



Regulatory compliance framework of intermediaries of Indian life insurance industry

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Abstract

In India, regulations prescribe rights and obligations that must be fulfilled by the parties involved for the success and survival of any industry. In highly regulated domains such as insurance industry, there is a need for more comprehensive standards that can be used to assure that, intermediary network conform to regulations. To address this need, the study expound upon a detailed framework of code of conduct that each intermediary channel need to follow, in order to dwell in the competitive scenario. Above all, it should be appreciated that the spirit of regulation is honoured, and not merely considered as formal fulfilment. While the level and style of supervision would vary depending upon the type of distribution channels and business that a player practises, it is essential that all activities have to come under the umbrella of proper regulations. In the insurance industry, regulatory emphasis is certainly on protecting the policyholders' interests, apart from sectoral development and thus, there is great need for the players to ensure that at every stage, efficient service is rendered to the policyholder.

Keywords: IRDA, regulations, code of conduct, intermediaries, insurance industry, India

Introduction

The insurance services have become a major component of economic activity globally and account for a large share of economic output. Services being intangible in nature call for specialised skills being monitored by the supervisors. Besides, as the players are saddled with the fiduciary responsibility of living up to people's trust, there is a great need for a proper monitoring and supervision of the highest order. As a corollary, players as well as intermediary channels have to comply strictly with the code of conduct and instructions laid down by the supervisors, so that the performance is well achieved.

The Indian insurance industry is constantly undergoing changes in line with the changing perceptions and demands of the customers in particular and the market in general. Prior to privatization of the insurance sector, there was just one popular insurance product sold by public sector companies but today it is estimated that there are hundreds of insurance products offered by nearly 25 insurance companies. This in itself is a testimony to the growth of the insurance sector in the past decade and to how competition can bring the best out of these players. This is where the role of a regulator assumes significance. The Insurance Regulatory and Development Authority (IRDA), as the regulator for the insurance industry in India, have the primary responsibility to protect the interests of the policyholders and to secure them a fair and equitable treatment mainly in the areas of policy issuance and servicing of claims. IRDA, as the insurance regulator, has been constantly monitoring the market and ushering in the required changes in form of new regulations, guidelines and directions to bring transparency in operations of insurers thereby facilitating the orderly growth of the insurance industry.

For the success of insurance industry, strengthening of distribution network and implementation of distribution strategies are considered critical factors (Krishnamurthy et al., 2005). Initially, in Insurance Act (1938) 'agents' (called

as principal agent, chief or special agents) were the only distribution channels (Jain, 2011). Since the nationalization of Life Insurance sector and opening up of the market by IRDA (Kutty, 2010), again there were only 'individual agents' working as distribution channel in the industry (Vishwanathan, 2006; Banerjee, 2004). But period after liberalisation of the Insurance Sector in year 2000 and formation of the authority, industry embraced with quite a few distribution channels: 'individual agents', 'bancassurance' and 'direct selling' (Jain, 2011) which have been increasingly consolidating their strengths in Indian domain (Narayanan, 2008). The opening up of industry in the year 2000 marked the re-entry of private sector players which was also accompanied by prologue of new distribution channels like 'corporate agents' and 'brokers' (Murali, 2014). This shift in insurance distribution channels and resultant increased business has been indebted towards the success of industry (Jain, 2011).

To survive in pierce milieu, distribution channels which are procuring business to the industry have to follow the regulatory guidelines as prescribed by the authority. Regulatory compliance describes the standards and goals that every organization aspires to achieve in their efforts, to ensure that their employees and key stakeholders are aware of, and take steps, to comply with relevant laws and regulations. In other words, Compliance is the ability to act according to a set of rules or regulations or guidelines issued from time to time by the statutes/regulatory authorities. In any financial services business including insurance, compliance operates in two stages namely compliance with the external rules and regulations that are imposed upon an industry as a whole, and compliance with internal systems and controls that are put in place to achieve compliance with the externally imposed rules and regulations. The essential purpose of a rule or a regulation is to ensure that an activity is being conducted within the confines of the stipulated boundaries.

