



IRDA/ INT/ CIR/ Comm/ 139/ 08/ 2018

29th August, 2018

To All Insurers,
Insurance Intermediaries
Insurance Agents

Circular on Payment of Commission, remuneration, rewards and distribution fees under Long Term Motor Insurance Policies

Reference is drawn to the recent Supreme Court judgement on Writ Petition No. 295 of 2012 in the case of S. Rajasekaran vs Union of India and others which states as under:

"i) It shall be mandatory for all General Insurance Companies to issue a three year third party insurance cover for new cars and five year third party insurance cover for new two wheelers as a separate product or as part of a comprehensive insurance product. IRDA should issue instructions accordingly to all General Insurance Companies.

ii) The GIC and IRDA should ensure that the legacy insurance data is also shared with MoRTH as soon as possible for its integration with Vahan data.

iii) IRDA should ensure that all General Insurers follow its directions dated 01.01.2018 advising them to make available the third party insurance cover to all proposers on online channels; liaise with police authorities to facilitate issue and renewal of third party insurance cover and ensure its easy availability."

In light of the above, it is expected the Authority will issue necessary guidance on the commission, remuneration and rewards that shall be paid for long term policies.

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Currently in the motor segment there are two types of policies namely: a) Stand-alone Motor TP policy and b) Motor Package Insurance policy for 2-wheelers and Private Cars.

Rationale for proposed commission, remuneration, rewards and distribution fees for Long Term Motor Insurance Policies

Following discussions with the General Insurance Council and based on the Report of the Internal Group to examine framework for Long term products in General Insurance the following new motor insurance products are permitted in the general insurance market in the country:

- i) 5 years Long term Stand-Alone motor Third Party Insurance Policy for new 2 – wheelers
- ii) 3 years Long term Stand-Alone motor Third Party Insurance Policy for new Private Cars
- iii) 5 years Long term Motor Package Insurance Policy for new 2 – wheelers
- iv) 3 years Long term Motor Package Insurance Policy for new Private Cars
- v) Bundled cover with one year term for own damage and 5 years motor third party insurance policy for new 2 – wheelers
- vi) Bundled cover with one year term for own damage and 3 years motor third party insurance policy for new private cars

Commission, Remuneration, Reward and Distribution Fees for Long Term Motor Insurance Policies:

Therefore, taking into account the need to protect the policyholders from payment of higher premiums and balance the earnings of insurance agents / insurance intermediaries, the Authority proposes the following commission, remuneration and rewards to the insurance agents and insurance intermediaries under the powers vested with the Chairman, IRDA under Section 14 of the IRDA Act and regulations made thereunder:

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S.No.	Types of Long Term Motor Insurance Policies	Max Commission/ remuneration payable to insurance agents/ insurance intermediaries	Maximum Rewards	Distribution Fees for MISP
1	5 years Long term Stand-Alone Motor Third Party Insurance Policy (LTSAMTIP) for new 2 – wheelers	Nil	Nil	Nil
2	3 years Long term Stand-Alone Motor Third Party Insurance Policy (LTSAMTIP) for new Private Car	Nil	Nil	Nil
3	5 years Long term Motor Package Insurance Policy (LTMPIP) for new 2 – wheelers	<ul style="list-style-type: none"> i) 1st year of 5 years LTMPIP – 17.5% (OD portion) + (Nil-TP Portion) ii) 2nd year of 5 years LTMPIP - 10% (OD portion) + (Nil-TP Portion) iii) 3rd year of 5 years LTMPIP - 10% (OD portion) + (Nil-TP Portion) iv) 4th year of 5 years LTMPIP - 5% (OD portion) + (Nil-TP Portion) v) 5th year of 5 years LTMPIP - 5% (OD portion) + (Nil-TP Portion) 	30% of commission/ remuneration per policy	<ul style="list-style-type: none"> i) 1st year of 5 years LTMPIP – 22.5% (OD portion) + (Nil-TP Portion) ii) 2nd year of 5 years LTMPIP - 13% (OD portion) + (Nil-TP Portion) iii) 3rd year of 5 years LTMPIP - 13% (OD portion) + (Nil-TP Portion) iv) 4th year of 5 years LTMPIP – 6.5% (OD portion) + (Nil-TP Portion) v) 5th year of 5 years LTMPIP – 6.5% (OD portion) + (Nil-TP Portion)
4	3 years Long term Motor Package Insurance Policy (LTMPIP) for new private car	<ul style="list-style-type: none"> i) 1st year of 3 years LTMPIP - 15% (OD portion) + (Nil-TP Portion) ii) 2nd year of 3 years LTMPIP - 10% (OD portion) + (Nil-TP Portion) iii) 3rd year of 3 years LTMPIP - 5% (OD portion) + (Nil-TP Portion) 	30% of commission/ remuneration per policy	<ul style="list-style-type: none"> i) 1st year of 3 years LTMPIP – 19.5% (OD portion) + (Nil-TP Portion) ii) 2nd year of 3 years LTMPIP - 13% (OD portion) + (Nil-TP Portion) iii) 3rd year of 3 years LTMPIP – 6.5% (OD portion) + (Nil-TP Portion)
5	Bundled cover with one year term for own damage and 5 years motor third	Bundled cover – 17.5% (OD portion) + (Nil-TP Portion)	30% of commission/ remuneration per policy	Bundled cover – 22.5% (OD portion) + (Nil-TP Portion)

	party insurance policy for new 2 – wheelers			
6	Bundled cover with one year term for own damage and 3 years motor third party insurance policy for new private car	Bundled cover – 15% (OD portion) + (Nil-TP Portion)	30% of commission/ remuneration per policy	Bundled cover – 19.5% (OD portion) + (Nil-TP Portion)

Also the commission, remuneration, reward and distribution fees shall be paid in the year the premium is booked.



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