

Item No. 7

Insurance Regulatory and Development Authority of India (Expenses of Management, including Commission, of Insurers) Regulations, 2024

1. The Expenses of Management (EoM) and payment of Commission of insurers transacting general, health and life insurance business in India were governed by Section 31B, 40, 40B and 40C of the Insurance Act, 1938 read with Rule 17D of the Insurance Rules, 1939. The Insurance Act was amended in December 2014 by the Government of India, and the Authority was given powers to make regulations on the subject, as such the rules have become redundant.
2. Accordingly, in exercise of the powers conferred under clause (je) of sub-section (2) of Section 114A Section 31B, 40, 40B and 40C of the Insurance Act, 1938 (4 of 1938), the Authority, in consultation with the Insurance Advisory Committee (IAC) notified the regulations as mentioned below:
 - (a) Insurance Regulatory and Development Authority of India (Expenses of Management of Insurers transacting General or Health Insurance Business) Regulations, 2023;
 - (b) Insurance Regulatory and Development Authority of India (Expenses of Management of Insurers transacting Life Insurance Business) Regulations, 2023; and
 - (c) Insurance Regulatory and Development Authority of India (Payment of Commission) Regulations, 2023.
3. The regulations aim to ensure that payment of commission and expenses of management are within the limits specified and returns to policyholders are not compromised on account of high expenses.
4. In order to have a comprehensive review of Regulations, Councils were asked to constitute a Regulations Review Committee (RRC) comprising representatives from all stakeholder groups for the purpose of enhancing ease of doing business.

5. The RRC recommended IRDAI (Expenses of Management, including Commission, of Insurers) Regulations, 2023 in place of the following regulations:
 - a) Insurance Regulatory and Development Authority of India (Expenses of Management of Insurers transacting General or Health Insurance Business) Regulations, 2023;
 - b) Insurance Regulatory and Development Authority of India (Expenses of Management of Insurers transacting Life Insurance Business) Regulations, 2023 and
 - c) Insurance Regulatory and Development Authority of India (Payment of Commission) Regulations, 2023.
6. After internal discussions, the exposure draft of IRDAI (Expenses of Management, including Commission, of Insurers) Regulations, 2023 was published on IRDAI website on 14th November, 2023, requesting all the stakeholders to forward their comments / suggestions, if any, on the proposed regulations on or before on 06th December, 2023.
7. The exposure draft was placed for consultation of Insurance Advisory Committee on 13th December, 2023.
8. The comments received on the Exposure Draft were duly considered. Following are the major changes proposed in the new regulations when compared with existing Regulations:
 - (a) The proposed Regulations is the merger of Regulations mentioned in para 2(a), 2(b) and 2(c) above;
 - (b) The format of EoM Returns for Life insurance business is at compliance level;
 - (c) The Certificate on Returns of EoM to be specified by a separate circular.
9. The draft of the IRDAI (Expenses of Management, including commission of insurers) Regulations, 2024, is placed as Annexure - A.

Placed for approval of the Authority