There are few studies which laid down the importance of adhering to the rules and regulations wherein, Jawaharlal (2013) ^[7] emphasizes that while it may be possible to achieve the various parameters assigned by the supervisors, various stakeholders have to introspect whether they are in tune with the spirit of such requirements of the regulations which have been designed with the idea of ensuring that there is uniform spread of business in various geographical regions and economic sectors. Parekh (2013) ^[9] strikes that, as the insurance industry goes along and gathers further momentum, players and other stakeholders will have to be prepared for possible events introduced by the regulators. Because of the financial crisis and a growing concentration on risk with regard to insurance companies and their affiliates, companies and the government are broadening their reach over the industry. The regulators will now examine all significant decisions and processes at various levels to satisfy themselves on the aspects of governance. Balachander (2013) writes that the present day insurance industry trends are akin to driving a racing car on empty roads; and cautions that as the roads get crowded, it would be an entirely different pathway and the players have to get used to that. The study observes that penalties and fines levied by regulators on players in the financial services, domain for non-compliance could result in a huge dent on the reputation of the players. Also Balachander (2013) focuses that wherever customers are involved, there is a need for regulation mainly to supervise, monitor and to ensure that the businesses are conducted in a manner that are not prejudicial to the overall interest of the customers. On the other hand, Verma (2013) narrates the complexities associated with fulfilling the compliance requirements in a domain is getting increasingly tougher. Vermani (2013) elucidates that policyholder protection is at the root of regulatory impositions, and in that light, any difficulty associated with regulatory compliance should be taken by the players involved. Baradhvaj (2013) writes that distribution, being an important element of business in the Indian insurance domain, has several mandates in place and calls for absolute fulfillment of the regulations in their true spirit takes up the challenges associated with the hugely important area of distribution in insurance and deals with various areas of regulatory compliance pertaining to distribution.

Code of Conduct of various Intermediaries

1. Individual Agent

An individual agent is certified person, who sells insurance products or policies on behalf of one insurance company (Venugopal, 2016). He normally works from home or work (office) place. He receives or agrees to receive payment by way of commission on all the policies sold or other remuneration in consideration of his soliciting or procuring insurance business (Rajeswari and Christy, 2012; Babu and Rao, 2013). He is licensed and governed by the Insurance Regulatory and Development Authority (licensing of Individual Insurance Agents) Regulations, 2000 to solicit and acquire insurance business relating to continuation and rejuvenation of insurance policies.

Every person holding a licence, shall adhere to the code of conduct specified below:-

(a) Every insurance agent shall:

1. identify himself and the insurance company of whom

- he is an insurance agent;
- disclose his licence to the prospect on demand;
- disseminate the requisite information in respect of insurance products offered for sale by his insurer and take into account the needs of the prospect while recommending a specific insurance plan;
- disclose the scales of commission in respect of the insurance product offered for sale, if asked by the prospect;
- indicate the premium to be charged by the insurer for the insurance product offered for sale;
- explain to the prospect, the nature of information required by the insurer, and also the importance of disclosure of material information in the purchase of an insurance contract;
- bring to the notice of the insurer any adverse habits or income inconsistency of the prospect, in the form of a report (called "Insurance Agent's Confidential Report") along with every proposal submitted to the insurer, and any material fact that may adversely affect the underwriting decision of the insurer as regards acceptance of the proposal, by making all reasonable enquiries about the prospect;
- inform promptly the prospect about the acceptance or rejection of the proposal by the insurer;
- obtain the requisite documents at the time of filing the proposal form with the insurer; and other documents subsequently asked for by the insurer for completion of the proposal;
- render necessary assistance to the policyholders or claimants or beneficiaries in complying with the requirements for settlement of claims by the insurer;
- advise every individual policyholder to effect nomination or assignment or change of address or exercise of options, as the case may be, and offer necessary assistance in this behalf, wherever necessary.

