

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA
DRAFT NOTIFICATION

Hyderabad, the -----, 2022

Insurance Regulatory and Development Authority of India
(Payment of Commission) Regulations, 2022

F. No. IRDAI/Reg/ / /2022 —In exercise of the powers conferred by clause (ic) and (jd) of sub section 2 of section 114A, section 40 and section 31B of the Insurance Act, 1938 (4 of 1938), and sub-section (1) and clause (e) of sub section (2) of section 14 and section 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) Regulations, 2022.
- (b) These Regulations shall come into force from 1st April, 2023.
- (c) These Regulations shall be reviewed once in every three years from date of notification, unless the review or repeal or amendment is warranted earlier.

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, 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" means any compensation paid by an insurer to insurance agent or intermediary or insurance intermediary, as applicable, for soliciting or procuring or transacting insurance business.
- (d) 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 rules or regulations made there under shall have the meaning respectively assigned to them in those Acts, rules or regulations.

4. Board approved policy for payment of Commission

- (a) Every insurer shall have a written policy for payment of commission, which shall be approved by the Board of the insurer.
- (b) The Board approved policy shall be reviewed periodically.
- (c) The objectives of the policy for payment of commission shall *inter alia* take into consideration the following:
- (i) it is in the interest of the policyholders;
 - (ii) it increases insurance penetration and density in the

country;

- (iii) the nature and tenure of the insurance policy
- (iv) the interest of the insurance agents and intermediaries or insurance intermediaries
- (v) enhances the performance of the insurance agents and intermediaries or insurance intermediaries;
- (vi) it is commensurate with its business strategy;
- (vii) brings cost efficiencies in the conduct of business and simplification of the administration of insurance business; and
- (viii) gives an indication on the relative degree of importance placed on each of the above.

5. Commission payable to insurance agents or intermediaries or insurance intermediaries by insurers

- (a) The total amount of commission payable under life insurance products including health insurance products offered by life insurers shall not exceed the Expense of Management (EOM) limits specified under **Insurance Regulatory and Development Authority of India (Expenses of Management of Insurers transacting life insurance business) Regulations, 2022** as amended from time to time
- (b) The total amount of commission payable under general insurance products including health insurance products offered by general insurers and health insurance products offered by standalone health insurers shall not exceed the EOM limits specified under **Insurance Regulatory and Development Authority of India (Expenses of Management of Insurers transacting General or Health Insurance business) Regulations, 2022** as amended from time to time

6. Submission of Returns on payment of Commission by the insurer

- (a) All insurers, within 45 days of the expiration of each financial year, shall submit to the Authority the Board approved returns on payment of commission by the insurer to the insurance agents or intermediaries or insurance intermediaries
- (b) The formats for such information and data may be specified by the Authority from time to time.
- (c) These returns shall be reviewed by the Audit Committee prior to being placed for approval of the Board of the insurer.

7. 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.

8. 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.

DEBASHISH PANDA,

Chairman