Item No. 12

IRDAI (Payment of Commission or remuneration or reward to insurance agents and insurance intermediaries) Regulations, 2016

Further to the earlier agenda note, the following changes are proposed:

1. the first year and renewal commission/ remuneration for Group Savings Variable Life is proposed at 7.5%.
2. deletion of Regulation 6(d) of the IRDAI (Payment of Commission or remuneration or reward to insurance agents and insurance intermediaries) Regulations, 2016 as the same was covered in regulation 6(e)(i) and regulation 6(f)(i)). Consequently the earlier regulation of 6(e)(i) and regulation 6(f)(i) are renumbered as regulation 6(d)(i) and regulation 6(e)(i).

There is no other change proposed in the regulations. The revised regulations are therefore placed for consideration of the Authority.

IRDAI (Payment of Commission or remuneration or reward to insurance agents and insurance intermediaries) Regulations, 2016

It may be recalled that the Authority in its 92nd meeting held on 11th March, 2016 deferred the draft regulations on payment of commission or remuneration or reward to insurance agent or insurance intermediaries to the next meeting and advised that stakeholders views should be incorporated in the Board Note. Further the feedback given in the IAC and the linkage to the proposed regulations should be substantiated as is the practice of commissions and rewards in other jurisdictions.

In light of the above, a joint meeting of the CEO's of the Life and General insurers was held in Hyderabad on 15th April, 2016 which amongst other topics discussed the aforesaid regulations. Following the meeting, the Life Insurance Council and the General Insurance Council submitted their views on the proposed regulations. The submissions made by the Life Insurance Council and the General Insurance Council and IRDAI's response to them are enclosed as Annexure "1".

Further the feedback given in the IAC and the linkage to the regulations placed to the Authority in its 92nd meeting is placed at Annexure "2".

Lastly the practice of commissions and rewards in other jurisdictions were attempted to be ascertained. It was informed that in developed and mature markets there are no caps/ limits on commissions. The emerging markets tend to have upper caps on commissions.

Based on the submissions the revised regulations are placed at Annexure "3".
The changes in the current proposal as compared to the previous proposal as put forth in Authority's 92nd meeting proposal are as under:

i) Payment of rewards to insurance agent or insurance intermediary:
    a. Reward in life insurance to be calculated on an overall basis for insurance agents and insurance intermediaries respectively and not linked to each and every policy solicited by an insurance agent or an insurance intermediary and not being more than 20% of first year commission or remuneration paid to insurance agents and insurance intermediaries;

b. Reward in the general insurance to be calculated separately for health insurance and other than health insurance for insurance agents and insurance intermediaries respectively and not linked to each and every policy solicited by an insurance agent or an insurance intermediary and not being more than 30% of commission or remuneration paid to insurance agents and insurance intermediaries.

ii) the Maximum Commission/ Remuneration on regular premium products or policies payable to insurance agent or insurance intermediary payable in the 1st year which is given below in the comparative table:

Table II – Regular Premium (Life Insurance)

Sl No	Category of Life Insurance Product or Policy	Maximum Commission/ Remuneration on Regular Premium Products or Policies payable to insurance agent/ insurance intermediary			
		First year premium		Renewal Premiums	
		Current Proposal	Previous Proposal	Current Proposal	Previous Proposal
2	**Regular Premium**				
B	**Individual Other than Pure Risk**				
i)	In respect of policies in force with premium payment terms of				
	5 years	15%	15%	7.5%	No change
	6 years	18%	15%	7.5%	
	7 years	21%	15%	7.5%	
	8 years	24%	20%	7.5%	
	9 years	27%	20%	7.5%	
	10 years	30%	35%	7.5%	
	11 years	33%	35%	7.5%	
	12 years	35%	35%	7.5%	
D	**Group Pure Risk (incl Group Credit) and Group Savings Variable Life**	7.5%	15%-20%-35%	7.5%	No change

ii) Table III – Health Insurance

S. No	Line of business	Commissions/ Remuneration (current proposal)	Commissions/ Remuneration (previous proposal)	
			Ins Agent	Ins Inter
1	Health-Individual*	15%	15%	16.5%
2	Health-Group (Employer-Employee only) - Annual	7.5%	10%	11.5%
3	Health-Group (Non Employer-Employee groups – not formed solely for availing insurance as defined in IRDA Group	15%	Not Available	Not Available

	Guidelines of 14th July, 2005) – Annual			
4	Health – Group (credit linked upto 5 years)	15%	15%	15%
5	Health-Govt Scheme	As specified in the Government Scheme/ Notification else as per Health-Group (Employer-Employee only)- Annual segment	As per Govt Notification	As per Govt Notification

*- Individual includes annual premium, 3 years single premium, 3 years regular premium

iii) Table IV – General Insurance (Other than Motor)

S. No	Line of business (Other than Motor)	Max Comm - ins agent (current proposal)	Max rem - ins inter (current proposal)	Max Comm - ins agent (previous proposal)	Max rem - ins inter (previous proposal)
2	Fire-Corporate (Risks with S.I. ≤ Rs 2,500 crs)	10%	11.5%	10%	11.5%
3	Fire-Corporate (risks with S.I. > Rs 2,500 crs)	5%	6.25%	10%	11.5%
7	Miscellaneous – Corporate (Engineering Risks with S.I. > Rs 2,500 crs)	5%	6.25%	10%	12.5%

iv) Table IV – General Insurance (Motor)

S. No.	Line of business	Maximum Commission/ remuneration payable to insurance agents/ insurance intermediaries (current proposal)	Maximum Commission/ remuneration payable to insurance agents/ insurance intermediaries (previous proposal)
1	Motor (Comprehensive)	15%	10% (1st & 2nd yr of regn)/ 15% (3rd yr and above)

The other salient features of the draft regulations remain the same as of the previous draft regulations and these are as under:

1) Commission, Remuneration and reward defined under the regulations
2) Every insurer shall have a Board approved policy for payment of commission or remuneration to insurance agents and insurance intermediary.
3) The objectives of the Policy shall include the utilization of insurance agents and insurance intermediaries in the manner that: a) increases insurance penetration and density in the country; b) is in the interests of the policyholders; c) is commensurate with the business strategy; d) brings cost efficiencies in the conduct of business and

simplification of the administration of insurance business; e) gives an indication on the relative degree of importance placed on each of them.

