

Circular

Subject: Remuneration to Key Management Persons (KMPs)

1. IRDAI (Corporate Governance for Insurers) Regulations, 2024 (“CG Regulations, 2024”) were notified on 21.3.2024. The Authority has outlined governance responsibilities of the Board in the management of insurers under the CG Regulations, 2024 in general terms. To provide various operational and procedural aspects for adoption by all insurers, a Master Circular on Corporate Governance for Insurers, 2024 (“Master Circular on CG”) was issued vide ref: IRDAI/ F&I/CIR/MISC/82/5/2024, dt. 22.5.2024.

2. In exercise of the powers conferred by Section 34 of the Insurance Act, 1938, Section 14 of the IRDA Act, 1999 and Regulation 12 of the CG Regulations, 2024, the following amendments are made in the Master Circular on CG with immediate effect:

(A) Clause 8.1 (h) and (i) are substituted as below:

“(h) Parameters forming basis of remuneration package (including incentives) of MD & CEO and all other directors and Key Management Persons

(i) Payments made to group entities and related parties”.

(B) After Clause 8.2, the following Clause is inserted:

“8.3 Disclosure of performance of insurers in respect of parameters adopted for remuneration of all KMPs

a) The performance of the insurer in respect of parameters (refer para 9.2 (d)) adopted for remuneration of all KMPs shall be disclosed on the company’s website along with corresponding information for the preceding 3 years in “easy to access” and “easy to understand” manner without seeking personal details including telephone number of the visitor for facilitating informed decision making by public and policyholders.

b) In particular, the Year To Date (YTD) information shall be disclosed as follows.

i. financial soundness (refer para 9.2(d)(i)) on quarterly basis, and

ii. products’ performance, claim responsiveness, grievance redressal, and improvements thereof (refer para 9.2(d)(ii) to (iv)) on monthly basis.”

(C) Clause 9.2 (b) and (d) are substituted as follows:

“(b) Nomination and Remuneration Committee of the insurer in consultation with the Risk Management Committee shall make a coordinated effort to have an integrated approach to the formulation of the remuneration policy. It shall ensure that,

- (i) Remuneration is aligned to policyholder outcomes,
- (ii) Remuneration is adjusted for all types of risk,
- (iii) Remuneration outcomes are symmetric with risk outcomes,
- (iv) Remuneration pay-outs are sensitive to the time horizon of the risk, and
- (v) The mix of cash and equity are consistent with risk alignment.

(d) For FY 2026-27, the minimum parameters which shall mandatorily be taken into account for assessment of performance of all KMPs for payment of variable pay or incentives and for purpose of disclosure under 8.3 above are:

(i) Overall financial soundness and improvements thereof namely,

A. For Life Insurers -

- 1) ‘Assets under management’ to ‘Total premium’ ratio,
- 2) ‘Renewal premium’ to ‘New business premium’ ratio,
- 3) Proportion of “total number of policies issued” during the year to “total number of policies exited from the books (pre-mature exits + exits due to death + exits due to maturities)” during the year,
- 4) ‘Expense of management’ to ‘Gross direct premium’ ratio.

B. For General and Stand Alone Health Insurers

- 1) Line-wise net incurred loss ratio
- 2) Line-wise ‘renewal premium’ to ‘new business premium’ ratio
- 3) ‘Expense of management’ to ‘Gross direct premium’ ratio.

- (ii) Products' performance¹ and improvements thereof;
- (iii) Claim responsiveness² and improvements thereof;

¹ Products' performance and improvements thereof

The disclosure of products' performance should entail the following.

