

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
RAJYA SABHA
UNSTARRED QUESTION No. 1668

TO BE ANSWERED ON TUESDAY, DECEMBER 10, 2024/ 19 AGRAHAYANA, 1946
(SAKA)

STAGNATED COMMISSION OF LIC AGENTS

1668 # Shri P. Wilson:

Will the Minister of Finance be pleased to state:

- (a) Whether government has considered the concerns expressed by LIC agents as the commission has not increased since 1938, despite IRDAI recommendation. Provide details and reason therefore
- (b) The recent introduction of the clawback policy by LIC has reduced the first-year commission from 25% to and holds agents responsible for policy surrenders, requiring them to repay the commission. What steps have been taken to address these issues?
- (c) Were any consultations conducted before implementing policy changes affecting LIC agents? If so, please provide details.
- (d) If no consultations were conducted, what are the reasons for this?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

Reply (a) to (d): Insurance companies including LIC of India follow various principles in designing their products which inter-alia include regulatory prescriptions, actuarial analysis, past claim experience and accordingly decide on entry age, sum assured, premium, bonus, commission etc. Insurance companies being regulated commercial entities have flexibility to decide on all these matters, in alignment with regulatory guidelines issued by IRDAI and their Board approved underwriting policy.

IRDAI has issued IRDAI (Insurance Products) Regulations, 2024 dated 20.03.2024 and Master Circular on Life Insurance Products dated 12.06.2024 which inter-alia, have introduced Special Surrender Value to be paid in case a policy is cancelled after 1 year. Accordingly, in compliance, LIC has modified the commission structure for agents in such a way that first year commissions have been reduced slightly whereas commission for subsequent year, from 4th to 6th years, have been increased. Also, LIC has not issued any instruction regarding clawback of commission.
