Ref: IRDA/F&I/CIR/EMT/ 183 /11/2010

Date: 18/11/2010

The CEOs of all Life Insurers

CIRCULAR

Interpretation of ‘First Ten Years of Business’ u/s 40A of the Insurance Act, 1938

Section 40A of the Insurance Act, 1938 (the Act) lays down the permissible limits for payment of commission or remuneration, in any form, in respect to any policy of life insurance issued in India by an insurer and effected through an insurance agent, in various lines/segments of life insurance business. The proviso to the said section permits life insurers, in the first ten years of business, to pay forty per cent of the first year’s premium payable on the policy, towards commission.

2. In the light of the fact that a few life insurance companies are completing ten years of business in the current financial year, it is necessary to clarify the exact relevant date to be reckoned for the purpose.

3. It is hereby, clarified that the date of grant of ‘certificate of registration’ in Form IRDA/R3 under IRDA (Registration of Indian Insurance Companies) Regulations, 2000, by IRDA shall be the relevant date for the purpose of computing the first year of commencement of business.

4. All life Insurers are directed to take note and ensure compliance.

(R.K. Nair)
Member (F&I)