

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2583  
ANSWERED ON:11.03.2011  
RENEWAL OF LICENCES OF INSURANCE AGENTS  
Dharmshi Shri Babar Gajanan

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

- (a) whether the Insurance Companies have revised the rules regarding renewal of licence to their insurance agents keeping in view that half of the insurance policies sold by them are not renewed in the subsequent year;
- (b) if so, the details thereof; and
- (c) the steps taken/proposed to be taken by the Government in this direction?

**Answer**

Minister of State in the Ministry Finance (Shri Namo Narain Meena)

(a) to (c): The Insurance Regulatory and Development Authority (IRDA) has reported that Section 42 of the Insurance Act, 1938 and IRDA (Licensing of Insurance Agents) Regulations, 2000 provides for issuance of fresh licences as well as renewal of licence of an insurance agent by IRDA. On 11.02.2011, IRDA has issued guidelines mandating insurance agents to renew licence of insurance agents based on persistency levels specified in the guidelines. The persistency level is defined as the percentage of policy contracts still in force at the specified time interval after they have been issued and shall be calculated on premium basis as well as policy basis. The gist of the guidelines are:

- (i) For all licence renewals prior to the Financial Year 2014-15, the average Persistency Rate for each agent for the years 2011-12, 2012-13 and 2013-14 shall be at least 50% in terms of both policies and premium procured by such agent.
- (ii) From the Financial Year 2014-15, the Persistency Rate for each agent shall be at least 75% in terms of both policies and premium procured by such agent.
- (iii) The Persistency Rate shall be on a pro-rata basis and rounded off to the nearest decimal where the financial year is not covered in full.
- (iv) Renewal of agent licence is subject to meeting the persistency rates as stated in (i) and (ii).