(b) No insurance agent shall

1. solicit or procure insurance business without holding a valid licence;
2. induce the prospect to omit any material information in the proposal form;
3. induce the prospect to submit wrong information in the proposal form or documents submitted to the insurer for acceptance of the proposal;
4. behave in a discourteous manner with the prospect;
5. interfere with any proposal introduced by any other insurance agent;
6. offer different rates, advantages, terms and conditions other than those offered by his insurer;
7. demand or receive a share of proceeds from the beneficiary under an insurance contract;
8. force a policyholder to terminate the existing policy and to effect a new proposal from him within three years from the date of such termination;
9. apply for fresh licence to act as an insurance agent, if his licence was earlier cancelled by the designated person, and a period of five years has not elapsed from the date of such cancellation;
10. become or remain a director of any insurance company;

(c) Every insurance agent shall, with a view to conserve the insurance business already procured through him, make every attempt to ensure remittance of the premiums by the

policyholders within the stipulated time, by giving notice to the policyholder orally and in writing.

Source:(<http://www.policyholder.gov.in/uploads/CEDocuments/agents%20code%20of%20conduct.pdf>)

2. Corporate Agent

A corporate agent is an intermediary other than an individual, representing an insurance company (Baradhvaj, 2013). They generally do not have public offices, rely instead on telemarketing and online sales efforts funded by the insurer. They are regarded as employees of the insurance companies and draw salary for their efforts. Up until now, corporate agents are allowed to sell insurance policies to their existing customers of only one insurer from the same line of business. But as per 2015, it has been made mandatory to tie up with a maximum of three insurers and a minimum of two insurers (<http://www.livemint.com/Money/ZficLn0I65rgx3JIp0WfKJ/Irda-issues-new-norms-for-corporate-agents.html>). They are also licensed and governed by the Insurance Regulatory and Development Authority (Licensing of Corporate Agents) Regulations, 2002 which lays down code of conduct for them.

Every Licensed Corporate Agent shall abide by the code of conduct specified below:

a) Every corporate agent shall:

1. be responsible for all acts of omission and commission of its corporate insurance executive and every specified person;
2. ensure that the corporate insurance executive and all specified persons are properly trained, skilled and knowledgeable in the insurance products they market;
3. ensure that the corporate insurance executive and the specified person do not make to the prospect any misrepresentation on policy benefits and returns available under the policy;
4. ensure that no prospect is forced to buy an insurance product;
5. give adequate pre-sales and post-sales advice to the insured in respect of the insurance product;
6. extend all possible help and co-operation to an insured in completion of all formalities and documentation in the event of a claim;
7. give due publicity to the fact that the corporate agent does not underwrite the risk or act as an insurer;
8. enter into service level agreements with the insurer in which the duties and responsibilities of both are defined.

(b) Every corporate agent/corporate insurance executive shall

1. identify himself and the insurance company of whom he is a representative;
2. disclose his licence/certificate to the prospect on demand
3. disseminate the requisite information in respect of insurance products offered for sale by his insurer and take into account the needs of the prospect while recommending a specific insurance plan;
4. disclose the scales of commission in respect of the insurance product offered for sale, if asked by the prospect;
5. indicate the premium to be charged by the insurer for

- the insurance product offered for sale;
6. explain to the prospect the nature of information required in the proposal form by the insurer, and also the importance of disclosure of material information in the purchase of an insurance contract;
7. bring to the notice of the insurer any adverse habits or income inconsistency of the prospect, and any material fact that may adversely affect the underwriting decision of the insurer by making all reasonable enquiries about the prospect;
8. inform promptly the prospect about the acceptance or rejection of the proposal by the insurer;
9. obtain the requisite documents at the time of filing the proposal form with the insurer; and other documents subsequently asked for by the insurer for completion of the proposal;
10. render necessary assistance to the policyholders or claimants or beneficiaries in complying with the requirements for settlement of claims by the insurer;
11. advise every individual policyholder to effect nomination or assignment or change of address or exercise of options, as the case may be, and offer necessary assistance in this behalf, wherever necessary.