4) The Board approved policy for payment of commission or remuneration or reward to insurance agents and insurance intermediaries shall include the following items at the minimum:
   (i) Manner and conditions regarding payment of commission, renewal commission (ERC status) after termination of agency, hereditary commission in the event of death of an agent.
   (ii) Reward based on an objective and transparent criteria over and above the commission or remuneration:
   (iii) Manner and conditions regarding treatment of orphan policies
   (iv) Any restrictions on the products to be sold by any of insurance agents and insurance intermediaries.
5) The company shall file the Board approved policy at the start of the financial year and thereafter shall review the policy every year, and file changes, if any, in the Policy by 31st March of that year.
6) On the applicability a) these regulations shall not be applicable to Micro Insurance Regulations and Insurance Services by Common Service Centre Regulations; b) These Regulations supersede Regulation (9) of IRDA (Linked Life Insurance Products) Regulations, 2013 and Regulation (21) of IRDA (Non Linked Insurance Products) Regulations, 2013.
7) Payment of Commission or remuneration to insurance agent or insurance intermediary: a) The maximum commission or remuneration or reward that is allowed for life insurance products offered by life insurers, health insurance products and general insurance products are given in various schedules; b) A higher differential commission/ remuneration of 1.5% between an insurance intermediary vis-vis an insurance agent in some of the general insurance as the scope of activities and duties and responsibilities for an insurance broker are higher as compared to an insurance agent.
8) Payment of rewards to insurance agent or insurance intermediary: a) reward based on an objective and transparent criteria over and above the commission or remuneration based on a Board approved policy; b) No reward shall be paid to an

insurance intermediary whose revenues from other than insurance intermediation activities is more than fifty per cent of their total revenue from all the activities;

9) Return on payment of Commission, remuneration and reward by the insurer - All insurers, at the expiration of each financial year, shall submit a return on payment of commission, remuneration and reward by the insurer in format given.
10) Penalties - Any breach or violation of the provision of the Act or the Regulations shall make the insurer or an insurance agent or insurance intermediary liable to a penalty as per provisions of the Act.
11) Power of the Authority to issue clarifications etc. - In order to remove any difficulties in application or interpretation of any of the provisions of these Regulations, the Chairperson of the Authority may issue clarifications, directions and guidelines in the form of circulars.

The draft IRDAI (Payment of Commission or remuneration or reward to insurance agents and insurance intermediaries) Regulations, 2016 are placed (Annexure) for consideration of Insurance Regulatory and Development Authority of India.

Annexure "1"

<table>
<tr><th>S. no</th><th>Subject</th><th>Life Ins Council Recommendations</th><th>Life Ins Council Rationale</th><th>Accepted or Not by IRDA</th><th>IRDA Logic</th></tr>
<tr>
<td>1</td>
<td>First Year's Commission Ceiling for Regular Premium Individual "for other than Pure Risk" Products</td>
<td>First Year's Commission rates for "Other than Pure Risk" Products under 2B of Table II of Schedule-I be amended as follows:
<table>
<tr><th>PPT</th><th>First Year's Commission</th></tr>
<tr><td>5 to 9 years</td><td>3 times the PPT</td></tr>
<tr><td>10 and above</td><td>35%</td></tr>
</table>
For Pure Risk products
<table>
<tr><th>PPT</th><th>First Year's Commission</th></tr>
<tr><td>5 - 11 years</td><td>40%</td></tr>
<tr><td>12 and above</td><td>50%</td></tr>
</table>
</td>
<td>• Ensures alignment with the EoM Regulations
• Suggested approach (PPTx3) is in line with the Products Regulations and hence would avoid re-filing of the products
• The suggested change will be more effective in promoting longer policy and premium terms.
• Promotes step up approach towards commission rates rather than slab based approach.
• To promote protection based business in the industry</td>
<td>Accepted</td>
<td>1. The first year commission rates for other than pre risk products under Table 2B and E have been modified as requested by the life insurance companies.
2. The request of making 1st year commissions for pure risk products under Table 2B to 50% for inforce policies with premium paying term of 12 years or more has not been accepted as the proposed increase will be very substantial.</td>
</tr>
<tr>
<td>2</td>
<td>Ceiling on Rewards</td>
<td>• Ceiling on Rewards under proposed Regulation 3(d) (i) 4(I) of the Exposure Draft to be defined as follows:
○ Insurance Agents: 40% of the first year commission subject to performance on quality of business parameters & other metrics as per the Board Approved Policy for appointment of agents
○ Insurance Intermediaries: 30% of first year commission subject to minimum 13th month persistency of 70% or any higher limit as</td>
<td>• Corporate agents (including banks) and other insurance intermediaries like Insurance Brokers, Web Aggregators are significant contributors to the overall industry new business, hence it is important to maintain the economic incentive for these channels to ensure insurance penetration agenda is not compromised. Further newer channels like IMF etc would require support in their initial years to build the business.</td>
<td>Not Accepted</td>
<td>1.The basic premise while working out the commission/ remuneration limits was that 50% of the expenses of management should go towards procuring insurance business and the balance 50% should be running the insurance companies through operating expenses. The limits of commission and rewards put together therefore work out to approximately 50% of the limit of expenses of management.
2. It is an established practise of the insurance industry to give rewards to good performing agents such as</td>
</tr>
</table>

		defined by the Board Approved Policy of the Insurer. The Board should also have the flexibility to define the time frame to achieve the 70% or the higher benchmark they set. The above proposed benchmarks are for payment of ***Rewards only***. • Insurers may be provided flexibility to offer differential rewards to intermediaries linked to 13th month persistency (over and above the minimum level of 70%). Maximum reward however, will be capped to 30% of first year commissions • There should not be any restriction for Intermediaries to be eligible to receive rewards such as minimum proportion of fee income from Life Insurance commission etc.	• Banks through their large distribution network of branches have the necessary reach to the remotest areas of the country. Developing additional infrastructure in these regions may be prohibitive for insurers; hence the reward over and above the first year commission is an important economic incentive for banks to drive the financial inclusion agenda. • Under the IRDAI new Registration of Corporate Agent Regulations, obligations of corporate agents including banks have been significantly enhanced including the requirement to set up separate systems and processes for customer service, grievance management and reporting to IRDAI. Such additional obligations will have incremental expenses for intermediaries, which could be met from the rewards over and above the first year commissions • Irrespective of the intermediary size of operation, there is a cost incurred to facilitate insurance sales & hence rewards should not differentiated basis proportion of fee income.		**club membership, prizes, etc. However these could not be paid under the erstwhile Act provisions as they were not allowed. However the concept of reward has been introduced following the amendment to the Insurance Act 1938. The Authority has recognised such prizes, payments, overheads in the proposed regulations and has given the flexibility to distribute it to the insurance agents and insurance intermediaries based on a Board approved policy. This gives insurance companies the flexibility to design their reward policy in accordance with their business strategies.** **3. Inspection of insurance companies had shown that the companies were exceeding the maximum commission limits by making payments to insurance agents and insurance intermediaries by way of prizes, gifts, travel, etc. The amendment to the Insurance Act, 1938 recognised the concept of reward. Therefore the Authority introduced the concept of reward which is not linked to individual policy but gave the flexibility to the insurers to pay to insurance agents and insurance intermediaries based on Board approved policy.**

