



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

Title:Circular

Reference No.:IRDAI/INT/CIR/MISC/ 080/ 04/ 2020

Date:03/04/2020

Board Approved Policy for payment of Rewards - FY 2020-21 onwards

IRDAI/INT/CIR/MISC/ 080/ 04/ 2020 3rdApril, 2020

CIRCULAR

To,

CMD/CEOs of all Life, General and Health Insurers

Re: Board Approved Policy for payment of Rewards - FY 2020-21 onwards

Attention is drawn to Reg. 6 of IRDAI (Payment of Commission or Remuneration or Reward to Insurance Agents and Insurance Intermediaries) Regulations, 2016, which states that the reward shall be paid based on an objective and transparent criteria approved by the Board.

It is observed that the board approved policy of many insurers lacks objectivity and transparency. In certain instances the Board approved policy allowed delegation of power to the CEO or other authorised person to decide on the rewards to be given to insurance agents and insurance intermediaries. Further, there appears minimal oversight by the Board to determine the efficacy of such policy and it is noticed in many instances that the quantum of reward paid to insurance agents and intermediaries exceeds the commission and remuneration paid to them.

In view of the above, the Authority is of the opinion that there is need to clarify and elaborate the said regulatory provision for its meaningful and effective compliance uniformly by all Insurers.

Therefore, in exercise of powers under Regulation 9 of the IRDAI (Payment of commission or remuneration or reward to insurance agents and insurance intermediaries) Regulations, 2016, the following clarifications are issued:

1. The board approved policies shall contain the objective and transparent criteria including the parameters on which the rewards are calculated along with the necessary justification and logic.
2. The board approved policy shall stipulate the specific proportion of rewards to commission/remuneration which shall be reasonable and justifiable, to individual insurance agent/insurance intermediary subject to the overall limit as given in the Reg 6(d)(ii) and 6(e)(ii) of IRDAI (Payment of commission or remuneration or reward to insurance agents and insurance intermediaries) Regulations, 2016. There shall be consistency in the approach to rewards payable to insurance agents and insurance intermediaries for similar businesses and situations.
3. Further, the board shall have effective oversight of the implementation of the reward policy.

4. The insurers shall communicate in writing at the beginning of the year to insurance agents and insurance intermediaries about the maximum rewards that they can earn during the year subject to fulfilment of stipulated criteria of board policy and keeping in view the laid down proportion of rewards to commission / remuneration.
5. Further, if any addition/changes/deletion in the reward program is undertaken by the insurer, the same also be communicated to insurance agents & intermediaries in advance.

T.L. Alamelu
Member (Distn)