(c) No corporate agent/corporate insurance executive/specified person shall:

1. solicit or procure insurance business without holding a valid licence/certificate;
 2. induce the prospect to omit any material information in the proposal form;
 3. induce the prospect to submit wrong information in the proposal form or documents submitted to the insurer for acceptance of the proposal;
 4. behave in a discourteous manner with the prospect;
 5. interfere with any proposal introduced by any other specified person or any insurance intermediary;
 6. offer different rates, advantages, terms and conditions other than those offered by his insurer;
 7. demand or receive a share of proceeds from the beneficiary under an insurance contract;
 8. force a policyholder to terminate the existing policy and to effect a new proposal from him within three years from the date of such termination;
 9. no corporate agent shall have a portfolio of insurance business from one person or one organization or one group of organizations under which the premium is in excess of fifty per cent of total premium procured in any year;
 10. apply for fresh licence to act as an insurance agent, if his licence was earlier cancelled by the designated person, and a period of five years has not elapsed from the date of such cancellation;
 11. become or remain a director of any insurance company.
- Source:(<http://www.policyholder.gov.in/uploads/CEDocuments/corporate%20agents%20code%20of%20conduct.pdf>)

3. Bancassurance

The channel was set up in India in 2000 when insurance industry has been opened to private players and Government issued notification under Banking Regulation Act which allowed Indian banks to carry out distribution of insurance services (Shah, 2003; Krishnamurthy et al., 2005). Thereafter by obtaining authorization from Reserve Bank of India (RBI), IRDA passed a notification in 2002 wherein

banks are allowed to enter in insurance business (Bala and Verma, 2012; Parida, 2014). Bancassurance is a synergy of banks and insurance company whereby insurance products are sold by banking networks (Reddy et al., 2004; Aggarwal, 2004; Chiang et al., 2009). As bancassurance is combination of banks and insurance companies, therefore it is governed by both IRDA and RBI

(a) Every Bancassurance Agent shall

1. identify himself and the insurance company of whom he is a representative;
2. disclose his licence/ certificate to the prospect on demand;
3. disseminate the requisite information in respect of insurance products offered for sale by his insurer and take into account the needs of the prospect while recommending a specific insurance plan;
4. disclose the scales of commission in respect of the insurance product offered for sale;
5. indicate the premium to be charged by the insurer for the insurance product offered for sale;
6. explain to the prospect the nature of information required in the proposal form by the insurer,
7. bring to the notice of the insurer any adverse habits or income inconsistency of the prospect,
8. inform promptly the prospect about the acceptance or rejection of the proposal by the insurer;
9. obtain the requisite documents at the time of filing the proposal form with the insurer; and other documents subsequently asked for by the insurer for completion of the proposal;
10. render necessary assistance to the policyholders or claimants or beneficiaries in complying with the requirements for settlement of claims by the insurer;
11. advise every individual policyholder to effect nomination or assignment or change of address or exercise of options, as the case may be, and offer necessary assistance in this behalf, wherever necessary;

(b) No Bancassurance agent

1. solicit or procure insurance business without holding a valid licence/ certificate;
2. induce the prospect to omit any material information in the proposal form;
3. induce the prospect to submit wrong information in the proposal form or documents submitted to the insurer for acceptance of the proposal;
4. behave in a discourteous manner with the prospect;
5. interfere with any proposal introduced by any other specified person or any insurance intermediary;
6. offer different rates, advantages, terms and conditions other than those offered by his insurer;
7. demand or receive a share of proceeds from the beneficiary under an insurance contract;
8. force a policyholder to terminate the existing policy and to effect a new proposal from him within three years from the date of such termination;
9. apply for fresh licence to act as an insurance agent, if his licence was earlier cancelled by the authority, and a period of five years has not elapsed from the date of such cancellation;
10. become or remain a director of any insurance company;
11. engage, encourage, enter into a contract with or have any sort of arrangement with any person other than a

specified person, to refer, solicit, generate lead, advise, introduce, find or provide contact details of prospective policyholders in furtherance of the distribution of the insurance product;

