



ALL INDIA LIC AGENTS' FEDERATION

CENTRAL SECRETARIAT, 'AGENTS BHAVAN', T.C 36/1567(4), KERA-196, ENCHAKKAL,
VALLAKKADAVU (PO), TRIVANDRUM, KERALA-695008.
Regd. No. 174/86 (Under Indian Trade Union Act 1926)

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Date: 12/12/2022

To,
The Chairman
Insurance Regulatory and Development Authority of India,
SY No. 115/1, Financial District,
Nanakramguda, Gachibowli,
Hyderabad – 500032.

SUGGESTIONS

Draft IRDAI (Payment of Commission) Regulations, 2022

Changes suggested by: AILIAF		Date: 12.12.20122	
Regulation	उप-विनियम संख्या /पैरा संख्या Sub-Regulation No./ Para Number	टिप्पणियाँ/ प्रस्तावित परररतन Comments/ Change proposed	कारर / तकातधार Reasons/Rationale
4 & 5	<p>4. & 5</p> <p>(iv) the interest of the insurance agents and intermediaries or insurance intermediaries</p> <p>(v) enhances the performance of the insurance agents and intermediaries or insurance intermediaries;</p> <p>(vi) it is commensurate with its business strategy;</p> <p>(vii) brings cost efficiencies in the conduct of business and simplification of the administration of insurance business;</p>	<p>In order to achieve desired goals, major changes in all administrative and marketing activities, practices and procedures are to be brought in and the Board shall and approve those strategies.</p>	<p>Serious anomalies, unhealthy practices, administrative lacunas, unscientific marketing activities, advertisements uneconomic alternate channels, which eat in to the expenses and contribute to high cost of insurance are to be addressed first, before capping commission rates.</p> <p>Details in the Appendix -1</p>

APPENDIX-1

As regards to Clause 4 & 5, we have serious concern, objection and wish to submit following reasons, rationale.

Proposed Clause 5: Commission payable to insurance agents or intermediaries or insurance intermediaries by insurers.

(a) The total amount of commission payable under life insurance products including health insurance products offered by life insurers shall not exceed the Expense of Management (EOM) limits specified under Insurance Regulatory and Development Authority of India (Expenses of Management of Insurers transacting life insurance business) Regulations, 2022 as amended from time to time.

(b) The total amount of commission payable under general insurance products including health insurance products offered by general insurers and health insurance products offered by standalone health insurers shall not exceed the EOM limits specified under Insurance Regulatory and Development Authority of India (Expenses of Management of Insurers transacting General or Health Insurance business).

Our contention/ Rationale.

1. In LIC of India, 90% business is done by agents that too mainly by relationship marketing. Agents are most cost-effective intermediary and people, especially in rural areas, whole heartedly accepted them. They reach every nook and corner of the country to spread the message of life insurance. They are prime source for insurance penetration in rural India.
2. When there are steps to limit commission expense within the *Expense of Management (EOM)* there will irrational and unscientific curtailment of Agents Commission which is practiced as an easiest choice.
3. But in order to achieve desired goals in this legislation, certain anomalies, unhealthy practices, administrative lacunas which eat in to the expenses and contribute to it are to be addressed first.
4. Unscientific marketing activities, advertisements uneconomic alternate channels, multiple offices in same city centers to accommodate Managers and other extravaganzas are major expenses. Despite having biggest infrastructure, own buildings and premises, sprawling real estate area etc. that too at prime locations in almost all cities in the country, many offices in the same centers are in rented premises, when vast space in LIC's own buildings is left unoccupied.
5. Many of the business competitions in LIC offering gifts, often more than the premium amount, are not rational. Offices are pressurized to unethical marketing activities so as to cook up bogus business figures for the sake of "target achievement". All these are eating in to policy holders' money and make life insurance expensive.

6. Besides, staff strength is not fixed as per prudent analysis of requirement, rather decided as per the dictate of militant trade unions. The advent of digital technology and IT enabled services facilitated involvement of minimum man power at maximum speed. But proportionate reduction in staff strength was not allowed nor made. All offices especially in city centers are crowded with excess staff. But all these offices keep jumbo team. Senior level posts and cadres are created just to accommodate officers.
7. The food coupon system is another extravaganza eating into policy holder's money. Food Coupon is not in any other service sector like banks, general insurance etc. The rationale behind food coupon is to be reviewed.
8. So, these are the major factors contributing to the high cost of insurance where stringent austerity measures are warranted. Mismanagement and lack of commitment are serious concern.

When insurers Board deliberates, these issues in LIC are to be addressed in the proper perspective for transforming insurance affordable and attractive. On the other hand, capping agents commission alone and depriving livelihood of agents are suicidal. The Regulatory Authority has to give specific direction in these aspects rather than making a legislation with the proposed vague and unspecific clauses.

Thanking you

Yours faithfully,

C. Radhakrishnan



Working President

K. Ramachandran



Secretary General