			• Insurer will continue to be governed by the overall EoM Regulations. • The proposed commission and reward structure is consumer friendly. For a >10 year pay product with FYC of 35%, reward of 40% of FYC (=14%) and RYC of 5% for years, the annual cost of commission and reward for the policyholder works out to 1-1.5%.[1]		**4. It has been proposed that insurance intermediaries such as banks who get more than 50% of their revenues from other than insurance activity will not be entitled to rewards. This is because such corporate agents have been encashing on their existing database without making any real efforts to solicit and procure insurance policies.**
3	Method of Calculation of ceilings on Rewards	• Reward payable to Insurance Agents & Intermediaries are to be calculated basis the actual commission paid, despite the fact this may lead to re-filling of existing products.	• Provides flexibility to insurers to manage rewards program for proprietary channel, while ensuring fairness in managing rewards program for third party distributor. • Product filling due to the proposed changes shall be kept out of the yearly limit of 5 products. • Linkage to new business commissions and minimum persistency targets for intermediaries would help insurers drive high quality of sales	**Accepted**	**As explained above The Authority has recognised rewards in the proposed regulations and has given the flexibility to distribute it to the insurance agents and insurance intermediaries based on a Board approved policy. This gives insurance companies the flexibility to design their reward policy in accordance with their business strategies.**
4	Commission for health	• Commission for single Premium (Individual and Group Annual	• Promotes parity in the health insurance segment	**Not Accepted**	**The health insurance products for life are totally different from general.**

[1]Indicative, will vary by return offered to the consumer.

	insurance policies	Renewable Policies) Health insurance policies be aligned with the commission rates applicable to Non-life/Standalone Heath insurers under Schedule II • It may be clarified that the "Individual pure Risk" as per table II 2 A includes "Pure Health Risks"	across the insurance industry and provides level playing field.		**The EoM limits for both are different and the solvency margin requirements also vary. So it is difficult to have same commission limits. Instead Life insurance will be allowed to sell savings linked products which general insurance cannot do so The differentiation will be made at product level to address the concerns.** **2. It is clarified that "Individual Pure Risk" as per table II 2A includes Pure Health Risks"**
5	Commission rates for single premium one year renewable group Pure Risk Insurance	• Ceiling of 2% for One year renewable group Pure Risk Insurance (Table I 1D) be aligned with the rates applicable (12.5%) to "Miscellaneous –Corporate/Group" under Schedule III (Sl. No. 4) applicable to general Insurance (other than Motor).	• The proposed limit is consistent with PMJJBY scheme. • Parity with the rates applicable to general Insurers for Pure Risk Products • The proposed limit would also be aligned with the clause 3.4.(v) of EoM Regulations allowing for overall 15% limit.	**Partly Accepted**	**1. The commission/ remuneration has been revised to 5% of premium paid during the year or Rs 10 lakhs whichever is less.** **2. PMJJBY is a Government Scheme and as per the proposed regulations commissions would be guided by the Government Notification. That analogy cannot be taken as a benchmark to have commission levels for other products. Moreover the EoM limits of 10% are introduced now and the Government may reconsider commission payouts in light of the EoM regulations.**
6	Commission for Single Premium Group Pure Risk (Including	• Ceiling for 2% under 1E under table I – Single premium for Group Pure Risk (Including Group Credit life) be increased to 10%	• Commission to be commensurate with the efforts taken to solicit the business • The proposed limit would also be aligned with the clause 3.4.(iii) of EoM Regulations	**Partly Accepted**	**The suggestion has been considered partly and the limits have been revised upwards from current 2% to proposed 5%. It cannot go beyond that because there is an EoM limit of 10%.**

	Group Credit Life)		allowing for overall 10% limit		**The logic is that roughly 50% are towards distribution costs and balance 50% towards operating expense.**
7	Commission on ceilings in "File & Use"	• Insurers be allowed to specify commission ceiling (Instead of specific commission rates) in the "File & Use" documents (Criteria for payment of differential commission rate be approved by the board of director both for the existing products as well as new products	• This would provide Insurers the flexibility of paying lower commission to agents/intermediaries with poor business quality as per the parameters prescribed by the Board of Directors	**Operational issue and clarified**	**1. The insurers have been given the flexibility to recognise its good performing agents by giving rewards under a Board approved policy.** **2. The file & use guidelines do not envisage commission ceiling but actual commission rates to be disbursed while designing a product in order to work out the expense levels. Without that there are chances that the policyholder may not be given what he is promised. Therefore the suggestion is not accepted**
8	Grandfathering compliance of existing products	• While all insurance products introduced after the new regulations, shall follow the commission ceilings as per the new regulations, a time limit of two years may be provided for the existing products to comply with the new ceilings. • Further, compliance of existing products to the new ceiling be confirmed through a self –certification by the appointed actuary (instead of "File and Use" procedure).Moreover, the existing products which are confirmed as "compliant "with the new commission ceilings be not counted with the annual ceiling of 5 product approvals per insurer.	• Since compliance of existing products would involve the changes to the system and processes and would involve training and adjustment of the distributors to the regime, the two year period would ensure smooth transition of existing products with lesser impact on the distributor, especially the individual agency, which is already facing a high attrition.	**Operational issue and clarified**	**It is also clarified that no fresh refilling of product will be necessary as a result of the proposed changes.**

Annexure "1"

S. No.	Subject	Gen Ins Council Recommendations	Gen Ins Council Rationale	Accepted or Not by IRDA	IRDA Logic
1	Schedule III & IV – Reg 5(d) & (e)	Multi-line insurers Apply the principle of single overall limit for the company as a whole within the overall Expenses of Management (EoM) limits. However, on actual limit there were different views - 12.5% (majority), 14% (One) and 17.5% (one company);		**Not Accepted**	**1. This could lead to cross-subsidization between segments to the detriment of mono-line insurers.** **2. It could be very disruptive and against the interest of the stakeholders with insurers giving higher commissions for the profitable lines and nil or lower commissions for unprofitable lines.** **3. Also not in line with the principle that 50% for distributor and 50% for op expenses.** **4. This goes against the methodology of aligning the commission regulations to expenses of management and solvency margin regulations.**
2	Schedule III – Reg 5(d)	Apply Per policy limit: 6.25% (mega risks)		**Accepted**	
3	Schedule V-Reg 5(e)	On Motor TP: No commission except on Standalone TP policies in order to encourage uninsured vehicles to be brought into the insurance fold.		**Accepted**	
4	Schedule III – Reg 5(d)	Commission limits prescribed for Health portfolio should apply equally to both Multi-line and mono-line insurers.		**Accepted**	
5	Schedule III – Reg 5(d)	Commission limit per policy of 7.5% for Group Health (Employer-Employee)		**Accepted**	
6	Schedule III – Reg 5(d)	Commission limit 17.5% or 20% on Retail health (including Affinity Groups)		**Partly Accepted**	**Commission limit of 15% proposed**
7	Reg 3(d) & 6	Reward - Any surplus generated by Multi Line Insurers from the lines of business other than Health Insurance should not be used for Health Insurance business.	Health Insurance business should not be cross subsidised by other lines of business. This will ensure a level playing field.	**Accepted**	

Annexure "2"

Rationale-Linkage-Justification for the changes from the exposure draft to those presented before the IAC meetings and finally proposed to the IRDAI Meeting

