

Insurers get more autonomy to decide on commission amount

Govt gives nod to Irdai rules on payment of commissions for intermediaries

SUBRATA PANDA

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The central government has cleared the insurance regulator's new regulations on payments of commissions for intermediaries, thus paving the way for providing more autonomy to insurance companies to decide on the amount of commissions they want to shell out.

Come April 1, the segmental limits on commissions will be removed and the fees paid to intermediaries, such as individual agents, corporate agents, etc., will be based on the expense of management (EoM) limit.

The limit has been specified under the Insurance Regulatory and Development Authority of India (Expenses of Management of Insurers transacting Life insurance business) Regulations, 2023 as amended from time to time. The previous guidelines will be repealed by the insurance regulator, once the new norms come into effect.

In a separate gazette notification, the central government ratified the Insurance Regulatory and Development Authority of India (Expenses of Management of Insurers transacting General or Health Insurance business) Regulations, 2023. Accordingly, insurers carrying on general insurance business can incur EoM, which is equivalent to 30 per cent of the gross written premium (GWP) in a financial year. For standalone health insurers, the limit has been set at 35 per cent of GWP. This is in line with the draft circular the regulator had floated a few months back.

"We firmly believe that the shift from

product-level commissions to a company-wide limit of expenses will ensure parity across varying business models while rendering greater flexibility in managing expenses for insurers," said Tapan Singhel, managing director (MD) and chief executive officer (CEO) of Bajaj Allianz General Insurance.

Moreover, Singhel said, with the

majority of the insurers above the prescribed norms of expenses and with the industry reeling with a combined ratio of more than 118 per cent, these EoM limits would help in cost discipline.

Anil Kumar Aggarwal, MD & CEO of Shriram General Insurance, said the removal of the cap on commission payments would positively impact the sector.