

IRDAI News in March 2025

1. IRDAI retains obligatory cession at 4% for FY26, third year in a row

1. Obligatory Cession:

- For FY26, Indian general insurers are required to cede **4% of their business** to GIC Re.
- The cession requirement has been gradually reduced over time:
 - **20% → 15% → 5% → 4%.**

2. General Insurance Corporation of India (GIC Re):

- **National Reinsurer:** India's only government-owned reinsurance company.
- **Established in 1972** under the General Insurance Business (Nationalisation) Act.
- **Wholly Owned by Government:** 100% ownership by the Government of India.
- **Regulated by IRDAI:** Operates under the supervision of the Insurance Regulatory and Development Authority of India (IRDAI).
- **Reinsurance Role:** Provides financial backing to insurance companies by sharing risks.
- **Supports Indian Insurance Market:** Helps insurers manage large claims and ensures financial stability.
- **Global Operations:** Provides reinsurance services both domestically and internationally.

3. Exceptions to Rule:

- **Terrorism Insurance Premiums:** No obligatory cession required.
- **Nuclear Risk Premiums:** No obligatory cession required.
- **Terrorism Risks:** Covered under the **India Terrorism Pool**, managed by GIC Re.
- **Nuclear Risks:** Managed under the **India Nuclear Insurance Pool (INIP)**.
- Insurers are free to seek reinsurance for terrorism and nuclear risks from **global markets**.

4. Commission on Obligatory Cession:

- **5%** for **Motor Third-Party & Oil & Energy Insurance**.
- **10%** for **Group Health Insurance**.
- **7.5%** for **Crop Insurance**.
- **15%** for all other types of insurance.

5. Revenue Trends Over the Years:

- **FY21:** Obligatory business was **30%**.
- **FY24:** Increased to **43%**.
- **FY25:** Reduced to **39%** (as of October).
- **Non-Obligatory Business:** **61%** in FY25, indicating more revenue is from voluntary (non-obligatory) reinsurance than from forced placements.

