

Dark Patterns in Insurance: IRDAI's Crackdown to Strengthen Consumer Trust

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Dark Patterns in Insurance Latest News

- The **Insurance Regulatory and Development Authority of India (IRDAI)** is tightening regulations around “**dark patterns**” in digital insurance marketplaces to curb mis-selling and boost consumer trust.
- In a notable step, the regulator has partnered with a statutory body — the Institute of Public Auditors of India — to monitor these practices across the industry.

What Are ‘Dark Patterns’?

- Dark patterns are **deliberate, deceptive design** mechanisms hidden in websites and apps that manipulate users into sharing data or making choices they otherwise would not — by pressuring or misleading them.
- Common examples include:
 - Forcing users to provide personal information just to view product offerings
 - Deliberately making it difficult to cancel subscriptions or policies

- Spam calling to push products
- Hidden charges
- The underlying problem is **mis-selling** — a long-standing issue where agents, brokers, and banks push complex products to unknowing customers to boost sales at the cost of credibility.

Why It Matters: Trust and Financial Inclusion

- IRDAI Chairman framed the issue around **consumer trust**. His central concern:
 - insurers ask for excessive personal information before revealing product details, hiding products behind complex processes.
 - This limits product discovery and drives away consumers “already on the fence” about buying insurance.
- If people cannot freely access information on products, price, and performance, they cannot make informed decisions.
- The goal is to make **financial inclusion** “*more understandable, more trusted, and more actionable.*”

IRDAI’s Steps

- The regulator’s actions have unfolded in stages:
 - **Self-assessment** (April 2026): IRDAI directed insurers to assess themselves for dark patterns and submit observations. Tellingly, almost all claimed they had none — a response that prompted the regulator to seek independent verification.
 - **Independent monitoring**: IRDAI roped in the Institute of Public Auditors of India to study and monitor, over nine months, which insurers actually use dark patterns and which do not.
 - **Consultation paper** (July 2026): IRDAI plans to release a paper on insurance distribution reforms, expected to include steps to curb mis-selling across channels, improve transparency, and tweak the existing commission-based distribution model.
- **The RBI parallel**: These moves follow the Reserve Bank of India’s comprehensive framework to curb mis-selling of financial instruments by banks, effective January 1. Since banks are also licensees in the insurance sector, analysts said it was now IRDAI’s “turn to bring in suitable guidelines.”
- **Industry impact**: An analyst noted insurers might face short-term problems if norms tighten, but the effect would be “largely inconsequential,” while tighter rules would build long-term consumer trust and benefit the industry.

How Big Is the Problem?

- Dark patterns have plagued the industry since insurance moved to digital channels, eroding trust and repelling hesitant consumers.
- A survey found:
 - Around 80% faced hidden charges, difficulty cancelling policies, and forced data sharing.
 - Around 90% were repeatedly pestered through unsolicited calls and messages to buy or continue policies.

- The study covered major digital insurance platforms including Policybazaar, Acko, and Tata AIG, highlighting how widespread the problem is.

Conclusion

- IRDAI's crackdown reflects a growing regulatory recognition that consumer protection in the digital age is not only about product quality but about honest design and transparent choice.
- The insurers' near-universal denial of using dark patterns — met by the regulator's decision to bring in independent auditors — captures the trust deficit at the heart of the issue.
- By pairing external monitoring with distribution reforms, and following the RBI's lead on mis-selling, IRDAI is signalling a broader shift across India's financial regulators toward embedding transparency and consumer trust as core supervisory goals.
- The success of the effort will hinge on how firmly the eventual guidelines are enforced.

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