

REGULATION OF INSURANCE INDUSTRY ACT, NO. 43 OF 2000 – DETERMINATION # 10
MADE UNDER SECTION 88

06th December 2021

Maximum Commission payable for Long Term insurance business and General insurance business

The Insurance Regulatory Commission of Sri Lanka (IRCSL), at its 212th Commission meeting, has decided to amend the Determination # 10. Accordingly, the following new Determination # 10 is issued:

(A)

- 1) This determination stipulates the Maximum Commissions payable to Insurance Brokers and Insurance Agents (hereinafter sometimes referred to as 'intermediaries').
- 2) The specified rates are applicable to both individual and group policies.
- 3) Commission is divided into two areas as "Regular" and "Bonus".
- 4) Regular Commission.
 - (i) Regular commission is a payment to intermediaries for procuring of insurance business.
 - (ii) Regular commission can be inbuilt to the price of the product and be charged from the policyholder.
- 5) Bonus commission.
 - (i) Bonus commission is a discretionary payment and serves as a reward for performance of intermediaries for meeting targets/volumes, low lapses/high persistency, high retention, low surrenders, low cancellations etc. as decided by the companies.
 - (ii) Bonus commission cannot be inbuilt to the price of the product or in the benefit paid to Policyholders.
- 6) The requirements above will apply to all new or revised products (long term and general) developed on or after the date this determination comes into effect.

Note: When an existing product (long term and general) is repriced, it will be considered as a 'revised' product.

All necessary documents should be submitted to the IRCSL as prescribed by the Circular No. 01 of 2021 dated 23rd March 2021.

Maximum Commission - Long Term Insurance Business

(I) Non-single premium Business

Maximum Commission that can be paid by an Insurer or Insurance Broker to an Insurance Agent

Policy Year	Maximum Regular Commission	Maximum Bonus Commission
1	30.00%	30% (Payable on Annualized Premium)
2	20.00%	
3	15.00%	
4	10.00%	
5	5.00%	
6 to 10	5.00%	
11 -	0.00%	

Maximum Commission that can be paid by an Insurer to an Insurance Broker

Policy Year	Maximum Regular Commission	Maximum Bonus Commission
1	40.50%	32.15% (Payable on Annualized Premium)
2	20.00%	
3	15.00%	
4	10.00%	
5	5.00%	
6 to 10	5.00%	
11 -	0.00%	

(II) Single-Premium Business

Maximum Commission that can be paid by an Insurer to an Insurance Broker or by an Insurer or Insurance Broker to an Insurance Agent

Policy Term	Maximum Regular Commission	Maximum Bonus Commission	
less than or equal 3 Years (= <3)	3.0%	0.90%	
Policy Term exceed 3 Years	4	3.5%	
	5	4.0%	
	6	4.5%	
			1.50%
	7	5.0%	
	8	5.5%	
	9	6.0%	
10	6.0%	1.80%	

Maximum Commission - General Insurance Business

Maximum Commission that can be paid by an Insurer or Insurance Broker to an Insurance Agent

Classes of Insurance	Maximum Regular Commission	Maximum Bonus Commission
Fire, Motor, Miscellaneous and other non-marine	15%	4.50%
Marine Insurance	10%	3.00%

Maximum Commission that can be paid by an Insurer to an Insurance Broker

Classes of Insurance	Maximum Regular Commission	Maximum Bonus Commission
Fire, Motor, Miscellaneous and other non-marine	20%	6.00%
Marine Insurance	15%	4.50%

(B) In view of (A) above, the existing Determination # 10 issued on 12th July 2011 is hereby repealed.

(C) This Determination will come into effect immediately.