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Analysing developments impacting business

IRDAI NOTIFIES FIRST UNIFIED REGULATIONS ON EXPENSES OF MANAGEMENT AND COMMISSION, SETS THE TONE FOR CONSOLIDATED REGULATIONS

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Introduction

The Insurance Regulatory and Development Authority of India (IRDAI), with the objective of “*transitioning towards principle-based regulations and streamlining the existing array of regulatory stipulations*”, has notified the IRDAI (Expenses of Management, including Commission, of Insurers) Regulations 2024 (2024 Unified Regulations) on 24 January 2024, shortly after issuing its exposure draft in November 2023.

The 2024 Unified Regulations consolidate the provisions of the IRDAI (Expenses of Management of Insurers transacting General or Health Insurance Business) Regulations 2023, the IRDAI (Expenses of Management of Insurers Transacting Life Insurance Business) Regulations 2023, and the IRDAI (Payment of Commission) Regulations 2023 (collectively, the 2023 Regulations, the analysis of which is available [here](#)).

The 2024 Unified Regulations shall come into force on 1 April 2024 for a period of three years.

Salient Features

The 2024 Unified Regulations now expressly require insurers to also have regard to the ‘structure of commission payable’ while framing their board-approved policy on the payment of commission, presumably to ensure consistency with the guidance note issued by the IRDAI on 31 March 2023 on the board-approved policy for payment of commission, which shall additionally continue to apply.

Insurers that are unable to comply with the expenses of management (EoM) limits for FY 2023-24 are required to bring their EoM within the permissible limits before FY 2025-26.

While the 2024 Unified Regulations will supersede each of the 2023 Regulations, there will not be substantial deviations in regulatory coverage under the new regulations, either in terms of EoM or commission limits, or in respect of compliance or reporting requirements.

Conclusion

The 2024 Unified Regulations reflect the IRDAI’s intent to combine the provisions of distinct regulations that conceptually deal with the same subject matter.

Similar consolidation of other subject-specific regulations are expected to follow subsequently. IRDAI has already released exposure drafts of: (a) the IRDAI (Insurance Products) Regulations 2023 that will combine the provisions of the existing IRDAI (Micro

ERGO | IRDAI notifies first Unified Regulations on Expenses of Management and Commission, sets the tone for Consolidated Regulations

Insurance) Regulations 2015, IRDAI (Minimum Limits for Annuities and other benefits) Regulations 2015, IRDAI (Acquisition of Surrender and Paid up values) Regulations 2015, IRDAI (Health Insurance) Regulations 2016, IRDAI (Unit Linked Insurance Products) Regulations 2019, and IRDAI (Non-Linked Insurance Products) Regulations 2019; and (b) the IRDAI (Registration and Operations of Foreign Reinsurers Branches & Lloyd's India) Regulations 2024 which will combine the provisions of the existing IRDAI (Registration and Operations of Branch Offices of Foreign Reinsurers other than Lloyd's) Regulations 2015 and IRDAI (Lloyd's India) Regulations 2016, providing for a consolidated set of regulations governing various insurance products offered by insurers in India.

- *Aravind Venugopal (Partner), Akhil Sharma (Principal Associate) and Ruturaj Jere (Senior Associate)*

For any queries please contact: editors@khaitanco.com

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