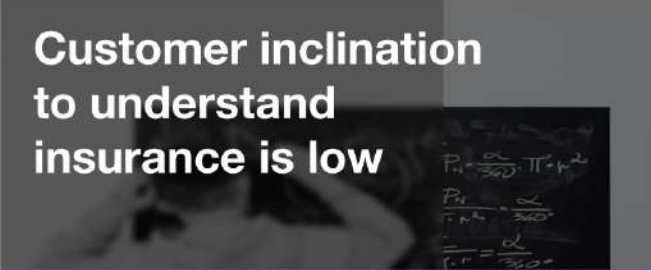
## REAL VS NOMINAL RETURNS

Just **31%** know the difference. Without this lens, agents risk over-relying on **headline (nominal)** numbers and understating inflation’s impact on wealth creation.

Do you know the difference between real and nominal rate of return?



## THE CUSTOMER-AGENT GAP EMERGES ACROSS FOUR LINKED LAYERS



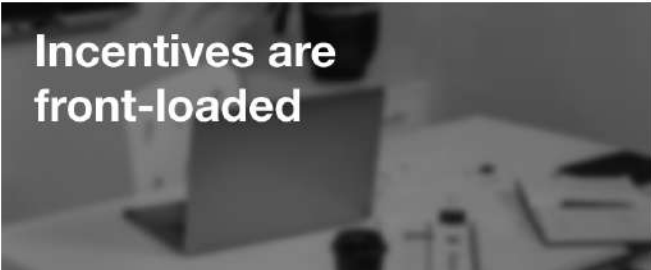
### Customer inclination to understand insurance is low

This leads to misalignment. Blaming the agent isn't always the answer. 63% received less than 1 hour of explanation for complex products and 39% felt misled or under-informed.



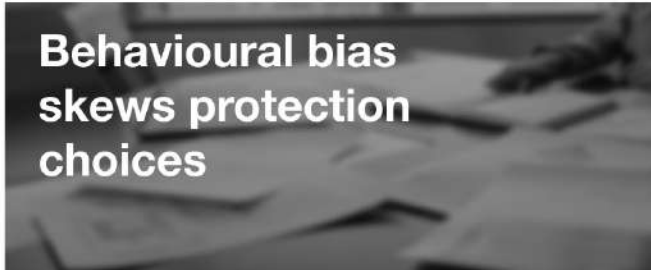
### Understanding is weak

Many customers cannot distinguish participating from non-participating policies or real from nominal returns, despite owning policies with these features or purchasing insurance for investment purposes.



### Incentives are front-loaded

A high first-year vs renewal commission spread nudges sales behaviour toward closing quickly rather than stress-testing suitability, which customers recognise. 63% felt the agent was commission-focused.



### Behavioural bias skews protection choices

29% of non-buyers avoided pure term cover because it offers "no returns," reinforcing an investment-first framing that leads to inadequate risk protection.

A black and white photograph of a man in a dark suit and white shirt, looking down at a document he is holding. He is standing in front of a window with vertical blinds. A potted plant is visible in the background to the right.

# Conclusion

Our survey evidence shows a **structural misalignment**: customers' **low product/return literacy**, **thin explanations** and **front-loaded commissions** lead to **friction**, **dissatisfaction** and **regret**.

Addressing this requires:

1. **Detailed analysis of needs to understand the customer's actual requirements**
2. **Clear disclosure of real vs nominal returns**
3. **De-emphasising first-year incentive bias in sales, so that the product bought is one that is truly needed**