4. Insurance Broker

The insurance brokers, emerged as professional entities with required technical expertise to assess the range of risks (Reddy, 2014), to offer customized insurance solutions (Ramakrishna, 2014), to discover true price in a competitive market which is the need of hour. While an Agent represents only one insurance company (one general, one life or both), a Broker may deal with more than one life insurer or general insurer or both. The broker is deemed to represent the customer (Venugopal, 2016) but his remuneration is being paid by the insurer which is determined as a percentage of premium which is fixed by IRDA. They are firstly licensed by IRDA and governed by the Insurance Regulatory and Development Authority (Insurance Brokers) Regulations 2002

(https://www.irdai.gov.in/ADMINCMS/cms/frmGeneral_NoYearLayout.aspx?page=PageNo1619&flag=1).

Every insurance broker shall follow recognised standards of professional conduct and discharge their functions in the interest of the policyholders.

a) Conduct in matters relating to clients relationship.

Every insurance broker shall:

1. conduct its dealings with clients with utmost good faith and integrity at all times;
2. act with care and diligence;
3. ensure that the client understands their relationship with the insurance broker and on whose behalf the insurance broker is acting;
4. treat all information supplied by the prospective clients as completely confidential to themselves and to the insurer(s) to which the business is being offered;
5. take appropriate steps to maintain the security of confidential documents in their possession;
6. hold specific authority of client to develop terms;
7. understand the type of client it is dealing with and the extent of the client's awareness of risk and insurance;
8. avoid conflict of interest.
9. obtain necessary documents required under KYC norms

b) Conduct in matters relating to Sales practices.

Every insurance broker shall:

1. confirm that it is a member of the Insurance Brokers Association of India as approved by the Authority which has a memorandum of understanding with the Authority;
2. confirm that he does not employ agents or canvassers to bring in business;
3. identify itself and explain as soon as possible the degree of choice in the products that are on offer;
4. ensure that the client understands the type of service it can offer;
5. ensure that the policy proposed is suitable to the needs of the prospective client;
6. give advice only on those matters in which it is knowledgeable and seek or recommend other specialist for advice when necessary;
7. explain when and how the premium is payable and how such premium is to be collected,

8. explain the procedures to follow in the event of a loss;
9. not indulge in any sort of money laundering activities;
10. ensure that insurance broker does not indulge in sourcing of business by themselves or through call centers by way of misleading calls or spurious calls.

c) Conduct in relation to furnishing of information.

Every insurance broker shall:

1. ensure that the consequences of non-disclosure and inaccuracies are pointed out to the prospective client;
2. avoid influencing the prospective client and make it clear that all the answers or statements given are the latter's own responsibility;
3. disclose on behalf of its client all material facts within its knowledge and give a fair presentation of the risk.

d) Conduct in relation to explanation of insurance contract

Every insurance broker shall:

1. provide the list of insurer(s);
2. explain all the essential provisions of the cover afforded by the policy recommended by him so that, as far as possible, the prospective client understands what is being purchased;
3. quote terms exactly as provided by insurer;
4. draw attention to any warranty imposed under the policy, major or unusual restrictions, exclusions under the policy and explain how the contract may be cancelled;
5. provide the client with prompt written confirmation that insurance has been effected. If the final policy wording is not included with this confirmation, the same shall be forwarded as soon as possible;
6. notify changes to the terms and conditions of any insurance contract and give reasonable notice before any changes take effect;

e) Conduct in relation to renewal of policies

Every insurance broker shall:

1. ensure that its client is aware of the expiry date of the insurance even if it chooses not to offer further cover to the client;
2. ensure that renewal notices contain a warning about the duty of disclosure including the necessity to advise changes affecting the policy, which have occurred since the policy inception or the last renewal date;
3. ensure that renewal notices contain a requirement for keeping a record (including copies of letters) of all information supplied to the insurer for the purpose of renewal of the contract;
4. ensure that the client receives the insurer's renewal invitation well in time before the expiry date.

f) Conduct in relation to claim by client

Every insurance broker shall:

