

Irdai lifts limits on insurance commissions

Won't Raise Costs For Buyers Because Of Cap On Expenses

TIMES NEWS NETWORK

Mumbai: In a significant reform, the Insurance Regulatory and Development Authority of India (Irdai) has given insurers more freedom to offer commission under various covers. Companies can now have a board-approved policy to determine the commission they pay their intermediaries as long as it stays within the overall limits of expenses of management (EOM).

Currently, there is a wide range of commission limits prescribed by the regulator, depending on the intermediary and the insurance product sold. On Tuesday, Irdai issued a notification amending the regulations on the payment of commissions and management expenses of insurers.

"The shift from product-level commissions to a company-wide limit of expenses, as proposed, will ensure parity across varying business models while rendering greater flexibility in managing expenses for insurers," said Bajaj Allianz General Insurance MD & CEO Tapan Singhel.

"With most of the insurers above the prescribed norms of expenses and with the industry reeling with a combined ratio of more than 118%, these EOM limits will help in bringing cost discipline and take the industry in the right direction of prudence and profitability," added Singhel.

The measures will not push up costs for customers because of the cap on expenses. At the same time, it gives flexibility for insurance companies as it provides for insurtech expenses, and spends on insurance awareness & social schemes of the government.

TO COVER INSURTECH

> Irdai's move will result in a shift from product-level commissions to a company-wide limit of expenses

> It will also provide for insurtech expenses, and spends on insurance awareness & govt's social schemes



> PSU insurers will face more competition as pvt cos will get to offer higher commission

Shriram General Insurance MD & CEO Anil Kumar Aggarwal said, "The removal of the cap on commissions will facilitate greater product innovation, development of new product distribution models and lead to more customer-centric operations. It will also increase insurance penetration and provide flexibility to insurers in managing their expenses."

Industry observers say that public sector insurers could face a fresh challenge as large private insurers will have more headroom to offer higher commission.

According to Star Health and Allied Insurance chairman & CEO V Jagannathan, the new norms will bring more transparency.