

INSURANCE REGULATORY AND DEVELOPMENT
AUTHORITY OF INDIA
DRAFT NOTIFICATION

Hyderabad, the -----, 2022

Insurance Regulatory and Development Authority of India
(Payment of Commission or Remuneration or Reward to Insurance
Agents and Insurance Intermediaries) Regulations, 2022

F. No. IRDAI/Reg/ / /2022 —In exercise of the powers conferred by clause (ic) and (jd) of subsection 2 of section 114A and section 31B of the Insurance Act, 1938 (4 of 1938), and subsection (1) of sections 14 and 26 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999), the Authority in consultation with the Insurance Advisory Committee, hereby makes the following regulations, namely:-

1. Short Title and Commencement of the Regulations:

- (a) These Regulations shall be called the Insurance Regulatory and Development Authority of India (Payment of commission or remuneration or reward to insurance agents and insurance intermediaries) Regulations, 2022.
- (b) These Regulations shall come into force on the date of their publication in the Official Gazette.
- (c) These Regulations shall remain in force for a period of 3 years from the date of publication in the Official Gazette.

2. Objective: The objectives of these Regulations are:

- (a) To enhance responsiveness of the regulation to market innovation.
- (b) To facilitate the insurers in development of new business models, products, strategies and internal processes and enable in easy

compliance with the regulations while fulfilling the regulatory objectives.

- (c) To provide the insurers the flexibility to manage their expenses based on their growth aspirations and the ever-changing insurance needs with an objective to improve insurance penetration.

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" or "Remuneration" means the compensation paid by an insurer and received by an insurance agent or an insurance intermediary for soliciting and procuring an insurance policy.
- (d) "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.
 - (j) an insurance intermediary towards services such as risk analysis, gap analysis, plan design, predictive modeling, data management, infrastructure, advertisement and such other items including any additional incentives by whatever name called.
- (e) "Insurance Intermediary" is as defined in Section 2(1)(f) of the IRDA Act, 1999 and for the purpose of this regulation includes

- (i) Corporate Agents
 - (ii) Insurance Brokers
 - (iii) Web Aggregators
 - (iv) Insurance Marketing Firm
 - (v) Common Public Service Centre – SPV
 - (vi) Any other entity as may be notified by the Authority from time to time.
- (f) 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 meaning respectively assigned to them in those Acts/ Regulations / Guidelines.

4. 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, the Insurance Regulatory and Development Authority Act, 1999 and Regulations issued thereunder.
- (b) Every insurer shall have an explicitly written 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 Board approval policy shall be reviewed annually based on the experience.
- (d) The objectives of the Policy for payment of commission or remuneration or reward shall include enhancement of performance of insurance agents and insurance intermediaries in the manner that:
 - (i) increases insurance penetration and density in the country;

- (ii) it is in the interests of the policyholders;
 - (iii) it 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.
- (e) The Board approved policy for payment of commission or remuneration or reward to insurance agents and insurance intermediaries shall at least specify:
- (i) Manner and conditions regarding payment of:
 - (1) commission or remuneration to the insurance agents and insurance intermediaries;
 - (2) reward to be paid to the insurance agents and insurance intermediaries;
 - (3) the schedule containing maximum commission or remuneration to the insurance agents and insurance intermediaries as a percentage of premium under each line of business in general insurance products, health insurance products and life insurance products.
 - (4) renewal commission (Eligible for Renewal Commission (ERC) status), if any, to insurance agents after termination of agency;
 - (5) hereditary commission to the heirs of an insurance agent in the event of the death of the insurance agent;
 - (ii) The specific criteria for the payment of first year, renewal, single and additional commission or remuneration or reward to insurance agent or insurance intermediary with respect to every product.
 - (iii) Manner and conditions regarding transfer of orphan policies
 - (iv) Grounds and manner of termination, suspension and

cancellation of appointment of insurance agents and insurance intermediaries.