1. explain to its clients their obligation to notify claims promptly and to disclose all material facts and advise subsequent developments as soon as possible;
2. request the client to make true, fair and complete disclosure where it believes that the client has not done so;
3. give prompt advice to the client of any requirements concerning the claim;
4. forward any information received from the client

regarding a claim or an incident that may give rise to a claim without delay, and in any event within three working days;

5. advise the client without delay of the insurer's decision or otherwise of a claim; and give all reasonable assistance to the client in pursuing his claim.

g) Conduct in relation to receipt of complaints

Every insurance broker shall:

1. ensure that letters of instruction, policies and renewal documents contain details of complaints handling procedures;
2. accept complaints either by phone or in writing;
3. acknowledge a complaint within fourteen days from the receipt of correspondence, advise the member of staff who will be dealing with the complaint and the timetable for dealing with it;
4. ensure that response letters are sent and inform the complainant of what he may do if he is unhappy with the response;
5. ensure that complaints are dealt with at a suitably senior level;
6. have in place a system for recording and monitoring complaints.

h) Conduct in relation to documentation

Every insurance broker shall:—

1. ensure that any documents issued comply with all statutory or regulatory requirements from time to time in force;
2. send policy documentation without avoidable delay;
3. make available, with policy documentation, advice that the documentation shall be read carefully and retained by the client;
4. not withhold documentation from its clients without their consent, unless adequate and justifiable reasons are disclosed in writing and without delay to the client;
5. acknowledge receipt of all monies received in connection with an insurance policy;
6. ensure that the reply is sent promptly or use its best endeavours to obtain a prompt reply to all correspondence;
7. ensure that all written terms and conditions are fair in substance and set out, clearly and in plain language, client's rights and responsibilities; and

i) Conduct in matters relating to advertising.

Every insurance broker shall confirm to the provisions of Insurance Regulatory and Development Authority Regulations, 2000, and

1. ensure that statements made are not misleading or extravagant;
2. where appropriate, distinguish between contractual benefits which the insurance policy is bound to provide and non-contractual benefits which may be provided;
3. ensure that advertisements shall not be restricted to the policies of one insurer, except where the reasons for such restriction are fully explained with the prior approval of that insurer;
4. ensure that advertisements contain nothing which is in breach of the law nor omit anything which the law requires;
5. ensure that advertisement does not encourage or condone defiance or breach of the law;

6. ensure that advertisements are not so framed as to abuse the trust of clients or exploit their lack of experience or knowledge;

j) Conduct in matters relating receipt of remuneration.—Every insurance broker shall:—

1. disclose whether in addition to the remuneration prescribed under these regulations, he proposes to charge the client, and if so in what manner;
2. advise the client in writing of the insurance premium and any fees or charges separately and the purpose of any related services;
3. if requested by a client, disclose the amount of remuneration or other remuneration it receives as a result of effecting insurance for that client.
4. advise its clients, prior to effecting the insurance, of their intention to make any deductions from the amount of claim collected for a client,

k) Conduct in relation to matters relating to training

Every insurance broker shall:

1. ensure that its staff are aware of and adhere to the standards expected of them by this code;
2. ensure that staff are competent, suitable and have been given adequate training;
3. ensure that there is a system in place to monitor the quality of advice given by its staff;
4. ensure that members of staff are aware of legal requirements including the law of agency affecting their activities; and only handle classes of business in which they are competent

Source: (<http://www.policyholder.gov.in/uploads/CEDocuments/brokers%20code%20of%20conduct.pdf>)

5. Web Aggregator

Web aggregators collect data from various sources and databases such as insurance company websites, compile it and present to prospective buyers of insurance policies (Srivathsan, 2016). By selling products online through websites, web aggregators earn commission from insurance companies (Kumar, 2016). A web aggregator is not a licensed entity for soliciting business (Baradhvaj, 2013), has not registered under any other category of intermediary nor engaged in any other business. They can provide required information to potential buyer but cannot endorse any particular insurer or publicize particular policy.

