

Obligatory Cession for the financial year 2024-25

UNION OF INDIA

India

Obligatory Cession for the financial year 2024-25

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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 2024-25".

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, 2024 to 31st March, 2025, 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, 2024 to 31st March, 2025. (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 12.5%.