

IRDAI Tightens Governance Norms on Remuneration of Key Management Persons

The Insurance Regulatory and Development Authority of India (IRDAI), through the Master Circular on Corporate Governance for Insurers, 2024 dated 22 May 2024 (**Master Circular**), had consolidated the governance framework applicable to insurers.

Under the 2024 framework, insurers were already required to make annual disclosures in their annual accounts regarding the elements of the remuneration package, including incentives, of the MD & CEO, all other directors and Key Management Persons (KMPs). The Master Circular also contained a remuneration framework applicable to private sector insurers only. This framework required private sector insurers to adopt a Board-approved remuneration policy for KMPs, link variable pay to defined performance parameters, incorporate risk alignment principles, and provide for malus and claw-back mechanisms in respect of variable pay.

IRDAI has now issued Circular IRDAI/F&I/CIR/MISC/72/5/2026 dated 25 May 2026 on “Remuneration to Key Management Persons (KMPs)”, amending the Master Circular on Corporate Governance for Insurers, 2024 with immediate effect. The circular reflects a further regulatory shift towards linking executive remuneration with policyholder outcomes, risk management, financial soundness, claims responsiveness, grievance redressal, customer protection and transparent public disclosures.

The key changes relating to remuneration of KMPs and associated disclosure requirements include:

- Mandatory disclosure of the performance parameters forming the basis of remuneration (including incentives) of KMPs.
- Public disclosure on insurers’ websites of KMPs performance metrics and corresponding historical information for the preceding 3 years in an “easy to access” and “easy to understand” manner.
- Insurers must disclose year-to-date financial soundness information on a quarterly basis. Information relating to product performance, claim responsiveness, grievance redressal and improvements thereof must be disclosed on a monthly basis.
- Mandatory integration of risk alignment principles in remuneration policies, including alignment with policyholder outcomes, time horizon of risks and symmetric risk-reward outcomes.
- For FY 2026-27, the circular prescribes minimum parameters that must mandatorily be considered for assessment of performance of all KMPs for payment of variable pay or incentives and for disclosure. These include:
 - financial soundness metrics;
 - products’ performance and improvements thereof;
 - claim responsiveness and improvements thereof;
 - grievance redressal and improvements thereof;
 - implementation of Indian Accounting Standards; and
 - removal of dark patterns in the insurer’s own interaction with the public and ensuring the same for the insurer’s distributors.
- The six prescribed parameters must carry an aggregate weightage of 50%. Of this, implementation of Indian Accounting Standards and removal of dark patterns must carry a weightage of 10% each. The Board may decide the weightage for the other four prescribed parameters.

Notably, the circular also requires Boards and Nomination & Remuneration Committees to define measurable benchmarks and additional role-specific parameters upfront within remuneration policies.

ELP Comments

This circular represents a material shift from traditional financial-performance-based remuneration structures to a more policyholder-centric, conduct-driven and disclosure-led framework. Private sector insurers will need to revisit their remuneration policies, governance frameworks and KMP performance evaluation matrices to ensure alignment with the revised regulatory expectations, particularly in relation to variable pay, performance parameters, risk alignment, benchmark-setting, malus and claw-back mechanics.

At the same time, insurers generally will need to strengthen their disclosure architecture to ensure that performance against KMP remuneration parameters is publicly available on their websites, supported by historical information and periodic updates in the manner prescribed by IRDAI.

Insurers should also review, and where necessary amend, existing KMP employment contracts and variable-pay arrangements to ensure consistency with revised performance parameters, deferral terms, malus and claw-back provisions, and Board-approved remuneration policies.

The link to circular dated 25 May 2026 is provided [here](#).

We hope you have found this information useful. For any queries/clarifications, please write to us at insights@elp-in.com or write to our authors:

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