



Ref: IRDAI/F&I/CIR/79/5/2024

Date: 15.05.2024

Master Circular on Expenses of Management, including Commission, of Insurers, 2024

1. The extant Insurance Regulatory and Development Authority of India (Expenses of Management, including Commission, of Insurers) Regulations, 2024 were notified on 23rd January, 2024. In order to supplement the regulations, this Master Circular is issued under section 34 of the Insurance Act, 1938, section 14 of the IRDA Act, 1999 and Regulation 23 of the Insurance Regulatory and Development Authority of India (Expenses of Management, including Commission, of Insurers) Regulations, 2024.
2. The title of this Master Circular shall be “Master Circular on Expenses of Management, including Commission, of Insurers, 2024”.
3. This Master Circular is applicable to life, general and health insurers. This Master Circular shall come into force from the date of issuance.

This has approval of the Competent Authority.

Sd/-
G R Surya Kumar
Chief General Manager

Contents

CHAPTER - I.....	3
Guidance note – Board policy of the insurer on the commission structure.....	3
CHAPTER – II.....	5
Business Plan for General /Health /Life Insurers	5
CHAPTER - III.....	6
Returns of Expenses of Management.....	6
CHAPTER – IV	6
Return on payment of Commission by the Insurer.....	6
 Annexure I – Auditor Certificate (General or Health Insurer)	7
Annexure II - Auditor Certificate (Life Insurer)	9
Schedule I – List of Circulars repealed	11

CHAPTER - I

GUIDANCE NOTE – BOARD POLICY OF THE INSURER ON THE COMMISSION STRUCTURE

(refer Regulation 4)

1. Every Insurer shall formulate a policy approved by the board for payment of commission.
 - 1.1. As the “Insurance Agents, Intermediaries or Insurance Intermediaries” (herein after referred to as intermediaries) play a crucial role in the distribution of insurance products, it is essential for the insurers to have a clear and transparent board policy on their commission structure to ensure fairness, transparency, compliance, efficiency and industry reputation in the insurance distribution process.
 - 1.2. The board policy on commission structures for intermediaries shall, at the minimum, include the following key elements:
 - (a) **Objectives and Principles:** The board policy shall clearly state the objectives and principles that underpin the commission structure. This shall include promoting fair and transparent competition among intermediaries, aligning incentives with customer needs and encouraging efficient and cost effective distribution.
 - (b) **Fairness and Reasonableness:** The commission structure shall be reasonable and not result in excessive compensation for intermediaries at the expenses of customers or the insurer. Insurers shall ensure their commission structure is commensurate with the efforts required to acquire and sustain that type of business. This means intermediaries shall be compensated fairly for their work, regardless of their size or bargaining power.
 - (c) **Good distribution practice:** The Board policy on commission structure shall encourage good distribution practices of intermediaries. This can help enhance customer satisfaction, build a stronger relationship with the customers, increase the insurer’s market share and ensure compliance with regulatory requirements.
 - (d) **Regular review:** The board policy shall establish a standard review process for the commission structure, which includes assessments of its effectiveness, efficiency, impact on premium rates, benefit pay-outs, penetration, alignment

with customer needs and interests etc. The review shall be conducted by the audit committee at least on an annual basis.

- (e) **Market Conduct:** The board policy shall outline the governance and oversight mechanism for market conduct to ensure that intermediaries adhere to high standards of behavior and ethical practices. The board policy shall recognize and address potential conflicts of interest due to the commission structure, such as intermediaries recommending products not in the customer's best interest to earn higher commissions.
 - (f) **Monitoring and Reporting:** The board policy shall establish reporting requirements for the commission structure, which includes regular reporting to the board of directors and senior management on the performance and compliance of the commission structure.
 - (g) **Applicability:** Any new commission structure shall not apply to already sold policies.
- 1.3. Overall, the commission structure of intermediaries shall be designed to promote fair and transparent practices that protect policyholders' interests and encourage insurance penetration.

CHAPTER – II

BUSINESS PLAN FOR GENERAL /HEALTH /LIFE INSURERS

(refer regulation 5(1))

2. Every insurer shall prepare a business plan in accordance with regulation 5 of the Regulations. The business plan shall, at the minimum, specify the following:

(Rs. in lakhs)

Particulars	Financial Year			
Gross Premium Written				
Less : Reinsurance ceded				
Net Premium Written				
Investment Income (Policyholder account)				
Other Income				
Total Income (A)				
Claims Incurred /Benefits paid (Net of Reinsurance)				
Operating Expenses				
Commission				
Change in Liability/Provisions, etc.				
Total Outgo and Liability/Provisions, etc. (B)				
Operating Profit/Surplus (C) = (A) – (B)				
Profit Before Tax (PBT)				
Expenses of Management (Operating Expenses + Commission)				
Expenses of Management to Gross Premium Written (in %)				
Projected EoM Ratio (in %)				
Projected Requirement of capital [^]				
Projected Solvency Ratio [^]	Q1	Q2	Q3	Q4

Note: ^ Life Insurers shall prepare separate tables for Participating business and Non-Participating business (Including Linked) in the above given format, provided the projected requirement of capital and projected solvency ratio may be prepared at the insurer level.

3. In case of life insurer, working paper(s) relating to preparation of the business plan in accordance with Regulation 8, Regulation 18 and Regulation 21 of the Regulations shall be maintained and be made available to the Authority, if required.
4. The business plan formulated as above shall be monitored by the Board at regular intervals.