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

5. Applicability

- i. These regulations shall not be applicable to insurance products specified under Insurance Regulatory and Development Authority of India (Micro Insurance) Regulations, 2015 and such other insurance products as may be specified by the Authority from time to time.
- ii. Where policies are procured directly by an insurer, no commission or remuneration shall be payable either to insurance agents or to the insurance intermediaries. The Insurers shall necessarily grant discounts in the premium for such policyholders as may be specified in the Board approved policy.
- iii. The maximum commission or remuneration payable under Government Insurance Schemes offered by the insurers shall be as specified in the Government Scheme/Notification

6. Commission to individual insurance agents, remuneration to insurance intermediary and reward to individual insurance agent and insurance intermediary by insurers

- i. The commission or remuneration or reward to be paid to an insurance agent or an insurance intermediary shall be decided by the insurer based on its Board approved policy.
- ii. The maximum commission or remuneration or reward or otherwise payable under life insurance products including health insurance products offered by life insurers is as follows:
 - (a) if the actual Expenses of Management (EOM), in the preceding financial year is not exceeding 70% of the

allowable EOM limits, the life insurer, with the approval of the Board, shall opt, for the financial year:

- (1) either to adopt commission limits as per Schedule – I or
- (2) to adopt commission limits in accordance with the Board approved policy.

(b) where actual Expenses of Management (EOM), in the preceding financial year exceeds 70% of the allowable EOM limits, the life insurer shall comply with the limits as per Schedule – I for the financial year.

iii. The maximum commission or remuneration or reward or otherwise payable under general insurance products including health insurance products offered by general insurers shall not exceed 20 percent of the gross premium written in India in that financial year.

iv. The maximum commission or remuneration or reward or otherwise payable under health insurance products offered by standalone health insurers shall not exceed 20 percent of the gross premium written in India in that financial year.

7. Maintenance of Returns on payment of Commission, remuneration and reward by the insurer

(a) All insurers, within 45 days of the expiration of each financial year, shall prepare returns on payment of commission, remuneration and reward and the same shall be submitted to the Authority. The formats for such information and data may be specified by the Authority from time to time.

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

8. Repeal and saving : (1) Insurance Regulatory and Development Authority of India (Payment of commission or remuneration or reward

to insurance agents and insurance intermediaries) Regulations, 2016 shall be repealed from the date these Regulations come into force.

(2) Unless otherwise provided by these Regulations, anything done or any action taken or purported to have been done or taken in respect of the Regulations mentioned in sub-regulation (1) shall be deemed to have been done or taken under the corresponding provisions of these regulations.

- 9. Power of the Authority to issue clarifications etc:** 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.

DEBASHISH PANDA,
Chairman

Schedule- I

(see sub regulation (ii) of regulation 6)

The maximum commission or remuneration or reward or by whatever name it is called, as a percentage of premium that is allowed for life insurance products offered by life insurers is as under:

Table – I: Maximum Commission or Remuneration or Reward or otherwise payable as percentage of Premium

Category of Life Insurance Product	Maximum Commission or Remuneration or reward or otherwise payable to insurance agent or insurance intermediary	
	Single/First Year premium	Renewal Premium
Single Premium	2%	Not Applicable
Group Fund based	0.5%	Not Applicable
Regular premium or Limited Premium Payment including deferred Annuity/pension	20%	10%

Note: - The above limits as prescribed under Table– I of Schedule-I above shall be at the level of portfolio of ‘Category of Life Insurance Product’ as specified under Table-I of Schedule-I

Table -II: Additional Commission or remuneration payment for Regular premium/ Limited Premium Payment policies

Number of years the policy is in force	Maximum additional Commission or Remuneration payable to insurance agent or insurance intermediary is as below:
5 years	2% of the total premiums paid at the end of 5 th year.
10 years	2% of the total premiums paid from 5 th year to 10 th year at the end of 10 th year.
15 years	2% of the total premiums paid from 11 th year to 15 th year at the end of 15 th year.