

# **Insurance Regulatory and Development Authority of India (Payment of commission or remuneration or reward to insurance agents and insurance intermediaries) Regulations, 2016**

UNION OF INDIA

India

## **Insurance Regulatory and Development Authority of India (Payment of commission or remuneration or reward to insurance agents and insurance intermediaries) Regulations, 2016**

### **Rule**

### **INSURANCE-REGULATORY-AND-DEVELOPMENT-AUTHORITY-OF-INDIA of 2016**

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Insurance Regulatory and Development Authority of India (Payment of commission or remuneration or reward to insurance agents and insurance intermediaries) Regulations, 2016 Published vide Notification F. No. IRDAI/Reg/25/137/2016, dated 14.12.2016 F. No. IRDAI/Reg/25/137/2016. - In exercise of the powers conferred by clause (ic) and (jd) of subsection 2 of section 114A read with section 31B of the Insurance Act, 1938 (4 of 1938), and read with 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 may be called the Insurance Regulatory and Development Authority of India (Payment of commission or remuneration or reward to insurance agents and insurance intermediaries) Regulations, 2016. (b) They shall come into force on 1st April, 2017.

## **2. 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(1)(f) of the IRDA Act, 1999 and for the purpose of this regulation includes

### **1. Corporate Agents**

### **2. Insurance Brokers**

### **3. Web Aggregators**

### **4. Insurance Marketing Firm**

### **5. Any other entity as may be notified by the Authority from time to time.**

(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 modelling, data management, infrastructure, advertisement and such other items including any 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 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 objectives of the Policy for payment of commission or remuneration or reward shall include the utilization 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.(d)The Board approved policy for payment of commission or remuneration or reward to insurance agents and insurance intermediaries shall contain 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 for payment of commission or remuneration or reward to insurance agents and insurance intermediaries to the Authority 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 not be applicable to insurance products specified under Insurance Regulatory and Development Authority of India (Micro Insurance) Regulations, 2015 and Insurance Regulatory and Development Authority of India (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 supersede Regulation (9) of Insurance Regulatory and Development Authority (Linked Insurance Products) Regulations, 2013 and Regulation (21) of Insurance Regulatory and Development Authority (Non Linked Insurance Products) Regulations, 2013.iii. Where policies are procured directly 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.

#### **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.(f)No insurer shall in any case pay commission or remuneration which is lower of the maximum specified in these regulations or that approved under the Insurance Regulatory and Development Authority (Linked Insurance Products) Regulations, 2013 or Insurance Regulatory and Development Authority (Non Linked Insurance Products) Regulations, 2013 or the Guidelines on Product Filing Procedures for General Insurance Products applicable to

General Insurers from time to time.

## **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 whose revenues from other than insurance intermediation is fifty percent or less of their total revenue from all the activities 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 returns 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 insurer. (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.

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 Rs. 10 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	
1	Regular Premium	
A	Individual Pure Risk	40% 10%
B	Individual Other than Pure Risk	
i)	In respect of policies 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 or more	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% (only on pure risk premium)	7.5%
E	Government Scheme-Life-Health	As per Government Notification	As per Government Notification

## II

Health Insurance (General & Stand-alone Health Insurers) - 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 [Substituted by Notification No. F. No. IRDAI/Reg/9/146/2017, dated 10.10.2017, (w.e.f. 14.12.2016).]		
	Health-Government Scheme	As specified in the Government Scheme/Notification]

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

## 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)	Maximum Commission payable to insurance agent	Maximum remuneration payable to insurance intermediary
1	Fire-Retail	15%	16.5%
2	Fire-Corporate (Risks with S.I. < Rs 2,500crs)	10%	11.5%
3	Fire-Corporate (Risks with S.I. > Rs 2,500crs)	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]

[Substituted by Notification No. IRDAI/Reg/9/146/2017, dated 10.10.2017, (w.e.f.

14.12.2016).]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:

Sl. No.	year	Maximum Commission/remuneration payable to insurance agents/insurance intermediaries			
		Motor (Comprehensive)		Motor (Stand-alone TP)	
		Other than 2-wheeler	2-wheeler	Other than 2-wheeler	2-wheeler
1	Certificate of registration-1st to 3rd year	15%(OD portion)+(Nil-TP portion)	17.5%(OD portion)+(Nil-TP portion)	2.5%	2.5%
2	Certificate of registration-4th year onward	15%(OD portion)+2.5(TP portion)	17.5%(OD portion)+2.5%(TP portion)	2.5%	2.5%

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

**V**

[See regulation 7(a)]Insurance Regulatory and Development Authority of India (Payment of Commission or Remuneration or Reward to Insurance Agent and Insurance Intermediaries)

Certificate to be submitted by the insurer duly signed by CEO and Compliance Officer of the insurer 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 whose revenues from other than insurance intermediation is 50% of their total revenue or less	Insurance Intermediary whose revenues from other than insurance intermediation is >50% of their total revenue
	Commission Reward		Remuneration Reward	Remuneration	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)
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A	Insurance Agents	
1	Gratuity	
2	Term Insurance Cover	
3	PA Cover	
4	Medical Insurance	
5	Telephone Charges	
6	Office Allowance	
7	Sales Promotion	
8	Gift Items	
9	Competition Prizes	
10	Such other item (Please specify)	
11	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 (as applicable) For the Financial Year:.....

S. No	Category Lines of Business	Gross Direct Premium	Insurance Agent	Insurance Intermediary whose	Insurance Intermediary whose
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		revenues from other than insurance intermediation is 50% of their total revenue or less		revenues from other than insurance intermediation is >50% of their total revenue	
Commission	Reward	Remuneration	Reward	Remuneration	Reward
1	General Insurance				
A	Fire-Retail				NIL
	Fire - Corporate				
B	(Risks with SI < Rs 2,500crs)				
	Fire - Corporate				
C	(Risks with SI > Rs 2,500crs)				
D	Marine-Cargo				
E	Marine-Hull				
F	Miscellaneous-Retail				
G	Miscellaneous-Corporate/Group				
	Miscellaneous-Corporate (Engg				
H	Risks with SI >Rs 2,500 crs)				
I	Motor (Comprehensive)				
J	Motor (Stand-Alone TP)				
	Total				Nil
2	Health Insurance				
A	Health - Individual - Annual			NIL	
B	Health - Individual - 3 yrs - Single Premium				
C	Health - Individual - 3 yrs- Regular Premium				
D	Health - (Employer- Employee Group)- Annual				
E	Health- (Non- Employer- Employee Group)-Annual				
F	Health- Group - (credit linked upto 5 yrs)				
G	Health - Govt				
	Total			NIL	

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

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