I. General

1. The changes in the Insurance Act, which delegated the power to the Authority to stipulate the commission, remuneration and rewards to the insurance agents and insurance intermediaries. The commission, remuneration and rewards have been specified keeping in mind the existing levels of commission, alignment with the proposed expenses of management, introduction of a concept of reward to recognize an industry practice and empowering the insurance companies to devise business strategies in accordance with their own goals. There has been extensive consultative process undertaken by the Authority to arrive at the final version of the proposed regulations.
2. The proposed regulation is the outcome of the various suggestions made to the Authority taking into account the interests of all the stakeholders. The proposed regulation delicately balances the competing interests of insurers, agents, intermediaries and above all the policyholder. It also acknowledges the current practice of giving rewards by the insurers to the distributors and gives enough flexibility to the insurance companies to build unique business strategies to grow the business in a cost effective and cost efficient manner.
3. The expenses of management can be divided into 2 segments. a) expenses incurred for running of the company ; b) expenses incurred for distributing insurance policies. The ratio on an approximate basis has been divided in the ratio of 50%: 50%.
4. The basic premise while working out the commission/ remuneration limits was that 50% of the expenses of management should go towards procuring insurance business and the balance 50% should be running the insurance companies through operating expenses. The limits of commission and rewards put together therefore work out to approximately 50% of the limit of expenses of management.
5. It is an established practise of the insurance industry to give rewards to good performing agents such as club membership, prizes, etc. However these could not

be paid under the erstwhile Act provisions as they were not allowed. However the concept of reward has been introduced following the amendment to the Insurance Act 1938. The Authority has recognised such prizes, payments, overheads in the proposed regulations and has given the flexibility to distribute it to the insurance agents and insurance intermediaries based on a Board approved policy. This gives insurance companies the flexibility to design their reward policy in accordance with their business strategies.

6. Inspection of insurance companies had shown that the companies were exceeding the maximum commission limits by making payments to insurance agents and insurance intermediaries by way of prizes, gifts, travel, etc. The amendment to the Insurance Act, 1938 recognised the concept of reward. Therefore the Authority introduced the concept of reward which is not linked to individual policy but gave the flexibility to the insurers to pay to insurance agents and insurance intermediaries based on Board approved policy.
7. As regards references to Sumit Bose committee report about the inequality in treatment between insurance and non-insurance products, an equivalent to a financial savings product would be the traditional savings insurance policy for which the Authority has altered commissions for shorter term of the policies. However pure risk in life insurance which is the term policy is being promoted by having higher commissions.
8. Historically brokers in the general insurance and stand-alone segment have been getting 2.5% higher remuneration as compared to insurance agents (individual and corporate). This time the difference has been reduced to 1.5%. However
9. It has been proposed that insurance intermediaries such as banks who get more than 50% of their revenues from other than insurance activity will not be entitled to rewards. This is because such corporate agents have been encashing on their existing database without making any real efforts to solicit and procure insurance policies.
10. The maximum commission has been aligned with the expenses of management limits which have already been considered and approved by the Authority.
11. As regards upfront disclosure of commission or remuneration, all said and done India is not ready at this juncture to go in for such prescription.

12. It is also clarified that no fresh refilling of product will be necessary as a result of the proposed changes.

13. The Authority has introduced e-insurance policies in the insurance market. There is a window to promote such initiative through the reward being proposed now in the regulations.

14. The erstwhile Insurance Act, 1938 said no person can pay directly or indirectly any amounts exceeding the limits of commission as specified in the Act. In absence of the proposed rewards clause, the erstwhile provisions of the Act will become operative and insurers who have paid rewards over and above commission directly or indirectly will be in breach of Act provisions and liable for penalty.

II. Life

15. To encourage long term policies lower 1st year commission have been proposed for Individual regular premium policies whose term is upto 10 years and higher commissions for regular premium policies whose term is more than 10 years.

16. For improving persistency higher renewal commissions are proposed. These have been increased from 7.5% currently to 10%. The proposed regulations increase the renewal commission from a range of 7.5% to 5% depending upon the number of years to 10% which should result in improved persistency.

17. In group product the proposed commissions are proposed at fixed 2% of the single premiums compares very well with the mutual funds where 3% is taken away by the fund manager every year on the assets value as administrative charges.

18. The way forward for the life insurance industry is by focussing on pure risk products and group products.

III. General and Stand-Alone Health

19. Group Health – 1% then to 10% - In the exposure draft it was a typo mistake that instead of 10% it was wrongly stated as 1%. Under no circumstances can there be such a drastic reduction in commissions/ brokerages. The reduction in commission in group health from 17.5% to 1% was a typographical error as no business can afford such a drastic reduction in their earnings.

20. A health insurance product being marketed by general insurance and stand-alone health insurance companies is a one year pure risk product. It has no savings component. An insurance agent represents the insurance company whereas the insurance broker represents the customer. An insurance agent once he gets the customer hands over to the insurance company all the servicing and other customer related matters. However the insurance broker not only gets the best price for the coverage to the customer buts also follows with the service and other requests. Therefore a 1.5% difference in commission to an individual agent and an insurance intermediary is proposed because an insurance intermediary does more work as compared to an insurance agent.

21. This is equally applicable to general insurance products. Historically too the general insurance agent had a 2.5% difference between commission payable to insurance agent vis-à-vis insurance intermediaries. This difference has been reduced to 1.5% and common reward of 20% to both insurance agent and insurance intermediaries proposed.

22. The sliding scale of commission as proposed is difficult to adopt for the following reasons: a) can led to splitting of policies to gain benefit f higher commission/ remuneration; b) difficulties in implementation; b) challenges in monitoring and supervision.

Linkage-Justification-Rationale for amendments –modification-changes on commission/ remuneration/ reward to insurance agents and insurance intermediaries from the existing provisions to those circulated by way of exposure draft, to the two meetings of IAC and finally to the IRDAI Board.

Life Insurance – Table I – Single Premium

Sl No	Category of Life Insurance Product or Policy	EOM	Max Comm/ Rem on Single Premium payable to ins agent/ ins inter					**Rationale**
1	**Single Premium**		Current	Exp Draft	1st IAC	2nd IAC	**IRDA 92nd Meeting**	
A	All individual life products except pure risk products	5%	2%	2%	2%	2%	**2%**	No change
B	Individual Pure Risk products	10%	2%	10%	7.5%	7.5%	**7.5%**	To promote pure risk product
C	Individual Immediate/ Deferred Annuity	5%	2%	2%	2%	2%	**2%**	No change
D	One year renewable group pure risk insurance	15%	2% with ceiling of Rs 50,000	10%	7.5%	2%	**2%**	It was viewed that the product does not involve much efforts so the proposed comm./ rem was not commensurate with the efforts required. So reduced
E	Group Pure Risk (incl Group credit)	10%	2% with ceiling of Rs 50,000	2%	2%	2%	**5%**	To promote pure risk product and also align with health insurance products of general insurance & stand-alone health insurers
F	Group Savings Variable Life Insurance	5%		2%	2%	2%	**2%**	No change
G	Group Fund Based	1%/ 0.8%	2% with ceiling of Rs 1 lakh	0.5% with a ceiling of Rs 5 lakhs	0.5% with a ceiling of Rs 10 lakhs	0.5% with a ceiling of Rs 10 lakhs	**0.5% with ceiling of Rs 10 lakhs**	Commission/ remuneration linked to assets under management instead of premium. Max ceiling is kept at Rs 10 lakhs which can be considered part of the fund manager's salary.

