

January 26, 2016

Mr. T. S. Vijayan, Chairman
Insurance Regulatory and Development Authority (IRDA)
Parisrama Bhavan, Basheer Bagh
Hyderabad - 500004 India

Re: Draft regulation on remuneration of insurance intermediaries. Proposed Cap on Commissions.

Dear Mr Vijayan,

The Council of Insurance Agents and Brokers (The Council) kindly writes you regarding IRDA's proposed draft regulation on remuneration of insurance intermediaries and the proposed cap on agent and broker commissions. The Council represents the world's largest commercial insurance brokerage firms that are responsible for placing 90% of the commercial property casualty insurance in the United States and that are eager to further serve Indian commercial clients and strengthen India's growing economy. The Council is concerned that the proposed amendment would inappropriately intervene with free market behavior and result in arbitrarily limiting consumer choice and services by restricting commissions for insurance agents and brokers paid by insurance carriers. The Council believes that the regulation's unintended consequences on insurance consumers would be significant. We therefore kindly urge you to refrain from adopting the proposal considering the negative impact it would have on insurance consumers or the Indian insurance market.

Insurance brokers represent their clients' interests at every step of the insurance policy purchase and management process. We believe the proposed regulation would reduce the number of intermediaries active in the Indian market, reducing competition and limiting customer choice. We also believe that the proposal will reduce the development more efficient services as there would be limited competition between the operators in terms of service and cost. It is also likely that, under the proposal, the market will become less accessible to certain consumers as economic viability for intermediaries to participate in the market is more restricted.

The Council believes that the proposed amendments also ignore the value of an insurance intermediary in any transaction. An insurance intermediary provides services to both their clients and the insurers. These services include recommending and placing appropriate coverage unique to each client, servicing complex insurance policies on behalf of the client, and transmitting instructions from insurers to adjusters or solicitors in the event of a claim. These services introduce and strengthen competitive market efficiencies and reduce costs while protecting consumers. The consumer should not lose the right to ask and receive information about services being provided by the intermediary at any point in the relationship. The Council believes that transparency of broker commissions will adequately address your concerns.



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Thank you for considering our concerns and please contact us at your convenience if you have any questions or would like more information.

Best,

Ken Crerar
President and CEO

Joel Wood
Senior Vice President,
Government Affairs

Joel Kopperud
Vice President,
Government Affairs

Cc: Mr. Arun Jaitley, The Honourable Union Finance Minister
Mr. Nilesh Sathe, Member, Life, IRDA
Mr Jayant Sinha, Minister of State for Finance,
Ms Anjuly Chib Duggal, Secretary (Financial Services) Ministry of Finance