



भारतीय बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA

Title:Circular

Reference No.:IRDA Circular No. 033/ IRDA/ Brok-Comm/ DEC-06

Date:04/12/2006

Limits on payment of commission or brokerage on general insurance business

By virtue of the power vested in the Authority under Section 14 of the Insurance Regulatory and Development Authority Act, 1999 and in terms of the provisions of Sections 40(1), 40A(3) and Section 42E of the Insurance Act, 1938, the Authority hereby directs that the percentage of premium that can be paid by way of commission or brokerage on a general insurance policy shall not exceed the percentages of premiums set out below. No brokerage can be paid in respect of an insurance where agency commission is payable and likewise, no agency commission can be paid in respect of an insurance where brokerage is payable.

Class of business	<u>Maximum percentage</u> of premium payable as agency commission or brokerage (% of final premium excluding service tax)	
	<u>Agency Comm.</u>	<u>Brokerage</u>
1. Fire, Engineering insurances		
i. Individuals	10%	12.5%
ii. Corporate clients (including PSUs) whose paid up capital is:		
a) Upto Rs.15 crores	10%	12.5%
b) Between Rs.15 crs & 25 crs	6.25%	7.5%
c) Over Rs.25 crores	5%	6.25%
iii. Risks qualifying as large risks under para 19(v) of File & Use Guidelines	5%	6.25%
2. Motor insurance business (other than third party)*, WC/ EL and statutory PL Business	10%	10%
3. Marine Hull insurance	10%	12.5%
4. Marine Cargo business	15%	17.5%
5. All other business	15%	17.5%

* - No commission shall be paid on motor third party insurance

For the purpose of evidence of paid up capital a copy of the latest Balance Sheet which is in public domain as per the requirements of the Companies Act, 1956 should be acceptable. In case of a balance sheet which is 2 years prior to the relevant year of placing insurance an auditor's certificate must be produced. In case of sole proprietorship and partnership firms a certificate from a Chartered Accountant to the client should be acceptable.

In respect of branches in India of a foreign company reference should be made to the paid up capital of the company in the country in which it is incorporated converting it into Indian Rupees at the current exchange rate on the date of insurance. No payment of any kind, including "administration or servicing charges" is permitted to be made to the agent or the broker in respect of the business in respect of which he is paid agency commission or brokerage.

This direction supersedes all existing directions on the subject and shall take effect in respect of insurances or renewals commencing on or after 1 January 2007.

(C. S. Rao)