CHAPTER - III

RETURNS OF EXPENSES OF MANAGEMENT

(refer Regulation 13)

5. For the purposes of computation of expenses of management, Income/expenditure accounted on accrual basis shall be considered. In respect of additional allowance towards insurtech expenses, depreciation on insurtech expenses of capital expenditure nature is also included.
6. Every Insurer shall place the return, under Regulation 13(1) of the Regulations, Schedule – I or Schedule – II, as applicable, along with the Statutory Auditor's certificate mentioned in Auditor Certificate – General or Health Insurer (Annexure I) or Auditor Certificate – Life Insurer (Annexure II) of this Circular, as the case may be, before the Board of the Insurer for approval.
7. The return of expenses of management and specified documents duly adopted by the Board along with the certified true copy of minutes of the meetings wherein the committee(s) and/or Board of the insurer has approved these documents, shall be filed with the Authority along with annual financial statements.

CHAPTER – IV

RETURN ON PAYMENT OF COMMISSION BY THE INSURER

(refer Regulation 14(2))

8. Insurer shall place the return, under Regulation 14(2) of the Regulations, before the Board of the Insurer for approval and submit to the Authority as per Regulation 14(1) of the Regulations.
9. The formats of the return referred above shall be as specified in the Master Circular on Submission of Returns.

Auditor Certificate – General or Health Insurer
Certificate on Return of Expenses of Management for General or Health insurer
(refer Regulation 13(2))

Certificate on Return of Expenses of Management prepared under Regulation 13(1) of the Insurance Regulatory and Development Authority of India (Expenses of Management, including Commission, of Insurers) Regulations, 2024

To the Board of Directors of (*name of the Insurer*)

I/We..... (Name of the Auditor), the statutory auditors of (*name of the Insurer*) (hereinafter “the Insurer”) have examined the attached Return of Expenses of Management for the financial year ended (*specify the date*) (hereinafter “the Return”), prepared by the Insurer pursuant to Regulation 13(1) of the Insurance Regulatory and Development Authority of India (Expenses of Management, including Commission, of Insurers) Regulations, 2024 (hereinafter “the Regulations”).

We have carried out our verification in accordance with the Guidance Note on Audit Reports, Certificates for Special Purposes and other applicable guidance notes issued by the Institute of Chartered Accountants of India.

Based on our aforesaid verification and to the best of our knowledge and belief and according to the information, explanations and representations given to us by the management of the Insurer, I/we hereby certify that:

1. The computation of Expenses of Management as contained in the attached Return are in accordance with the Insurance Regulatory and Development Authority of India (Expenses of Management, including Commission, of Insurers) Regulations, 2024.
2. The commission payouts are in accordance with the Board approved policy and commission structure.
3. The apportionment and allocation of management expenses amongst various business segments are in accordance with the policy laid down in this regard by the Insurer.
4. The Insurer has complied with the provisions of Regulation 19 and Regulation 21, the excess of expenses has been charged to Profit & Loss Account.
5. The apportionment, allocation and accounting of expenses incurred towards Insurtech, Insurance awareness, Rural sector, Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jan Arogya Yojana (PMJAY) and Pradhan Mantri Fasal Bima Yojana (PMFBY) or such other schemes as specified by Authority, are correct as per the books of accounts and records maintained by the insurer and as per the generally accepted accounting principles.

Place:
Date:

For XYZ & Co.
Chartered Accountants
Firm's Registration Number

.....
(Signature)
(Name of the Member)
(Designation)
Membership Number
UDIN

(Note: *Please furnish details of deviations/ exceptions observed, if any.*)

Auditor Certificate – Life Insurer
Certificate on Return of Expenses of Management for Life insurer
(refer regulation 13(2))

Certificate on Return of Expenses of Management prepared under Regulation 13(1) of the Insurance Regulatory and Development Authority of India (Expenses of Management, including Commission, of Insurers) Regulations, 2024

To the Board of Directors of (*name of the Insurer*)

I/We..... (Name of the Auditor), the statutory auditors of (*name of the Insurer*) (hereinafter “the Insurer”) have examined the attached Return of Expenses of Management for the financial year ended (*specify the date*) (hereinafter “the Return”), prepared by the Insurer pursuant to Regulation 13(1) of the Insurance Regulatory and Development Authority of India (Expenses of Management, including Commission, of Insurers) Regulations, 2024 (hereinafter “the Regulations”).

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1. The computation of Expenses of Management as contained in the attached Return are in accordance with the Insurance Regulatory and Development Authority of India (Expenses of Management, including Commission, of Insurers) Regulations, 2024.
2. The commission payouts are in accordance with the Board approved policy and commission structure.
3. The apportionment and allocation of management expenses amongst various business segments are in accordance with the policy laid down in this regard by the Insurer.
4. The Insurer has complied with the provisions of Regulation 20 and Regulation 21, the excess of expenses has been charged to Profit & Loss Account. Such excess expenses have been charged on overall basis for par products and for non-par (including linked) products.
5. The apportionment, allocation and accounting of expenses relating to Insurtech, Insurance awareness, Rural sector, Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) or such other schemes as specified by Authority, are correct as per the books of accounts and records maintained by the insurer and as per the generally accepted accounting principles.

Place:
Date:

For XYZ & Co.
Chartered Accountants
Firm's Registration Number

.....
(Signature)
(Name of the Member)
(Designation)
Membership Number
UDIN

(Please furnish deviations/ exceptions observed, if any.)

Schedule-I

List of Circulars repealed

Sl. No.	Circular Reference	Subject
1	IRDAI/INT/CIR/MISC/82/3/2023 dated 31.03.2023	Guidance note - Board policy of the insurer on the commission structure
2	IRDAI/F&I/CIR/EOM/84/4/2023 dated 05.04.2023	IRDAI (Expenses of Management of insurers transacting Life Insurance business) Regulations 2023 - Clarifications.