Life Insurance – Table II – Regular Premium – 1st Year Commission

Sl No	Category of Life Insurance Product or Policy	Max Commission/ Remuneration on Regular Premium Products or Policies payable to ins agent/ ins intermediary						Rationale
		First year premium						
2	**Regular Premium**	EOM	Current	Exp Draft	1st IAC	2nd IAC	**IRDA 92nd Meeting**	
A	**Individual Pure Risk**	100%	15%-35%	40%-50%	40%	40%	40%	To promote pure risk products comm./ rem has been increased
B	**Individual Other than Pure Risk**							
i)	In respect of policies in force with premium payment terms between 5 years and 7 years	60%	15%-21%	30%	15%	15%	15%	These are savings linked products akin to other financial products. The comm./ rem for shorter term product has been reduced while for longer duration products has been retained at current levels. This is also a step towards lower upfront loading.
ii)	In respect of policies in force with premium payment terms between 8 years and 9 years	70%	24%-27%	30%	20%	20%	20%	
iii)	In respect of policies in force with premium payment terms 10 years and above	80%	30%-35%	30%-35%	35%	35%	35%	
2	**Regular Premium**							
C	**Individual Deferred Annuity / Pension**	10%	7.5%	7.5%	7.5%	7.5%	7.5%	No change
D	**Group Pure Risk (incl Group credit)**	10%	15%-35%	10% with a max of 10 L	7.5%	7.5%	7.5%	Reduced it taking into consideration the EoM limits.
E	**Group Savings Variable Life**							
i)	In respect of policies in force with premium payment terms between 5 years and 7 years	60%	15%-21%	25%	15%	15%	15%	These are savings linked products on group platform akin to other financial products. The comm./ rem for shorter term product has been reduced while for longer duration products has been retained at current levels. This is also a step towards lower upfront loading.
ii)	In respect of policies in force with premium payment terms between 8 years and 9 years	70%	24%-27%	25%	20%	20%	20%	
iii)	In respect of policies in force with premium payment terms 10 years and above	80%	30%-35%	25%-30%	35%	35%	35%	
2	**Regular Premium**							
F	**Government Scheme-Life-Health**		Nil		0.5% with a max of Rs 10 L	0.5% with a max of Rs 10 L	As per Govt not.	Shall be as per Govt notification

Life Insurance – Table II – Regular Premium – Renewal Commission

Sl No	Category of Life Insurance Product or Policy	Max Commission/ Remuneration on Regular Premium Products or Policies payable to ins agent/ ins intermediary						Rationale
		Renewal Premium						
2	**Regular Premium**	EOM	Current	Exp Draft	1st IAC	2nd IAC	**IRDA 92nd Meeting**	
A	**Individual Pure Risk**	25%	7.5%-5%	10%	10%	10%	10%	To improve persistency of life insurance products the renewal commissions have been increased
B	**Individual Other than Pure Risk**							
i)	In respect of policies in force with premium payment terms between 5 years and 7 years	15%	7.5%-5%	7.5%-5%	7.5%	7.5%	7.5%	To improve persistency of life insurance products the renewal commissions have been increased
ii)	In respect of policies in force with premium payment terms between 8 years and 9 years	15%	7.5%-5%	7.5%-5%	7.5%	7.5%	7.5%	
iii)	In respect of policies in force with premium payment terms 10 years and above	15%	7.5%-5%	7.5%-5%	7.5%	7.5%	7.5%	
2	**Regular Premium**							
C	**Individual Deferred Annuity / Pension**	4%	2%	2%	2%	2%	2%	No change
D	**Group Pure Risk (incl Group credit)**	10%	7.5%-5%	10% with a max of Rs 10 L	7.5%	7.5%	7.5%	To align with EoM limits
E	**Group Savings Variable Life**							
i)	In respect of policies in force with premium payment terms between 5 years and 7 years	15%	7.5%-5%	7.5%-5%	7.5%	7.5%	7.5%	To improve persistency of life insurance products the renewal commissions have been increased
ii)	In respect of policies in force with premium payment terms between 8 years and 9 years	15%	7.5%-5%	7.5%-5%	7.5%	7.5%	7.5%	
iii)	In respect of policies in force with premium payment terms 10 years and above	15%	7.5%-5%	7.5%-5%	7.5%	7.5%	7.5%	
2	**Regular Premium**							
F	**Government Scheme-Life-Health**		Nil		0.5% with a max of Rs 10 L	0.5% with a max of Rs 10 L	As per Govt not.	As per Govt notification

Health Insurance – Table III – 1st Year Commission

S. N	Line of business	EOM	First year commission										Rationale
			Max Comm –ins agent					Max Rem – ins intermediary					
			Current	Exp Draft	1st IAC	2nd IAC	**IRDA 92nd Meeting**	Current	Exp Draft	1st IAC	2nd IAC	**IRDA 92nd Meeting**	
1	**Health-Individual-Annual**	32.5%	15%	15%	15%	15%	15%	17.5%	15%	15%	15%	16.5%	1. **
2	**Health-Individual-upto 3 years**												
A	**Single Premium**	32.5%	15%	10%	15%	15%	15%	17.5%	10%	15%	15%	16.5%	1. **
B	**Regular Premium**	32.5%	15%	10%-15%	Not exceeding 15% of the prem received	Not exceeding 15% of the prem received	Not exceeding 15% of the prem received	15%	10%-15%	Not exceeding 15% of the premium receive	Not exceeding 15% of the prem received	Not exceeding 15% of the prem received	No change
3	**Health-Group-Annual**	27.5%	15%	1% with a max of 50k	7.5%	7.5%	10%	17.5%	1% with a max of 50k	7.5%	7.5%	11.5%	In the exposure draft it was a typo mistake that instead of 10% it was wrongly stated as 1%. Under no circumstances can there be such a drastic reduction n commissions/ brokerages
4	**Health-Group-upto 5 years (credit linked)**	27.5%	NA	1%-2%	Not exceeding 15% of the premium received	Not exceeding 15% of the premium received	SP-5% RP-7.5%	NA	1%-2%	Not exceeding 15% of the premium received	Not exceeding 15% of the premium received	SP-5% RP-7.5%	These products are sold to the bank customers linked to the loan component. Since they are identical to those of the life segment it is proposed that similar comm./ rem structure as prevalent in life insurance shall be adopted to eliminate any arbitrage.
5	**Health-Govt Scheme**	22.5%	Nil	0.5%	0.5% with a max of Rs 10L	0.5% with a max of Rs 10L	As per Govt Notificat	Nil	0.5%	0.5% with a max of Rs 10L	0.5% with a max of Rs 10L		The comm./ rem shall be as per Govt Notification