- 1) *Features, premium, performance and returns of all products collectively contributing 90% of new or renewal premium.*
- 2) *Display of board approved policies for commission payments (average and maximum for each product or line of business), product approvals, and anti-fraud measures.*

Notes:

- a) **"Features"** of a product includes indemnity / benefit cover; returns (in case of life products); inclusions / exclusions; FAQs; documents required for issue of policies; basic documents and verifications required for claim settlement.
- b) **"Premium"** disclosure includes premium for the modal insurance cover or age and increase in premium over the preceding 3 years. (For General and SAHI limited to Retail lines – Motor, Health, PA, Homeowners, retail fire for dwellings and package policies for MSME.)
- c) **"Performance"** includes total number of policies at the beginning of the year; new policies issued during the year; premium of new policies; premium of renewal of policies; renewal proportion; maturity / surrender / withdrawal / foreclosure /cancellation proportion in case of life insurance.
- d) **"Returns"** of life insurance policies include returns on savings products during preceding three years on top five products in each category of "par", "non-par", "ULIP" and "annuity".
Returns means; total bonus on maturity including assured benefit for 'par', assured returns for 'non-par' and 'annuity' (per Rs.1,000 premium for model ages 30, 40 and 50), and 'fund performance' for 'ULIP' products.
- e) **"Board approved policies"** include the current set of policies along with previous two versions.

² Claim responsiveness and improvements thereof (In case of General and SAHI limited to Retail Lines of business – Motor, Health, PA, Homeowners, retail fire for dwellings and package policies for MSME)

The disclosure of claim responsiveness should include the following:

- 1) *Proportions of claims settled (in full or in part or repudiated or rejected or closed) within 15 days, 30 days, 60 days, and beyond from the date of filing of the claims (not when full documents are submitted; that should be responsibility of the insurer to facilitate the policyholder), and remaining unsettled at the end of the month being reported upon.*
- 2) *Proportions of claims paid in full, paid in part, repudiated, rejected, closed, and remaining unsettled at the end of the month being reported upon.*
- 3) *Value proportion of claims settled* (that should take into account partial settlement and repudiated claims)*

- (iv) Grievance redressal³ and improvements thereof;
- (v) Implementation of Indian Accounting Standards;

- (vi) Removal of dark patterns in company's own interaction with the public and ensuring the same for company's distributors.

The above 6 parameters shall have total weight of 50%, out of which parameter (v) and (vi) shall have weight of 10% each. The weight of other 4 parameters may be decided by the Board.

The disclosure of insurer's performance as per para 8.3 is mandatory.

The Board shall decide improvement benchmarks based on company's business strategy, and assess the performance accordingly only when complete and consistent disclosures are made as per para 8.3.

** Formula = Total amount of claims paid (in full or in part) ÷ Total amount claimed (of claims decided for payment in full or in part or repudiated)*

³ Grievance redressal and improvements thereof

An effective grievance redressal performance shall include:

- 1) *Segregation of grievances and service requests strictly in line with regulatory expectations;*

Number and proportion of grievances redressed within 15 days, 30 days, and beyond and remaining unaddressed being placed in public domain.

Notes:

- a) *The segregation should happen at the time of recording in the IT system itself.*
- b) **"Grievance or Complaint"** *means written expression (includes communication in the form of electronic mail or voice based electronic scripts) of dissatisfaction by a complainant with respect to solicitation or sale or purchase of an insurance policy or related services by insurer and /or by distribution channel, delay or inadequacy of claim servicing or settlement, delay in pre or post treatment authorization in case of health insurance, and delay in assessment of loss in case of motor or property insurance.*

Explanation: An inquiry or service request would not fall within the definition of "Grievance" or "Complaint".

- c) **Service request** *means requests from policyholders to change the details already provided to the insurer such as address, contact details, nominee details, etc. or simply request for a status update without expression of dissatisfaction. If not addressed in a reasonable period of 7 days, these shall be upgraded to grievance.*
- d) *Numbers and proportions of grievances redressed within 15 days, 30 days, 60 days, and beyond and remaining unaddressed shall be disclosed on the website for period up to preceding month in a year.*

The performance on parameter (v) and (vi) is binary, i.e., 'met' or 'not met'

For the balance weightage of 50% for performance assessment, the NRC / Board may adopt additional parameters in line with the business plan of the Insurer. The weightage for each of the additional parameters may be configured suitably for MD/CEO/WTDs and other KMPs depending on their respective roles. These parameters shall be spelt out in the remuneration policy. The corresponding measurement criteria should also be defined upfront.

The NRC / Board may decide appropriate benchmarks for improvements in the performance parameters based on the company's business plan and pursuit of enhancing value for the policyholders."

This has approval of the Competent Authority.

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(G.R. Surya Kumar)
Chief General Manager