

[Insurers welcome new EoM norms of IRDAI](#)

‘Brings in greater flexibility and help widening insurance penetration’



Hyderabad, March 29 The insurance industry has welcomed the new norms brought in by the Insurance Regulatory and Development Authority of India (IRDAI) as they are ‘prudent’ and offer greater flexibility and profitability to the insurers while expanding penetration of insurance.

The IRDAI has notified the new norms, which come into effect from April 1, 2023.

EoM is the sum total of commission and fixed expenses incurred by insurers

We believe that the shift from product level commissions to a company-wide limit of expenses, as per the proposed regulations, will ensure parity across varying business models while rendering greater flexibility in managing expenses for insurers,” Tapan Singhel, MD & CEO, Bajaj Allianz General Insurance told businessline.

Moreover, 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 Expense of Management (EOM) limits will help in bringing cost discipline and take the industry in the right direction of prudence and profitability, he said.

“This should hence translate into better pricing and products for customers in the medium to long term. The revised regulations also provides for an extra expense allowance for Insurtech expenses, spends on insurance awareness, and rural and social schemes of the government, all of which are targeted towards the IRDAI’s overall objective of enhancing penetration and ease of doing business.

According to Anuj Parekh, CEO & Co-Founder, Healthysure, the removal of commission caps on products aims to foster a more robust insurance distribution ecosystem in the country.

“A surge in penetration rates, particularly through the MSME sector, can be anticipated. Now, insurance companies are anticipated to offer suitable incentives, empowering distributors to reap the rewards of providing coverage to MSMEs,” he said.