Health Insurance – Table III – Renewal Commission

S.N	Line of business	EOM	**Renewal Commission**										
			Max Comm – ins agent					Max Rem - ins intermediary					
			Current	Exp Draft	1st IAC	2nd IAC	**IRDA 92nd Meeting**	Current	Exp Draft	1st IAC	2nd IAC	**IRDA 92nd Meeting**	
1	**Health-Individual-Annual**	32.5%	15%	15%	15%	15%	15%	17.5%	15%	15%	15%	16.5%	1-**
2	**Health-Individual-upto 3 years**												
A	**Single Premium**	32.5%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	No change
B	**Regular Premium**	32.5%	15%	10%-15%	Not exceeding 15% of the pre received	Not exceeding 15% of the pre received	Not exceeding 15% of the pre received	15%	10%-15%	Not exceeding 15% of the pre received	Not exceeding 15% of the pre received	Not exceeding 15% of the pre received	No change
3	**Health-Group-Annual**	27.5%	15%	1% with a max of 50k	7.5%	7.5%	10%	17.5 %	1% with a max of 50k	7.5%	7.5%	11.5%	Refer to table above
4	**Health-Group-upto 5 years (credit linked)**	27.5%	NA	1%-2%	Not exceeding 15% of the prem received	Not exceeding 15% of the prem received	SP-5% RP-7.5%	NA	1%-2%	Not exceeding 15% of the prem received	Not exceeding 15% of the prem received	SP– 5% RP-7.5%	Refer to table above
5	**Health-Govt Scheme**	22.5%	Nil	0.5%	NA	NA	As per Govt Not	Nil	0.5%	NA	NA	As per Govt Not	As per Govt Notification

** - a). Historically there was a difference between comm. and remuneration of 2.5% between an agent and ins intermediary. The Authority has continued to maintain the difference. Earlier the difference was through the rewards wherein ins intermediary was getting 40% as against 20% for an ins agent. Now the rewards for both ins agent & ins intermediary has been kept same at 20%, but a difference between a ins intermediary and ins agent has been reduced to 1.5%.

b) This is because an agent being the representative of insurer brings the customer to him and hands over for policyholder servicing, whereas an ins broker being a representative of customer does needs analysis, designs coverages, finalises the terms & conditions and in nutshell does more work. Therefore he gets rewarded more.

General (Other than Motor) Insurance – Table IV

S. No	Line of business (Other than Motor)	EOM Limit	Max Comm payable to ins agent					Max rem payable to ins intermediary					Rationale
			Current	Exp Draft	1st IAC	2nd IAC	**IRDA 92nd Meeting**	Current	Exp Draft	1st IAC	2nd IAC	**IRDA 92nd Meeting**	
1	**Fire-Retail**	27.5%	10%	15%	15%	15%	15%	12.5%	15%	15%	15%	16.5%	1. ** 2. In order to improve coverage of householder insurance so that individuals are protected from Act of God perils and fire group of perils, comm./ rem has been increased.
2	**Fire-Corporate**	27.5%	5%-10%	15%	10%	10%	10%	6.25%-12.5%	15%	10%	10%	11.5%	1. **
3	**Marine-Cargo**	20%	15%	10%	15%	15%	15%	17.5%	10%	15%	15%	16.5%	No change
4	**Marine-Hull**	20%	10%	10%	10%	10%	10%	12.5%	10%	10%	10%	11.5%	No change
5	**Miscellaneous – Retail**	30%	15%	15%	15%	15%	15%	17.5%	15%	15%	15%	16.5%	No change
6	**Miscellaneous – Corporate/ Group***	27.5%	15%	10%	10%	12.5%	10%	17.5%	10%	10%	12.5%	12.5%	1. ** 2. Since the misc segment contains all kinds of policies including liability, aviation, engg, etc which are complicated, there is greater effort required. So given the complexities involved the comm./ rem has been increased marginally.

** - a). Historically there was a difference between comm. and remuneration of 2.5% between an agent and ins intermediary. The Authority has continued to maintain the difference. Earlier the difference was through the rewards wherein ins intermediary was getting 40% as against 20% for an ins agent. Now the rewards for both ins agent & ins intermediary has been kept same at 20%, but a difference between a ins intermediary and ins agent has been reduced to 1.5%.

b) This is because an agent being the representative of insurer brings the customer to him and hands over for policyholder servicing, whereas an ins broker being a representative of customer does needs analysis, designs coverages, finalises the terms & conditions and in nutshell does more work. Therefore he gets rewarded more.

General (Motor) Insurance – Table V

S. No.	Line of business	EOM	Maximum Commission/ remuneration payable to insurance agents/ insurance intermediaries										**Rationale**
			1st year and 2nd year of regn of vehicle					3rd year onwards year of regn of vehicle					
			Current	Exp Draft	1st IAC	2nd IAC	**IRDA 92nd Meeting**	Current	Exp Draft	1st IAC	2nd IAC	**IRDA 92nd Meeting**	
1	Motor (Comprehensive)*	30%	10%	10%	10%	10%	10%	10%	15%	10%	10%	15%	To improve coverage and to bring down no. of uninsured vehicles, comm./ rem for older vehicles has been increased
2	Motor (Stand-alone TP)	30%	Nil	10%	5%	5%	2.5%	Nil	15%	5%	5%	2.5%	Even though Motor TP is mandatory, there are some marketing efforts undertaken by the distributor. So it will be appropriate to remunerate him. This will also address the problem of uninsured vehicle.

Annexure "3"

DRAFT INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA (PAYMENT OF COMMISSION OR REMUNERATON OR REWARD TO INSURANCE AGENTS AND INSURANCE INTERMEDIARIES) REGULATIONS, 2016

F. No. IRDA/Reg/ / 2016 -In exercise of the powers conferred by section 114A of the Insurance Act, 1938 (4 of 1938), as amended from time to time, read with sections 14 and 26 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999) and section 31B and 40 of Insurance Act, 1938, as amended from time to time, the Authority in consultation with the Insurance Advisory Committee, hereby makes the following regulations, namely:-

2. Short Title and Commencement of the Regulations:

(a) These Regulations may be called the Insurance Regulatory and Development Authority of India (Payment of commission or remuneration to insurance agents and insurance intermediaries) Regulations, 2016.

(b) They shall come into force on 1st January, 2017.

3. Definitions:

(a) "Act" means the Insurance Act, 1938 (4 of 1938), as amended from time to time.

(b) "Authority" means the Insurance Regulatory and Development Authority of India established under the provisions of Section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999).

(c) "Commission" means the compensation paid to and received by an insurance agent from an insurer for soliciting and procuring an insurance policy.

(d) "Insurance Intermediary" is as defined in Section 2(f) of the IRDA Act, 1999 and includes

1. Corporate Agents
2. Insurance Brokers
3. Web Aggregators
4. Insurance Marketing Firm
5. Any other entity as may be recognized by the Authority

(e) “Remuneration” means the compensation paid by an insurer and received by an insurance intermediary for soliciting and procuring an insurance policy.

(f) “Reward” means the amounts paid, whether directly or indirectly, as an incentive by whatever name called by an insurer to:

i. an insurance agent towards benefits such as gratuity, term insurance cover, various group insurance covers, telephone charges, office allowance, sales promotion gift items, competition prizes and such other items.

ii. an insurance intermediary towards services such as risk analysis, gap analysis, plan design, predictive modeling, data management, infrastructure, advertisement and such other items including additional incentives by whatever name called.

