

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA
UNSTARRED QUESTION No. 1801

TO BE ANSWERED MONDAY, 10 MARCH, 2025/PHALGUNA 19, 1946 (SAKA)

Clawback Policy

1801. Shri Durai Vaiko:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government considers to reverse the decision regarding reduction in the first-year commission rate given to the LIC agents;
- (b) whether the Government has any plan to notify that the 'clawback policy' once proposed by LIC which was later revoked due to widespread protest, will never be reintroduced in the future;
- (c) whether the Government considers reversing the decision of the LIC to bring down the entry age to buy an endowment plan to 50 years from 55;
- (d) the steps taken by the Government during the year 2024-25 to provide fairer commission rates to the LIC agents; and
- (e) whether the Government is aware of the negative consequences of increasing the minimum sum assured to Rs. 2 lakh from Rs. 1 lakh including the consequential increase in the premium amount?

ANSWER

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

(a) to (e): 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.

While, for LIC's New Endowment Plan, the maximum age at entry was modified from 55 years to 50 years, many of LIC's products such as Nivesh Plus, Single Premium Endowment Plan, Jeevan Akshay, New Jeevan Amar, Pension plus etc. have maximum age at entry beyond 50

years. At the same time, LIC continues to offer products such as Micro Bachat with minimum Sum Assured of Rs. 1 lakh to cater to the needs of poor people including those in rural India. Similarly, in another product namely Single Premium Endowment Plan, the minimum Sum Assured is Rs. 1 lakh. Hence, a range of products are made available by LIC to cater to diversified needs of our citizens.
