

# Obligatory Cession for the financial year 2023-24

UNION OF INDIA

India

The Insurance Act, 1938

# Obligatory Cession for the financial year 2023-24

## Government Notice F-NO-IRDAI-RI-1-189-2023- of 2023

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F. No. IRDAI / RI/1/189 /2023.– In exercise of the powers conferred by Sub -section (2) and (4) of the Section 101A of the Insurance Act , 1938 , the Authority , after consultation with the Advisory Committee , constituted under section 101B of the Insurance Act , 1938 and with the previous approval of the Central Government , hereby makes the following notification namely :-“Obligatory Cession for the financial year 2023-24 ”.

### 1. Applicability :

This notification shall be applicable to Indian Re -insurers and other applicable insurers as per the provisions of Section 101A of the Insurance Act , 1938 .

### 2. Percentage of Cession :

The percentage cession of the sum insured on each General Insurance Policy to be reinsured with the Indian Re -insurer (s) shall be 4 % (four percent ) in respect of insurance attaching during the financial year beginning from 1st April , 2023 to 31st March 2024 , except the terrorism premium and premium ceded to Nuclear pool wherein it would be made 'NIL ' . The entire Obligatory Cession is to be placed with General Insurance Corporation of India (GIC Re ) only .

### 3. Terms & Conditions :

(a)Notice of information on cession :(i)There would be no limit on sum insured applicable for the cessions made during the period from 1st April ,2023 to 31st March , 2024.(ii)In view of the above , the Indian Re -insurer may require the ceding insurer to give immediate notice of underwriting information of any cession exceeding an amount as specified by the former . The ceding insurer shall inform the Indian Re -insurer at all times whenever the cession exceeds such specified limits.(b)Commission :Percentage of commission on obligatory cession for different classes of business shall be as follows :(i)Minimum 5 % for Motor TP and Oil & Energy insurance .(ii)Minimum 10 % for Group Health insurance .(iii)Minimum 7.50 % for Crop Insurance

.(iv)Average Terms for Aviation insurance .(v)Minimum 15 % for all other classes of insurance business .Commission over and above ,can be as mutually agreed between Indian Re -insurer (s) and the ceding insurer .(c)Profit Commission :The Indian Re -insurer shall share the profit commission , on 50 % :50 % basis , with the ceding insurer based on the performance and surplus of the total obligatory portfolio of the ceding insurer , after factoring the following :  
(i)Incurred loss % (to be worked at the end of 3 financial years).  
(ii)Management Expenses at 2 % .  
(iii)Profit at 5 %  
(iv)Commission at 15 % .  
(v)Loss ratio at 50 % to 78 % .No profit commission is payable if the loss ratio exceeds 78 % .Profit commission shall not exceed 14 % .