

Ref: IRDAI/NL/CIR/MISC/95/05/2022

Dated: 12th May, 2022

ALL GENERAL INSURERS CARRYING ON THE BUSINESS OF FIRE INSURANCE

Re: Pricing of products covering Fire and Allied perils

Insurance Information Bureau of India has been periodically publishing the industry Burning Cost for Fire perils (FLEXA). All insurers have been informed that the purpose of this is to give an indication to insurers of the industry Burning Cost for various occupancies, for appropriate use in the matter of pricing the various risks.

2. The Authority has been receiving several complaints from policyholders, both directly and through various platforms such as industry associations, that insurers are referring to the Burning Cost as a 'mandated minimum rate'.

3. The objective of IIBI publishing details of Burning Costs occupancy-wise is only to give information to insurers with regard to industry-level experience for appropriate use while rating risks. By no means does this even remotely imply that this is a 'mandated minimum rate'. It is expected of insurers to consider all applicable risk factors for rating a risk and give appropriate discounts or charge loading as warranted --the rating approach shall be part of the technical note filed under the Use and File/File and Use procedure as the case may be.

4. It is reiterated that insurers shall ensure that policyholders are not mis-informed that the Burning Cost is a 'mandated minimum rate' for insurers to charge.

Please acknowledge this circular.

(Yegnapriya Bharath)

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