(a) Eligibility criteria for License of the Web Aggregator

1. For the grant or renewal of License of the web aggregator, the applicant shall have the business of web aggregation of Insurance Products only as its main object.
2. is not engaged in any other business other than the main object;
3. shall not be licensed / registered as an insurance agent, corporate agent, micro-insurance agent, TPA, surveyor, Loss assessor or any other Insurance Intermediary under the relevant Regulations framed by the Authority;
4. The applicant shall not have a referral arrangement with an Insurer.
5. License once issued shall be valid for a period of three years from the date of its issue, unless the same is suspended or cancelled pursuant to these Regulations
6. An application, which is not complete in all respects,

shall be liable to be rejected.

(b) Application seeking Renewal of License

1. Web Aggregators interested in continuing in the business shall apply with the Authority for renewal of the License at least 30 before expiry of the previous License.
2. No Web Aggregator shall be allowed to carry out the functions of the Web Aggregator, after expiry of the license.
3. Web Aggregator is permitted to submit the renewal application within ninety days before expiry of the license.
4. The Authority may reject application made by the applicant to the Authority seeking grant of License/renewal, if it does not satisfy the eligibility criteria

(c) Cancellation or suspension of license with notice

The license of a Web Aggregator may be cancelled or suspended after due notice and after giving him a reasonable opportunity of being heard if he

1. violates the provisions of the Insurance Act,1938, Insurance Regulatory And Development Authority Act, 1999
2. fails to act in accordance with the Obligations of the Web Aggregators
3. furnishes wrong or false information for obtaining a license; or conceals or fails to disclose material facts in the application submitted for obtaining a license;
4. fails to furnish any information relating to his activities as required by the Authority or furnishes wrong or false information or conceals or fails to disclose material facts to the Authority during the validity of license;
5. does not submit periodical returns as required by the Authority;
6. does not co-operate with any inspection or enquiry conducted by the Authority;
7. fails to resolve the complaints of the policy holders or fails to give a satisfactory reply to the Authority in this behalf;
8. indulges in rebates or inducements in cash or kind to a Prospect or any of the Prospect's directors or other employees or any person acting as an introducer;
9. fails to pay the fees required under Regulation 7 of these Regulations;
10. fails to maintain the capital requirements in accordance with the provisions of Regulation 8 of these regulations;

(d) Cancellation or suspension of license without notice

The license of an Web Aggregator may be cancelled or suspended without notice, if it —

1. is found guilty of fraud, or is convicted of a criminal offence;
2. commits such defaults, which require immediate action in the opinion of the Authority, provided that the Authority has communicated the reasons for the cancellation in writing;
3. has not commenced business within six months of being granted a license;

(e) Annual Fees

1. Every Web Aggregator shall pay annual license fees of Rs. 5,000/-.

- The annual license fee shall be paid within 15 days of the finalization of annual audited accounts of the Web Aggregator or 30th of September, whichever is earlier.

(f) Duties and Functions

The Web Aggregator shall:

- carry out the activities for the purpose of Lead Generation for insurers;
- ensure that the information systems, (both hardware and software) in compliance with the generally accepted information security standards and procedures in force in India from time to time;
- shall conduct the business in a fair manner

The Web Aggregators shall not

- display any information pertaining to products or services of other Financial institutions /or any product or service on the website;
- display advertising of any sort, either pertaining to any product or service including insurance product or service, other financial products or service;
- operate multiple websites or tie up with other approved/unapproved/unlicensed entities/websites for lead generation / comparison of product etc.

(g) Display of product comparisons on the web site

- Web aggregators shall disclose prominently on the home page
- Product information displayed shall be authentic and be based solely on information received from insurers.
- shall not display ratings, rankings, endorsements or bestsellers of insurance products on their website.
- shall use a Lead Management Systems (LMS) capable of recording the full details of the visitors to the designated website of the Web Aggregator

(h) Products will be categorized as

- Life: Whole Life Policies, Term Insurance Products, Endowment Products, Health Insurance products, Retirement – Immediate annuities, Retirement – Deferred annuities, Children’s products
- Non Life: Home Insurance, Motor Insurance, Health Insurance, Travel Insurance, Personal Accident Insurance, Rural Insurance

(i) Maintenance of books of account, records, etc.

