

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES  
**RAJYA SABHA**  
**UNSTARRED QUESTION No. 1844**

ANSWERED ON TUESDAY, 16<sup>th</sup> DECEMBER, 2025/ 25 AGRAHAYANA, 1947 (SAKA)

**STEPS TO PREVENT MISLEADING INSURANCE ADVERTISEMENT**

1844 SHRI JAGGESH:

Will the Minister of Finance be pleased to state?

- (a) whether Insurance Regulatory and Development Authority of India (IRDAI) has observed a rise in misleading and non-compliant advertisements by general and health insurers regarding claim-settlement ratios;
- (b) whether insurers are using inconsistent definitions and selectively excluding repudiated or pending claims in advertisements, resulting in claim-settlement figures that differ from their regulatory disclosures;
- (c) whether IRDAI has asked insurers to jointly develop a uniform formula for calculating claim-settlement ratios and to review their existing methodologies to prevent consumer confusion; and
- (d) if so, the details thereof, along with others steps taken by Government to protect consumers?

**ANSWER**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE  
(SHRI PANKAJ CHAUDHARY)

**(a) to (c):** Regulatory provisions issued under the IRDAI (Protection of Policyholders' Interests, Operations and Allied Matters of Insurers) Regulations, 2024 in relation to misleading advertisements inter alia, are:

- i. The framework requires that all advertisements be fair, accurate, and not misleading, with clear disclosure of risks, terms, and exclusions.
- ii. The information being advertised shall be fair and true and shall reflect potential risks within the products offered and shall not mislead or misrepresent the facts or features.
- iii. No insurer or distribution channel shall publish or cause to publish any misleading advertisement. No advertisement shall make any claim or display such information which contains false or fabricated facts, figures and features.

As per information given by Insurance Regulatory and Development Authority of India (IRDAI), some insurers were found to be using the term "claim settlement ratio" in their advertisements. The standard term used for the regulatory returns, audited annual reports / statements of insurers is "incurred claim ratio". The term "claim settlement ratio", being non-standard, can be potentially misleading as insurers may use differing methodologies to compute the ratio.

IRDAI has advised all general insurers to withdraw potential misleading advertisements which include the term “Claim Settlement Ratio”. Majority of the insurers have confirmed of the compliance of directions issued by IRDAI.

In order to prevent recurrence of potentially misleading advertisements, IRDAI has asked General Insurance Council, a body constituted under the provision of Insurance Act, 1938, to develop and propose a standard formula for computing the “claim settlement ratio”.

**(d):** Under the provisions of the Consumer Protection Act, 2019, the Central Consumer Protection Authority (CCPA), an executive agency, came into existence on 24.07.2020.

The CCPA has notified the Guidelines for Prevention of Misleading Advertisements and Endorsements for Misleading Advertisements, 2022 on 9th June, 2022. These guidelines inter-alia provide for;

- i. conditions for an advertisement to be non-misleading and valid;
- ii. certain stipulations in respect of bait advertisements and free claim advertisements; and,
- iii. duties of manufacturer, service provider, advertiser and advertising agency.

As per Section 21(2) of the Consumer Protection Act, 2019, in case of false or misleading advertisement, the CCPA may impose penalty on manufacturer or endorser up to Rs. 10 lakhs and Rs. 50 lakhs in case of repeated violations.

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