

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2707

ANSWERED ON:19.12.2003

REMUNERATION SYSTEM FOR BROKERS AND AGENTS IN INSURANCE BUSINESS

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**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Insurance Regulatory Development Authority of India (IRDA) constituted an expert committee to look into the remuneration system for brokers and agents in the General Insurance Business;
- (b) if so, the existing norms with regard to the payment of discount in view of agency commission in remuneration to policy holders;
- (c) the reasons for reviewing the existing norms and whether the report of the expert committee has been finalized; and
- (d) if so, the details thereof?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO VITHOBA ADSUL):

(a) Yes, Sir.

(b) As per the existing norms, for directly placed business of Government and PSUs, 5% discount on basic tariff premium is applicable in lieu of brokerage. In respect of the businesses of other insured such as companies with paid up capital of Rs.1 crore & above and cooperatives with paid up capital of Rs. 5 lakhs & above, the insurers can choose to place their business directly for availing 5% discount on premium or through brokers/ intermediaries for which brokerage in the range of 5% 12.5% is permissible depending upon the size of paid up capital. The discount of 5% is required to be shown on the face of the policy.

(c) and (d) On the basis of the representation received by Insurance Regulatory Development Authority (IRDA), an Expert Committee was set up by the Authority to examine, inter alia, the issue of remuneration system for intermediaries and discount offered in lieu of commission. The Expert Committee has since submitted its report on 12th December, 2003.