

EXPOSURE DRAFT - INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF  
INDIA (EXPENSES OF MANAGEMENT OF INSURERS TRANSACTING LIFE INSURANCE  
BUSINESS) REGULATIONS, 2022

1. The Authority is in receipt of requests from the stakeholders to review the Regulations. Therefore, the current regulations on Expenses of Management for Life insurers have been reviewed. Hence, the exposure draft of the EoM-Life Regulations 2022 was placed on the website of the Authority seeking comments of all stakeholders on 02.08.2022.
2. Based on the comments / suggestions received from various stakeholder and detailed deliberations/ consultations the draft regulations have been modified suitably.
3. The Authority is receiving comments/suggestions from various stakeholders on the proposed regulations till now. In order to re-engage the stakeholders and consolidate their comments on the revised proposed Regulations, the exposure draft of IRDAI (Expenses of Management of Insurers Transacting Life Insurance Business) Regulations, 2022, is attached as Annexure – A, for seeking comments/suggestions of the stakeholders.
4. Some of the key changes being proposed in the Regulations are as under: -
  - Introduction of Objective Clause - To enable and give flexibility to the insurers to manage their expenses within overall limits based on their gross written premium to optimally utilize their resources for enhancing benefits to policyholders
  - Applicability – New Regulations to come into effect from FY 2023-24 onwards.
  - Additional allowable expenses up to 15% incremental premium over previous year towards: -
    - Rural sector business
    - Any other Govt. schemes as may be specified
  - Additional allowable expenses up to 15% of premium for Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)
  - Expense allowances for annuity policies and paid up policies increased.
  - Additional allowances for Insurance awareness and Insuretech stipulated at 5% of total allowable expenses for the FY.
  - The Board approved policy on EoM must include measures to bring cost effectiveness and manner of transfer of benefits arising out of cost reduction, to the individual policyholders.
  - Policy to also include manner in which compliance with computation of additional allowance shall be ensured.
  - The Board approved policy on EoM to include stipulations regarding payment of commission to agents/ intermediaries.
  - New provision introduced regarding board approved business plan and expenditure projections for a financial year.
  - The compliance checks to be done on an overall basis for Participating as well as Non-Participating (including Linked) portfolios, instead of segmental basis as at present.
  - Authority may grant forbearance to insurers in case of excess expenditure up to 5 years of 'duration of business' instead of 10 years at present.
  - Glide path of three years up to FY 2025-26 for insurers which are not compliant with the expense limits laid down in the Regulations.
  - No variable pay for MD/ CEO/ WTD/ KMPs in case actual expenses exceed the business plan by 10% or more.

- New clauses under Action for Non-compliance
  - Administer a warning to the insurer after giving the insurer an opportunity of being heard,
  - Cause a valuation of the insurer to evaluate its financial health and soundness.
  - Restrict the variable remuneration of MD/ CEO in case of breach of expense limits or violation of directions.
- Corresponding changes made to the returns/ reporting formats and certificates.

5. All the stakeholders are requested to forward their comments / suggestions, if any, on the proposed regulations in the attached format (Annexure- B) on or before 5:00 PM on 15<sup>th</sup> December, 2022 to [finance.life@irdai.gov.in](mailto:finance.life@irdai.gov.in) with a copy to [venkatesh@irdai.gov.in](mailto:venkatesh@irdai.gov.in).

-o0o-