(g) Words and expressions used and not defined in these Regulations but defined in the Act, as amended from time to time, the Insurance Regulatory and Development Authority Act, 1999 or in any of the Regulations / Guidelines made there under shall have the meanings respectively assigned to them in those Acts/ Regulations / Guidelines.

3. Scope

(a) These regulations shall include payment of commission or remuneration or reward, to insurance agents and insurance intermediaries as defined in the Insurance Act, 1938, IRDA Act, 1999 and Regulations issued thereunder.

(b) Every insurer shall have a policy for payment of commission or remuneration or reward to insurance agents and insurance intermediary which shall be approved by the Board of the company.

(c) The objectives of the Policy shall include the utilization of insurance agents and insurance intermediaries in the manner that:

(i) increases insurance penetration and density in the country;

(ii) is in the interests of the policyholders;

(iii) is commensurate with its business strategy;

(iv) brings cost efficiencies in the conduct of business and simplification of the administration of insurance business; and

(v) gives an indication on the relative degree of importance placed on each of them.

(d) The Board approved policy for payment of commission or remuneration or reward to insurance agents and insurance intermediaries shall include the following items at the minimum:

(i) Manner and conditions regarding payment of:

(1) commission or remuneration to the insurance agents and insurance intermediaries;

(2) renewal commission (ERC status), if any, to insurance agents after termination of agency;

(3) hereditary commission to the heirs of an insurance agent in the event of the death of the insurance agent;

(ii) Manner and conditions regarding transfer of orphan policies

(iii) Grounds and manner of termination, suspension and cancellation of appointment of insurance agents and insurance intermediaries.

(iv) Any restrictions on the products to be sold by any of insurance agents and insurance intermediaries.

(e) The company shall file the Board approved policy at the start of the financial year and thereafter shall review the policy every year, and file changes, if any, within 30 days of such changes.

4. Applicability

i. These regulations shall <u>not</u> be applicable to insurance products specified under IRDAI's (Micro Insurance) Regulations, 2015 and IRDAI's (Insurance Services by Common Service Centre) Regulations 2015 and such other insurance products as may be specified by the Authority from time to time.

ii. These Regulations supercede Regulation (9) of IRDA (Linked Life Insurance Products) Regulations, 2013 and Regulation (21) of IRDA (Non Linked Insurance Products) Regulations, 2013.

iii. Where policies are procured direct by an insurer, no commission or remuneration shall be payable either to insurance agents or to the insurance intermediaries.

iv. No Insurer shall pay both commissions to an insurance agent and remuneration to an insurance intermediary on the same insurance policy.

v. Notwithstanding the commission and remuneration limits specified under these Regulations, no insurer shall pay any higher rates of commission or the remuneration over and above those rates approved under the IRDA (Linked

Life Insurance Products) Regulations, 2013 or IRDA (Non Linked Insurance Products) Regulations, 2013 or the Product Filing guidelines applicable to General Insurers from time to time.

5. **Commission to Individual Insurance agents, remuneration to insurance intermediary**

(a) The commission or remuneration to be paid to an insurance agent or an insurance intermediary shall be decided by the insurer based on its Board approved policy.

(b) The maximum commission or remuneration payable under life insurance products including health insurance products offered by life insurers is given in Schedule I.

(c) The maximum commission or remuneration payable under health insurance products offered by general insurers or stand-alone health insurers is given in Schedule II.

(d) The maximum commission or remuneration payable under general insurance (other than motor) products offered by general insurers is given in Schedule III.

(e) The maximum commission or remuneration payable under general insurance (motor) products offered by general insurers is given in Schedule IV.

6. **Reward to individual insurance agent or insurance intermediary by insurers**

(a) The reward to be paid to an insurance agent or an insurance intermediary over and above the commission or remuneration shall be decided by the insurer based on an objective and transparent criteria approved by the Board.

(b) For the purposes of rewards under these regulations, there shall be broadly three channels of distribution namely insurance agents, insurance intermediaries and insurance intermediaries whose revenues from other than insurance intermediation is more than fifty percent of their total revenue from all the activities.

(c) No reward shall be paid to an insurance intermediary whose revenues from other than insurance intermediation activities is more than fifty per cent of their total revenue from all the activities.

(d) Reward – Life Insurance

(i) Reward in life insurance to be calculated on an overall basis for insurance agents and insurance intermediaries respectively and not linked to each

and every policy solicited by an insurance agent or an insurance intermediary.

(ii) Reward being not more than 20% of first year commission or remuneration paid to insurance agents and insurance intermediaries

(e) Reward – General Insurance including health insurance

(i) Reward in the general insurance to be calculated separately for health insurance and other than health insurance for insurance agents and insurance intermediaries respectively and not linked to each and every policy solicited by an insurance agent or an insurance intermediary.

(ii) Reward being not more than 30% of commission or remuneration paid to insurance agents and insurance intermediaries

7. **Return on payment of Commission, remuneration and reward by the insurer**

(a) All insurers, within 45 days of the expiration of each financial year, shall submit a return on payment of commission, remuneration and reward by the insurer in format given Schedule - V.

(b) The return shall be signed by the Chief Executive Officer and Compliance Officer of the Company.

(c) The Return shall be reviewed by the Audit Committee prior to being placed for approval of the Board of the Insurer.

8. **Penalties -** Any breach or violation of the provision of the Act or the Regulations shall make the insurer or an insurance agent or insurance intermediary liable to a penalty as per provisions of the Act.

9. **Power of the Authority to issue clarifications etc:** In order to remove any difficulties in application or interpretation of any of the provisions of these Regulations, the Chairperson of the Authority may issue clarifications, directions and guidelines in the form of circulars.

Schedule – I

Life Insurance - Reg 5(b)

The maximum commission or remuneration as a percentage of premium that is allowed for life insurance products offered by life insurers is as under:

Table I – Single Premium

Sl No	Category of Life Insurance Product or Policy	Maximum Commission/ Remuneration on Single Premium payable to insurance agent/ insurance intermediary
1	**Single Premium**	
A	All individual life products except pure risk products	2%
B	Individual Pure Risk products	7.5%
C	Individual Immediate/ Deferred Annuity	2%
D	One year renewable group pure risk insurance	5% of premium paid during the year or Rs 10 lakhs whichever is less
E	Group Pure Risk (incl Group credit)	5%
F	Group Savings Variable Life Insurance	2%
G	Group Fund based	0.5% of premium paid during the year or Rs10 lakhs whichever is less

Table II – Regular Premium

Sl No	Category of Life Insurance Product or Policy	Maximum Commission/ Remuneration on Regular Premium Products or Policies payable to insurance agent/ insurance intermediary	
		First year premium	Renewal Premiums
2	**Regular Premium**		
A	**Individual Pure Risk**	40%	10%
B	**Individual Other than Pure Risk**		
i)	In respect of policies in force with premium payment terms of		
	5 years	15%	7.5%
	6 years	18%	7.5%
	7 years	21%	7.5%
	8 years	24%	7.5%
	9 years	27%	7.5%
	10 years	30%	7.5%
	11 years	33%	7.5%
	12 years	35%	7.5%
C	**Individual Deferred Annuity / Pension**	7.5%	2%
D	**Group Pure Risk (incl Group credit) and Group Savings Variable Life**	7.5%	7.5%
E	**Government Scheme-Life-Health**	As per Government Notification	As per Government Notification