Every Web Aggregator

- shall prepare a balance sheet or a statement of affairs, a profit and loss account, a statement of cash/fund flow for every accounting year;
- shall submit to the Authority, a copy of the audited financial statements along with the auditor’s report thereon within ninety days
- shall maintain all the books of account, statements, document, etc., at the head office
- shall maintain the Insurer wise records of :
 - Leads generated and transmitted
 - Leads converted into policies
 - complaints received and disposed
 - Products Displayed on the website for comparison
 - Remuneration received for Products displayed
 - Remuneration received for leads converted to policies
 - Remuneration received from outsourcing activities

(j) Disclosures to the Authority

A Web Aggregator

- Shall disclose to the Authority, as and when required by it, in any event not later than thirty days of a requisition, any change in the information or the names of the clients whose insurance portfolio he manages or has managed;
- any other Information / requirement specified by the Authority from time to time
- shall take the prior approval of the Authority for change of Principal Officer, change in Director/s or Designated Partner/s; change in name of the company; change of address of registered office/corporate office; change of location of the Servers hosting the comparison website(s)
- shall furnish to the Authority, opening/closing of branch offices; list of qualified persons to solicit insurance business through Telemarketing/Distance marketing modes;

(k) Conduct in matters relating to clients relationship:

Every Web aggregator shall:

- conduct its dealings with prospects with utmost good faith and integrity at all times;
- act with care and diligence;
- treat all information supplied by the prospects as completely confidential to themselves and to the insurer(s) to whom the business is being offered;
- take appropriate steps to maintain the security of confidential documents in their possession;
- understand the type of Prospect it is dealing with and the extent of the Prospect’s awareness of risk and insurance;
- avoid conflict of interest.

(l) Conduct in relation to complaints handling

Every Web Aggregator shall

- have in place a system for recording and monitoring complaints;
- ensure that the websites contains details of complaints handling procedures and provides a facility to the complainant to log complaints online;
- ensure that communication of customers in any form, written / phone / fax / email / messaging etc. are acknowledged promptly and in no case beyond five working days from the date of receipt of such complaint;
- ensure that the grievance is resolved to the fullest satisfaction of the customer;
- ensure that response letters are sent to the complainant on the resolution of the grievance, and the complainant is informed of the further redressal procedure available to him;
- ensure that complaints are dealt with at a suitably senior level.

(m) Conduct in relation to matters relating to training

Every Web Aggregator shall:

- ensure that its staff are aware of and adhere to the standards expected of them by this code;
- ensure that staff is competent, suitable and have been given adequate training;
- ensure that there is a system in place to monitor the quality of advice given by its staff;

4. ensure that members of staff are aware of legal requirements including the law of agency

(n) Obligations of Web Aggregators

Every Web Aggregator

1. shall display License obtained from the Authority and details of validity of license on its web site;
2. shall prominently display the names of insurers with whom it has an agreement to refer leads in the Home page of the website;
3. shall maintain an effective lead management system and ensure that leads are recorded and monitored through the LMS System;
4. shall maintain the records and the reports of its activities under the agreement with Insurer, in the manner specified in the agreement entered into between the Insurer and the Web Aggregators;

Source:(https://www.irdai.gov.in/ADMINCMS/cms/frmGeneral_Layout.aspx?page=PageNo2168&flag=1)

Conclusion: The Road Ahead

Regulatory compliance should be treated on priority and should never be relegated to one of secondary importance. Above all, it should be appreciated that the spirit of regulation is honoured, and not merely considered as formal fulfilment. While the level and style of supervision would vary depending upon the type of distribution channels and business that a player practises, it is essential that all activities have to come under the umbrella of proper regulations. In the insurance industry, regulatory emphasis is certainly on protecting the policyholders' interests, apart from sectoral development; and there is thus great need for the players to ensure that at every stage efficient service is rendered to the policyholder. Further, regulatory compliance has to be ensured for the purpose, it is meant and entities should not take undue advantage of any possible lapse or deviation in the detail.

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