बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY

CIRCULAR

IRDA/CAGTS/CIR/LCE/093/06/2010

07th June, 2010

To
All the Insurers

Re: Inspection of Corporate Agents by the Insurer.

Instances have come to the notice of the Authority that a large number of firms were floated by the same set of individuals under different or similar names to act as Corporate Agents. Some of corporate agents were observed to utilize the services of a large number of people not having requisite Licence/Certificate to solicit or procure the insurance business, and paid remuneration for procuring the insurance business. The Authority has also noticed that some Corporate Agents have resorted to the use of introducers or finders or sub-agents who, in fact, sell the insurance contracts and that the Corporate Agents passed on varying levels of commission to them.

In view of the above market practices, the Authority hereby orders that the insurers shall carry out regular, annual on-site Inspection of the Corporate Agents with whom they have Corporate Agency Agreement. The process of Inspection of the Corporate Agents may be completed by 30th September every year starting from 2010. The insurer shall submit a copy of the Inspection Report to the Authority along with a summary of the violations of Insurance Act, 1938, IRDA Act, 1999, IRDA (Licensing of Corporate Agents) Regulations, 2002 and Guidelines / instructions issued by the Authority from time to time with regard to each corporate agent. The report may be sent to the corporate agent for placing before their board. The report shall also be placed before the Audit Committee and the Board of Directors of the insurer along with action taken report. The same shall be made available to IRDA Inspection team as and when required. A check list for such inspections is given below. This checklist is also relevant for individual agents with substantial distribution business and may be used by the insurers with appropriate changes. The insurers may add any other relevant points to the checklist.

Checklist for on-site Inspection of Corporate Agents:

A. The insurer shall verify and satisfy himself:

1. That the policies are being sold by licensed agents or specified persons only. This is critical and compliance shall be in letter and spirit. It is observed that several corporate agents are employing army of distributors by several names, to carry out actual sales, while the paper work is being

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done by a specified person. This practice is against the section 42 (7) of Insurance Act, 1938 and Serial number 2 of guidelines on licensing of Corporate agents.

2. The corporate insurance executive and Specified Person/s of the Corporate Agent

- **i)** Possesses the qualifications as specified under Regulation 4;
- **ii)** Possesses the practical training as specified under Regulation 5;
- **iii)** Has passed the examination as specified under Regulation 6;
- **iv)** Has the requisite knowledge to solicit and procure Insurance Business; and
- **v)** Is capable of providing the necessary service to the Policyholders.
- **vi)** That every specified person shall be an employee of the corporate agent as required under Regulation 8(2).

3. That the Corporate Agent is acting as Corporate Agent for only one life or one non-life or both (in case of Composite Corporate Agency).

4. That no director of a company or a partner of a firm or the chief executive or a corporate insurance executive or a specified person shall hold any position with

a. Another Corporate Agent
b. Broker or TPA or
c. Be on the rolls of an insurer as its employees or officer or Director

5. That the specified person on his ceasing to be an employee of the corporate agent has surrendered his certificate to the designated person as required under Regulation 10(6). The said certificate shall not be used by any other person and needs to be destroyed.

6. That every corporate agent has maintained a register which contains the name, address, telephone numbers, photographs, date of commencement of employment, date of leaving the service, if any, salary paid to the specified person as required under Regulation 14.

7. That the Group insurance sold through Corporate Agents complies with the guidelines on group insurance. Circular no. 015/IRDA/LIFE/Circular/GI Guidilines/2005 dated 14-7-2005.

8. That the commission or brokerage paid within the limits on payment of commission on general insurance business as set in IRDA Cir 011/IRDA/Brok-comm/Aug 08 dated August 25, 2008.

9. That no payment other than the commission allowed as per law including administration or servicing charges or payment by any other name is paid to the agents in respect of the business for which he is paid agency commission.

10. Where insurance is sold as an ancillary product along with a product being sold (like any banking product) by any of the major shareholders or their associates, (who may be Agents or Corporate Agents of the insurer) verify that the shareholder/s or its associates has not compelled the buyer of the other product to necessarily buy the insurance product through such Corporate Agent.

11. The complete set of records of sale process in respect of the business solicited by the Corporate Agent, including proposal forms, copies of policies or certificates of insurance, need analysis, benefit illustrations and premium register, etc... are available for the use of insurer as and when required by him and for any other judicial proceedings.

12. That the agent is complying with Sec 64VB & Payment of advance premium or any of the forms specified in IRDA regulations pertaining to in manner of receipt of premium.

13. That the claims records are maintained by the Corporate Agent to ensure compliance to Regulation 9 (1) (f), as the agent is expected to extend all possible help and co-operation to an insured/client in completion of all formalities and documentation in the event of a claim.

14. That the agent or any of its persons have not violated the provisions of section 40A, 41 and 43 of the Insurance Act.

15. That the monthly statistics of business transacted by the Corporate Agent. (At least for the preceding two full financial years) is in order.

16. Verify the audited accounts along with the schedules of the Corporate Agent. (At least for the preceding two full financial years). This audit shall, inter alia establish that the commission is not shared down the line and that all the specified persons and other employees do not get any share of the commission.

B. The Inspection should verify on the date of Inspection that :

1. Corporate insurance executive is not a minor.
2. Corporate insurance executive has not been found to be of unsound mind by a court of competent jurisdiction;
3. Corporate insurance executive has not been found guilty of criminal misappropriation or criminal breach of trust or cheating or forgery or an

abetment of or attempt to commit any such offence by a court of competent jurisdiction;

4. Corporate insurance executive has not been found guilty of or to have knowingly participated in or connived at any fraud, dishonesty or mis-representation against an insurer or an insured in the course of any judicial proceeding relating to any policy of insurance or the winding up of an insurance company or in the course of an investigation of the affairs of an insurer;
5. Corporate insurance executive has not violated the code of conduct specified under Regulation 9 of Insurance Regulatory and Development Authority (Licensing of Corporate Agents) Regulations, 2002;

C. Inspect the status of compliance of relevant Regulation 3, 4,6,8,12,13 of IRDA (Insurance Advertisements and disclosure) Regulations, 2000 and recommend action under regulation 11 of the said regulations.
D. Inspect the conduct of agents in respect of compliance of IRDA (Protection of Policyholders' interests) Regulations, 2002. In respect of matters pertaining to proposal from prospectus; point of sale; claims servicing & other general parameters of policy holders servicing including their duties to address the policy holder's complaints.

The above list is only illustrative and not exhaustive. The Insurers may add any other relevant item to the above list which they deem fit in this regard.

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(A.Giridhar)
Executive Director