Schedule – II

Health Insurance (General & Stand-alone Health Insures) – Reg 5(c)

The maximum commission or remuneration as a percentage of premium that is allowed for health insurance products offered by general insurers or stand-alone health insurers is as under:

S. No	Line of business	Commissions/ Remuneration
1	Health-Individual*	15%
2	Health-Group (Employer-Employee only) - Annual	7.5%
3	Health-Group (Non Employer-Employee groups – not formed solely for availing insurance as defined in IRDA Group Guidelines of 14th July, 2005) – Annual	15%
4	Health – Group (credit linked upto 5 years)	15%
5	Health-Govt Scheme	As specified in the Government Scheme/ Notification else as per Health - Group (Employer-Employee only) - Annual segment

*- Individual includes annual premium, 3 years single premium, 3 years regular premium

Schedule – III

General Insurance (other than motor) – Reg 5(d)

The maximum commission or remuneration as a percentage of premium that is allowed for general insurance (other than motor) is as under:

S. No	Line of business (Other than Motor)	Max Comm payable to ins agent	Max rem payable to ins intermediary
1	Fire-Retail	15%	16.5%
2	Fire-Corporate (Risks with S.I. ≤ Rs 2,500 crs)	10%	11.5%
3	Fire-Corporate (Risks with S.I. > Rs 2,500 crs)	5%	6.25%
4	Marine-Cargo	15%	16.5%
5	Marine-Hull	10%	11.5%
6	Miscellaneous – Retail	15%	16.5%
7	Miscellaneous – Corporate/ Group*	10%	12.5%
8	Miscellaneous – Corporate (Engineering Risks with S.I. > Rs 2,500 crs)	5%	6.25%

* - Commission/ remuneration shall be payable as per Government Notification.

Schedule – IV

Motor Insurance – Reg 5(e)

The maximum commission or remuneration as a percentage of premium that is allowed for general insurance (motor) is as under:

S. No.	Line of business	Maximum Commission/ remuneration payable to insurance agents/ insurance intermediaries
1	Motor (Comprehensive)*	15%
2	Motor (Stand-alone TP)	2.5%

* - Commission/ remuneration shall be payable only to the OD portion of the Motor (Comprehensive) policy.

SCHEDULE V

[See regulation 6(a)]

Insurance Regulatory and Development Authority of India (Payment of Commission or Remuneration or Reward to Insurance Agent and Insurance Intermediaries) Regulations, 2016

Certificate to be submitted by the insurer duly signed by CEO and Compliance Officer of the company

We hereby confirm that the amounts paid as commission, remuneration and reward to insurance agent and insurance intermediaries are as under:

Table – I Life Insurance (as applicable)
For the Financial Year:……..

S.No	Category Lines of Business	1st Year Premium	Insurance Agent		Insurance Intermediary		Ins Int whose revenues from other than insurance intermediation is > 50% of their total revenue	
			Comm	Reward	Rem	Reward	Rem	Reward
1	**Single Premium**							
A	All individual life products except pure risk products							NIL
B	Individual Pure Risk products							
C	Individual Immediate/ Deferred Annuity							
D	One year renewable group pure risk insurance							
E	Group Pure Risk (incl Group credit)							
F	Group Savings Variable Life Insurance							
G	Group Fund based							
	TOTAL							NIL
2	**Regular Premium**							
A	Individual Pure Risk							NIL
B	Individual Other than Pure Risk							
C	Individual Deferred Annuity / Pension							
D	Group Pure Risk (incl Group credit)							
E	Group Savings Variable Life							
F	Government Scheme-Life-Health							
	TOTAL							NIL

Table – II - Rewards - (Life) – as applicable
For the Financial Year:……..

S.No.	Description	Amount (Rs)
A	**Insurance Agents**	
1	Gratuity	
2	Term Insurance Cover	
3	PA Cover	
4	Medical Insurance	
5	Telephone Charges	
6	Office Allowance	
6	Sales Promotion	
7	Gift Items	
8	Competition Prizes	
9	Such other item (Please specify)	
10	**Total**	
B	**Insurance Intermediaries**	
1	Risk Analysis	
2	Gap Analysis	
3	Plan Design	
4	Predictive Modeling	
5	Data Management	
6	Risk Survey	
7	Infrastructure charges	
8	Advertisement charges	
9	Such other item (Please specify)	
10	**Total**	
	GRAND TOTAL (A+B)	

Table – III General and Stand Alone Health Insurance Life Insurance (as applicable)
For the Financial Year:……..

S. No	Category Lines of Business	Gross Premium	Insurance Agent		Insurance Intermediary		Ins Int whose revenues from other than insurance intermediation is > 50% of their total revenue	
			Commission	Reward	Rem	Reward	Rem	Reward
1	**GENERAL INSURANCE**							
A	Fire-Retail							NIL
B	Fire – Corp (Risks with SI < Rs 2,500 crs)							
C	Fire – Corp (Risks with SI > Rs 2,500 crs)							
D	Marine-Cargo							
E	Marine-Hull							
F	Misc-Retail							
G	Misc-Corp/ Gp							
H	Misc-Corp (Engg Risks with SI > Rs 2,500 crs)							
H	Motor (Comp)							
I	Motor (Stand-Alone TP)							
	TOTAL							NIL
2	**HEALTH INSURANCE**							
A	Health – Ind - Ann							NIL
B	Health – Ind - 3 yrs - Single Prem							
C	Health – Ind - 3 yrs- Reg Prem							
D	Health - (Employer-Employee Gp)- Ann							
	Health- (Non-Employer- Employee Gp)-Ann							
E	Health- Gp - (credit linked upto 5 yrs)							
F	Health – Govt							
	TOTAL							NIL

Table – IV - Rewards - (General & Stand-Alone Health) – as applicable
For the Financial Year:……..

S.No.	Description	Amount (Rs)
A	**Insurance Agents**	
1	Gratuity	
2	Term Insurance Cover	
3	PA Cover	
4	Medical Insurance	
5	Telephone Charges	
6	Office Allowance	
6	Sales Promotion	
7	Gift Items	
8	Competition Prizes	
9	Such other item (Please specify)	
10	**Total**	
B	**Insurance Intermediaries**	
1	Risk Analysis	
2	Gap Analysis	
3	Plan Design	
4	Predictive Modeling	
5	Data Management	
6	Risk Survey	
7	Infrastructure charges	
8	Advertisement charges	
9	Such other item (Please specify)	
10	**Total**	
	GRAND TOTAL (A+B)	

The amount includes all payments paid directly or indirectly by the company and is in compliance with the regulations prescribed by IRDAI.

Signed by

CEO Compliance Officer

Place:

Date: