

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY
NOTIFICATION
Hyderabad, ___ March, 2014

**INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (LICENSING OF
INSURANCE MARKETING FIRM) REGULATIONS, 2014**

F. No. IRDA/Reg// 2014 .

In exercise of the powers conferred by section 114A of the Insurance Act, 1938 (4 of 1938) read with sections 14 and 26 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999) and sections 42D and 42E of Insurance Act, 1938, the Authority in consultation with the Insurance Advisory Committee, hereby makes the following regulations, namely:-

Short Title and Commencement of the Regulations —

- (1) These Regulations shall be called the Insurance Regulatory and Development Authority (Licensing of Insurance Marketing Firm) Regulations, 2014.
- (2) They shall come into force on the date of their publication in the Official Gazette.
- (3) These Regulations are issued by the Authority in exercise of the powers conferred upon the Authority under Section 14(1) of the IRDA Act 1999 and Section 42D of the Insurance Act, 1938, to protect the interests of the policyholder and to regulate, promote, and ensure the orderly growth of the insurance industry.

CHAPTER I

Preliminary

1. Scope and applicability of these Regulations:

These regulations shall cover

- 1) Insurance soliciting and Insurance Servicing activities of the Insurance Marketing Firm, and its functionaries including Insurance Sales Person (ISP).
- 2) Marketing of financial products such as mutual funds of mutual fund companies; pension's products of PFRDA; and other financial products marketed by Investment advisors of SEBI etc. through the Financial Service Executives (FSE) engaged by the Insurance Marketing Firm.

2. Definitions:

- 2.1 "Act" means the Insurance Act, 1938 (4 of 1938);
- 2.2 "Authority" means the Insurance Regulatory and Development Authority established under the provisions of Section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999)

- 2.3 “Approved Institution” means an institution engaged in education and/or training particularly in the area of insurance sales, service and marketing, approved by the Authority from time to time;
- 2.4 “Activity” means and includes those activities, which can be undertaken by the Insurance Marketing Firm through sales person.
- 2.5 “Agreement” means a contract, duly enforceable by law and executed between the “Insurance Marketing Firm” and the “Insurance Sales Person” or the “Financial Service Executive” for the purposes of carrying out various activities in India. This agreement shall be deemed to have taken cognizance and incorporation of all the provisions of these Regulations.
- 2.6 “Applicant” for the Insurance Marketing Firm shall be —
- a. A Partnership Firm registered under Indian Partnership Act, 1932 (9 of 1932); or
 - b. A company formed under the Companies Act, 1956 (1 of 1956); or
 - c. A limited liability partnership formed and registered under the Limited Liability Partnership Act, 2008; or
 - d. Any other person as may be recognized by the Authority to act as an Insurance marketing Firm;
- 2.7 “Examination Body” for the purpose of these Regulations is the examination body approved by the Authority for conducting pre-Licensing exams for insurance intermediaries.
- 2.8 “Fit and Proper” is the Criteria for determining a ‘person’ and his directors or partners are suitable to be licensed by the Authority to act as Insurance Marketing Firm.
- 2.9 “Insurance Marketing Firm” is an entity licensed by the Insurance Development and Regulatory Authority to market financial products approved by financial sector regulators, by employing person licensed to market the financial products of the financial regulators.
- 2.10 "Principal Officer of Insurance Marketing Firm" in the case of Insurance Marketing Firm means a director or a partner or any officer or employee so designated by it to exclusively supervise the activities of IMF and who possesses the requisite qualifications and practical training and who have passed such an examination as required under these Regulations.
- 2.11 "Insurance Sales Person" (ISP) is an individual person employed by Insurance Marketing Firm to undertake solicitation or marketing of insurance products who is granted a certificate issued by the Authority.
- 2.12 “Financial Service Executive” (FSE) is an individual employed by Insurance Marketing Firm authorized undertake any of the following financial service related activities such as:
- a) Investment Advice through an Investment Advisor who is granted license by SEBI.
 - b) Mutual fund sales-persons holding a certification under AMFI and registered with an association of asset management companies of mutual funds.
 - c) A point of presence - sales person selling pensions annuities and registered with PFRDA.
 - d) Any other person who is recognized by the Authority for undertaken permitted activity.
- 2.13 Words and expressions used and not defined in these Regulations but defined in the Insurance Act, 1938 (4 of 1938), the Insurance Regulatory and Development Authority

Act, 1999 or in any of the Regulations / Guidelines made there under shall have the meanings respectively assigned to them in those Acts or Regulations / Guidelines.

3. Scope of functions Insurance Marketing Firm (IMF) –

- 3.1. The Insurance Marketing Firm shall be licensed by the Authority to engage Insurance Sales Person (ISP) for the purpose of Marketing Insurance Products of Life Insurance Companies, Non-Life Insurance Companies and Health Insurance companies through the qualified licensed Insurance Sales Person (ISP).
- 3.2. The Insurance Marketing Firm can also engage Financial Service Executive (FSE) in the following areas:
 - 3.2.1 Marketing Mutual fund products of Mutual Fund companies
 - 3.2.2 Marketing Pension products of PFRDA
 - 3.2.3 Marketing of Financial products authorized for sale by Investment Advisers under the Securities Exchange Board of India (Investment Advisers) Regulations, 2013.
- 3.3. The rules and conditions governing the engagement of Insurance Sales Person (ISP) and Financial Service Executive (FSE) is outlined in Schedule II of these Regulations.

4. Principal Officer of the Insurance Marketing Firm –

- 4.1. The Insurance Marketing Firm shall designate a Principal Officer who shall be the Executive Head of the Insurance Marketing Firm and who shall be responsible for regulatory compliance to the Authority on all matters relating to these Regulations.
- 4.2. The Eligibility criterion for the Principal Officer of the Insurance Marketing Firm is outlined in Part I of Schedule I of these Regulations.
- 4.3. The Training and Examination procedure for the Principal Officer is outlined in Part II of Schedule I of these regulations.
- 4.4. The FIT & PROPER rules applicable to the Principal Officer are outlined in Part III of Schedule I of the regulations.
- 4.5. The General Eligibility Criterion and Rules applicable to the Principal Officer are outlined in Part IV of Schedule I of the regulations.
- 4.6. The Licensing procedure for Insurance Marketing Firm is outlined in Schedule II Part I of these regulations.

5. Licensing for Insurance Sales Person (ISP) of the Insurance Marketing Firm:

- 5.1. The Licensing procedure for Insurance Sales Persons (ISP) in the Insurance Marketing Firm for Marketing Insurance products of Life Non-Life and Health companies is outlined in Part I Schedule II of these Regulations.
- 5.2. The Qualifications and Eligibility criterion for the Insurance Sales Person (ISP) of the Insurance Marketing Firm is outlined in Part II of Schedule II of these Regulations.
- 5.3. The Training Examination and Certification procedure for the engagement of the Insurance Sales Person (ISP) of the Insurance Marketing Firm is outlined in Part III of Schedule II of these Regulations.

- 5.4. The Code of Conduct for the Insurance Sales Person (ISP) is outlined in Schedule IX of these Regulations.
- 5.5. The requirements for the engagement of sales persons for Mutual Fund products of Mutual Fund companies; pension products of PFRDA and financial products of SEBI under the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 scheme are enumerated in Part IV Schedule II of these regulations.

CHAPTER II

Licensing of Insurance Marketing Firm

6. Application for grant of License to Insurance Marketing Firm –

- 6.1. An ‘Applicant’ as defined in Section 2 sub-section 2.6 of this regulation, desiring to obtain a License to act as a Insurance Marketing Firm shall follow the following procedure: -
 - (a) Submit an application to the Authority in the Form A as prescribed in these Regulations.
 - (b) Remit the non-refundable application fees of three thousand rupees along with the application for grant of a license.
 - (c) Submit all the necessary documents as mentioned in detail in the Application Form A
 - (d) Submit the Brokers Exam License Certificate of the Principal Officer and the Insurance Sales Persons engaged by the Insurance Marketing Firm
 - (e) Submit the licenses obtained by the Financial Sales Executives deployed by the Applicant from other regulatory / statutory bodies such as AMFI SEBI PFRDA etc. for the line of activity proposed to be undertaken.
- 6.2. An application, submitted by the Applicant that is not complete in all respects and not conforming to the instructions specified in application form and not complying with the requirements and/or directions of the Authority so mandated by it, shall be rejected. Provided that, before rejecting any such application, the Applicant shall be given a reasonable opportunity to complete the application in all respects and rectify the errors, if any.

7. Consideration of application and eligibility criteria for Insurance Marketing Firm —

- 7.1. The Authority while considering an application for grant of a license shall take into account, all matters relevant to carrying out of the functions by the Insurance Marketing Firm.
- 7.2. Without prejudice to the above, the Authority in particular, shall take into account the following, namely:-
 - i. whether the Applicant is suffering from any of the disqualifications specified under sub-section (5) of section 42 D of the Insurance Act, 1938;
 - ii. whether any person, directly or indirectly connected with the Applicant, has been refused in the past the grant of a license by the Authority.

Explanation:- For the purposes of this sub-clause, the expression “directly or indirectly connected” means a relative in the case of an individual, and in the case of a firm or a company or a body corporate, an associate, a subsidiary an interconnected undertaking or a group company of the Applicant. It is hereby clarified that these terms shall have the same meanings as ascribed to them in the Companies Act, 1956 (1 of 1956) as amended from time to time or The Competition Act, 2002, as the case may be.

- iii. Whether the Applicant fulfils the capital adequacy norms as specified in regulation 6.
- iv. Whether the ‘Principal Officer, and ‘Insurance Sales Person’ meet the
 - (i) Eligibility conditions,
 - (ii) Educational Qualifications,
 - (iii) Qualification Certificate / Insurance Broking License Certification Exam from an institute authorized by the Authority
 - (iv) Fit & Proper criteria as prescribed by the Authority in Schedule II of these Regulations.
- v. Whether the Applicant has the necessary infrastructure like adequate office space earmarked for its Insurance Marketing Firm activities, equipment and manpower to effectively discharge its activities.
- vi. Whether the Applicant which is also engaged in activities other than insurance activities, has necessary approvals/ authorizations from respective regulatory/ statutory authorities; if the applicant intends to engage in other financial activities
- vii. Whether the Authority is of the opinion that the grant of licence will be in the interest of policyholders and clients.

8. Capital Requirements of Insurance Marketing Firm:

- 8.1. The Applicant shall have a net worth of not less than TEN LAKH rupees whether it is a company or a LLP or a partnership firm.
- 8.2. The Applicant shall ensure that the net worth is maintained at all times to be certified by the Chartered Accountant.

9. Requirement of Professional indemnity insurance for Insurance Marketing Firm —

- 9.1. Every insurance marketing firm shall take out and maintain at all times a professional indemnity insurance cover throughout the validity of the period of the licence granted to him by the Authority. Provided that the Authority shall in suitable cases allow a newly licensed insurance marketing firm to produce such a guarantee within twelve months from the date of issue of original licence.
- 9.2. The limit of indemnity shall be 4 times the business turnover of the insurance marketing firm.

10. Conditions of grant of licence to Insurance Marketing Firm – The licence granted under regulation 11, shall, *inter alia*, be subject to the following conditions:-

- 10.1. the Insurance Marketing Firm shall abide by the provisions of Insurance Act, 1938, Insurance Regulatory and Development Authority Act, 1999 and the Regulations issued there under;
- 10.2. the Insurance Marketing Firm shall forthwith inform the Authority in writing, if any information or particulars previously submitted to the Authority are found to be false or misleading in any material particular or if there is any material change in the information already submitted;
- 10.3. the insurance marketing firm shall include the words “insurance marketing firm” in its name;
- 10.4. the insurance marketing firm shall take adequate steps for redressal of grievances, of the clients within 15 days of receipt of such complaint and keep the Authority informed about the number, nature and other particulars of the complaints received from such clients;
- 10.5. the insurance marketing firm shall comply with the requirements / conditions/ regulations of other regulatory/ statutory authorities.

11. Grant of licence to Insurance Marketing Firm - The Authority on being satisfied that the Applicant complies with the provisions specified in Regulation 6, Regulation 7, Regulation 8 and Regulation 9 and Regulation 10 and the other relevant regulations shall grant a licence in Form B.

12. Period of validity of licence of the Insurance Marketing Firm –

- 12.1. The licence issued under these Regulations shall be valid for a period of three years from the date of its issue, unless it is suspended or cancelled by the Authority.
- 12.2. The licence issued by the Authority can be suspended or cancelled by the Authority for any of the reason stated in Schedule IX of these Regulations.
- 12.3. In case the Authority suspends or cancels the license of the Insurance Marketing Firm, the Insurance Marketing Firm shall cease to solicit new business and continue to service the existing policies and service his clients till expiry of the insurance contracts.

13. Rejection of an application: Procedure to be followed when licence is not granted to Insurance Marketing Firm -

- 13.1. The Authority, after considering an application submitted by the Applicant under Regulation 7, is of the opinion that a licence should not be granted to the Applicant, may refuse to grant the licence.
- 13.2. The refusal to grant the licence shall be communicated by the Authority within thirty days of such refusal to the Applicant stating therein the grounds on which the application has been rejected.
- 13.3. Any Applicant, if aggrieved by the decision of the Authority’s on denial of Licence, may submit a REPRESENTATION against the order of the Authority, within a period of thirty days from the date of receipt of the communication, to the Authority for a reconsideration of the decision.
- 13.4. The Authority shall consider the representation made by the Applicant in light of the facts brought out in the representation, and communicate its decision to the Applicant in thirty days of the receipt of the representation.

- 13.5. Any Applicant, if not satisfied with the decision of the Authority, may submit an APPEAL against to the Chairman of the Authority, within a period of thirty days from the date of receipt of the communication.
- 13.6. The Chairman of the Authority shall communicate his final decision within a period of thirty days of the appeal in writing to the applicant.
- 13.7. The decision of the Chairman shall be final and the Authority shall entertain no Correspondence in the matter after the final decision of the Chairman is communicated to the applicant as mentioned above.
- 13.8. The Applicant can submit a fresh application under regulation 7, for consideration of grant of licence, after a period of ONE YEAR from the date of commination of the final order of the Chairman for consideration of the Authority.

Chapter III

Renewal of License of Insurance Marketing Firm

14. Procedure for the Renewal of license of Insurance Marketing Firm –

- 14.1. The Insurance Marketing Firm shall submit the application for renewal of licence to the Authority Form C at least ninety days before the expiry of the licence.
- 14.2. The documents to be submitted by the applicant along with the renewal application form are mentioned in the renewal Application Form C.
- 14.3. The applications for renewal of License shall be submitted along with renewal fees of Rs two thousand only
 - (1) Provided further that the Authority may, for sufficient reasons specified in writing by the Applicant for a delay, accept an application for renewal after the date of the expiry of the licence up to a period of 30 days of the actual date of expiry of licence on payment of an additional fee of one thousand rupees only by the Applicant.
 - (2) Provided further that the Authority may, for sufficient reasons specified in writing by the Applicant for a delay, accept an application for renewal after the date of the expiry of the licence up to a period of 60 days of the actual date of expiry of licence on payment of an additional fee of two thousand rupees only by the applicant.
- 14.4. The license of the Insurance Marketing Firm will be suspended by the Authority if it is not renewed as specified in the Regulations 14.3 above.
- 14.5. The Insurance Marketing Firm, whose license is suspended shall service the existing policies sourced through such Insurance Marketing Firm till the expiry of the contracts.
- 14.6. The Insurance Marketing Firm, whose license is suspended, shall be eligible to apply afresh for a new license as specified under Section 7 of this regulation.

15. Consideration of Renewal application for Insurance Marketing Firm — (1) The Authority while considering the Renewal Application shall take into account, all matters relevant to carrying out of the functions by the Insurance Marketing Firm.

- 15.1. An application, submitted by the Applicant that is not complete in all respects and not conforming to the instructions specified in application form and not complying with the requirements and/or directions of the Authority so mandated by it, shall be rejected.

Provided that, before rejecting any such application, the Applicant shall be given a reasonable opportunity to complete the application in all respects and rectify the errors, if any.

16. Procedure where licence is not granted to Insurance Marketing Firm

- 16.1. The Authority, after considering an application submitted by the Applicant under regulation 14, is of the opinion that a licence should not be granted to the Applicant, may refuse to grant the licence.
- 16.2. The refusal to grant the licence shall be communicated by the Authority within thirty days of such refusal to the applicant stating therein the grounds on which the application has been rejected.
- 16.3. Any Applicant, if aggrieved by the decision of the Authority's on denial of Licence, may submit a REPRESENTATION against the order of the Authority, within a period of thirty days from the date of receipt of the communication, to the Authority for a reconsideration of the decision.
- 16.4. The Authority shall consider the representation made by the Applicant in light of the facts brought out in the representation, and communicate its decision to the Applicant in thirty days of the receipt of the representation.
- 16.5. Any Applicant, if not satisfied with the decision of the Authority, may submit an APPEAL against to the Chairman of the Authority, within a period of thirty days from the date of receipt of the communication.
- 16.6. The Chairman of the Authority shall communicate his final decision within a period of thirty days of the appeal in writing to the Applicant.
- 16.7. The decision of the Chairman shall be final and the Authority shall entertain no correspondence in the matter after the final decision of the Chairman is communicated to the Applicant as mentioned above.
- 16.8. The applicant can submit a fresh application under regulation 7, for consideration of grant of licence, after a period of ONE YEAR from the date of communication of the final order of the Chairman for consideration of the Authority.

17. Effect of refusal to grant licence to Insurance Marketing Firm – Any Applicant, whose application for renewal of licence under regulation 14 has been refused by the Authority, shall, on and from the date of the receipt of the communication under regulation cease to act as an Insurance Marketing Firm and cease to solicit Insurance business. The Insurance Marketing Firm, however, shall service the existing policies sourced through such Insurance Marketing Firm are service his clients till the expiry of the contracts.

18. Issue of a duplicate licence to Insurance Marketing Firm –

- 18.1. In the event of a licence being lost or destroyed or mutilated, a Insurance Marketing Firm shall submit to the Authority along with a fee of rupees one thousand requesting for the issue of a duplicate licence and with a declaration giving full details regarding the issue of the licence and its loss or destruction or mutilation.
- 18.2. The Authority, after satisfying itself that the original licence has been lost, destroyed or mutilated, shall issue a duplicate licence in Form C with an endorsement thereon that it is a duplicate one.

CHAPTER IV

Rules Governing the Insurance Marketing Firm

19. **Remuneration, Engagement of Sales Persons, Area of operation applicable to the Insurance Marketing Firms:**
 - 19.1. The rules governing the Remuneration applicable to the Insurance Marketing firm are mentioned in detail in Part I of Schedule IV.
 - 19.2. The rules governing the Engagements of Sales Person in the Insurance Marketing firm are mentioned in detail in Part II of Schedule IV.
 - 19.3. The rules governing the Area of operation of the Insurance Marketing firm are mentioned in detail in Part III of Schedule IV.
20. **Duties & Obligations of Insurance Marketing Firm:** The duties and obligations of the Insurance Marketing Firm are enumerated in Schedule V of these Regulations.
21. **Handling of customer grievances and complaints by Insurance Marketing Firm:** The procedure for handling customer grievances and complaints by the Insurance Marketing Firm shall be as outlined in Schedule VI of these Regulations.
22. **Inspection of Insurance Marketing Firm:** The procedure applicable for the Inspection of the Insurance Marketing Firm and the Audit of the Insurance Marketing Firm are mentioned in Schedule VII of these Regulations.

CHAPTER V

23. **Procedure to be followed in case of Violation of provisions of the Insurance Act / Regulations/Instructions / Circulars issued by the Authority with reference to Insurance Marketing Firm and Insurance Sales Person (ISP).**
 - 23.1. The procedure to be followed by the Authority in the event of an Insurance Marketing Firm violating any of the provisions of the Insurance Act / IRDA Act / IRDA Regulations / IRDA Guidelines / IRDA Circulars is outlined in Schedule VIII of these regulations.
24. **Suspension, Cancellation or surrender of License to Insurance Marketing Firm –** The procedure for suspension, cancellation or surrender of license shall be as given in Schedule IX of these regulations.
25. **Change in ownership/ shareholding to Insurance Marketing Firm:** (1) No change in ownership/shareholding in the Insurance marketing Firm shall be carried out without the prior approval of the Authority.

CHAPTER VI

Miscellaneous

- 26. Maintenance of Records to Insurance Marketing Firm –** (1) A Insurance Marketing Firm shall maintain the following records –
- (i) Mandate received from the client;
 - (ii) Know Your Client records of the client;
 - (iii) Copy of the proposal form duly signed by the client;
 - (iv) Premium register;
 - (v) Copy of the policy documents issued to the client;
 - (vi) A register containing list of the clients, details of policy such as type of policy, premium amount, date of issue of the policy, charges or commission received;
 - (vii) A register containing complaints received, name of the complainant, nature of complaints, action taken
- (2) The Authority has the power to inspect the records of the Insurance Marketing Firm anytime and in case of any deficiency observed, the Authority may consider suspending or canceling licence of the Insurance Marketing Firm.
- 27. Reports to be submitted to the Authority by the Insurance Marketing Firm:**
- (1) The Insurance Marketing Firm shall submit periodical reports to the Authority as specified hereunder.
- a) Quarterly New Business Report in Business Reporting Form-1,
 - b) Quarterly Report on Insurance Sales Persons (ISP) deployed by the Insurance Marketing Firm in Business Reporting Form-1,
 - c) Any other return, as may be required by the Authority on its activities of the Insurance Marketing Firm.
 - d) The Insurance Marketing Firm shall furnish to the Authority half yearly report on the business performance of Insurance Sales Persons and in Business Reporting Form-3.
- 28. Power of the Authority to issue clarifications:**
- In order to remove any difficulties in respect of the application or interpretation of any of the provisions of these Regulations, the Authority may issue appropriate clarifications, directions and guidelines in the form of circulars from time to time.

Schedule I

Schedule I – Part I

Principal Officer of the Insurance Marketing Firm – Eligibility Conditions.

- I. The Principal officer of the Company/ Firm, should meet the eligibility Condition A OR Condition B mentioned below:

Condition A:

- a. Insurance experience of 10 years or more

Condition B:

- a. Qualification in any one of the disciplines mentioned below:
- a. Associate/ Fellow of the Insurance Institute of India, Mumbai; or
 - b. Associate/ Fellow of the Institute of Risk Management, Mumbai or
 - c. Associate/ Fellow of the Institute of Actuaries of India; or
 - d. Associate/Fellow of Chartered Insurance Institute, London or
 - e. Post graduate qualification of the Institute of Insurance and Risk Management, Hyderabad; or
 - f. Reinsurance related experience / Insurance underwriting related experience for a continuous period of seven years, preceding the year in the application is made.

Part II

Training, Examination and Certification of Principal Officer.

The Principal Officer of the Company/ Firm should meet the requirements for training, examination and certification as mentioned below:

- a) The Principal Officer shall undergo the prescribed Fifty Hours of Brokers Training from an institution recognised by the Authority, and should pass an examination, at the end of the period of training, conducted by the examination body recognised by the Authority.
- b) The Brokers Training of the Principal Officer shall be for Twenty Hours only if the Principal Officer possesses any one of the Qualification mentioned below:
 - (i) Associate/ Fellow of the Insurance Institute of India, Mumbai; or
 - (ii) Associate/ Fellow of the Institute of Risk Management, Mumbai or
 - (iii) Associate/ Fellow of the Institute of Actuaries of India; or
 - (iv) Associate/Fellow of Chartered Insurance Institute, London or
 - (v) Post graduate qualification of the Institute of Insurance and Risk Management, Hyderabad; or
 - (vi) Reinsurance related experience / Insurance underwriting related experience for a continuous period of seven years, preceding the year in the application is made.
- c) The Principal Officer who is provided relaxation for twenty-five hours training should pass an examination, at the end of the period of training, conducted by the examination body recognised by the Authority.
- d) The Training Methodology for Brokers Training and Examination is outlined in Schedule III of these regulations.

Part III

Fit & Proper Criteria for Principal Officer of the Insurance Marketing Firm

- a) The Principal Officer of the Company/ Firm seeking registration shall be considered as a ‘fit and proper person’, if he fulfills the conditions, including, but not limited to the following criteria –
 - (a) financial integrity;
 - (b) absence of convictions or civil liabilities;
 - (c) competence;
 - (d) good reputation and character;
 - (e) efficiency and honesty; and
 - (f) absence of any disqualification to act as an intermediary as stipulated in these regulations.
- (b) A person shall be considered as “NOT Fit and Proper" for the purpose of grant or renewal of License to act as an intermediary or to continue to act as an intermediary under any one or more of the relevant regulations, if he incurs any of the following disqualifications.
 - a) the applicant or the intermediary, as the case may be or its whole time director or managing partner has been convicted by a Court for any offence involving moral turpitude, economic offence, securities laws or fraud;
 - (b) an order for winding up has been passed against the applicant or the intermediary;
 - (c) the applicant or the intermediary, or its whole time director, or managing partner has been declared insolvent and has not been discharged;
 - (d) an order, other than an order of suspension of certificate of registration as an intermediary, restraining, prohibiting or debaring the applicant or the intermediary, or its whole time director or managing partner from dealing in Insurance solicitation or other insurance services has been passed by the Authority or any other regulatory authority and a period of three years from the date of the expiry of the period specified in the order has not elapsed;
 - (e) the applicant or the intermediary, is financially not sound;
 - (f) any other reason, to be recorded in writing by the Authority, which in the opinion of the Authority, renders such applicant or the intermediary, or its whole time director or managing partner unfit to function as an Insurance Intermediary.
- (3) The Applicant shall furnish the ‘FIT and Proper Form” prescribed, along with the application for grant of new or renewal of existing License to function as an Insurance Marketing Firm.

Part IV

General Eligibility Conditions.

The Principal Officer of the Applicant seeking registration shall be considered as a ‘eligible person’, if he all the fulfills the following general conditions, including, but not limited to the following criteria –

- a. Should not suffer from any of the disqualifications specified under sub-section (5) of section 42D of the Act
- b. Should have undergone training and passed examination as specified by the Authority
- c. Should have NOT violated the code of conduct as specified by the Authority

a) Should Comply with all the applicable provisions of the

- (i) Insurance Act, 1938, the IRDA Act, 1999, and the rules, regulations, circulars or guidelines, as applicable, issued by IRDA to be issued from time to time.
- (ii) Securities and Exchange Board of India (Investment Advisers) Regulations, 2013
- (iii) Securities and Exchange Board of India (Certification of Associated Persons in Securities Markets) Regulations 2007
- (iv) Regulations issued by other regulatory/ statutory Authorities such as PFRDA, TRAI, etc. wherever applicable.

Schedule II

Part I

Sales Persons engaged by Insurance Marketing Firms.

- A. The Insurance Marketing Firm can engage Marketing Personnel to market Financial Products as mentioned below:
- a. Market Insurance products of Life Insurance, General Insurance, and Health Insurance companies.
 - b. Market Mutual fund products of Mutual Fund companies
 - c. Market Pension products of PFRDA
 - d. Market of Financial products authorised for sale by Investment Advisers under the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013.
- (i) The Marketing Personnel engaged by the Insurance Marketing Firm to market Insurance products of Life Insurance, General Insurance, and Health Insurance companies, should have valid license issued by the Insurance Regulator IRDA, as outlined in these Regulations.
- (ii) The Marketing Personnel engaged by the Insurance Marketing Firm to market Mutual Fund products, should have valid license issued by the respective regulator as outlined in of this regulation.
- (iii) The Marketing Personnel engaged by the Insurance Marketing Firm to market Pension products of PFRDA should have valid license issued by the Pension Regulator as outlined in this regulation.
- (iv) Investment Advisers engaged by the Insurance marketing Firm to market financial products authorised for sale by Investment Advisers under the Securities and Exchange Board of India (Investment Advisers) regulations, 2013 should have valid licenses issued by the respective regulator as outlined in this regulation.
- (v) The sales person shall be governed by the regulations of the respective regulators and shall be responsible for any act of omission and commission and subject to any disciplinary action initiated by the respective regulatory/ statutory authorities for any.

Part II

Insurance Sales Person (ISP)

Qualifications and Eligibility conditions for Insurance Sales Person are as under:

The Insurance Sales Person (ISP) shall possess the minimum qualification of:

- a. Pass in 10th Class or equivalent examination from a recognized Board/Institution.
- b. Should have undergone the Brokers Training prescribed by the Authority and qualified in the Brokers Examination from an institution recognized by the Authority as detailed in Part II below.

Part III

Training, Examination and Certification of Insurance Sales Person (ISP):

The Insurance Sales person (ISP) of the Company/ Firm should meet the following requirements of training, examination and certification:

- a) The ISP shall undergo the prescribed Fifty Hours of Brokers Training from an institution recognized by the Authority, and should pass an examination, at the end of the period of training, conducted by the examination body recognized by the Authority.
- b) The training period of the Insurance Sales Person (ISP) shall be relaxed to Twenty Hours of Brokers Training, if the Insurance Sales Person (ISP) possesses Insurance Marketing Experience for minimum five years OR any one of the qualifications mentioned below.
 - (i) Reinsurance related experience / Insurance underwriting related experience for a continuous period of seven years, preceding the year in which such an application is made; **or**
 - (ii) Associate/ Fellow of the Insurance Institute of India, Mumbai; **or**
 - (iii) Associate/ Fellow of the Institute of Risk Management, Mumbai **or**
 - (iv) Associate/ Fellow of the Institute of Actuaries of India; **or**
 - (v) Post graduate qualification of the Institute of Insurance and Risk Management, Hyderabad; **or**
 - (vi) Associate/Fellow of Chartered Insurance Institute, London.
- c) The Insurance Sales person (ISP) who is provided relaxation for twenty-five hours training should pass an examination, at the end of the period of training, conducted by the examination body recognised by the Authority.
- d) The training and examination procedure for the Insurance Sales Person (ISP) is outlined in Schedule III of these Regulations.

Part IV

Financial Service Executive (FSE)

- A. The Financial Service Executive (FSE) deployed in the Insurance Marketing Firm for marketing Mutual Funds, Pension product, other financial products, should comply with the following:
 - i. Financial Service Executive (FSE) deployed for Marketing Mutual Fund products should obtain certification from the Association of Mutual Funds in India (AMFI) by passing a certification examination, and must obtain registration with AMFI.
 - ii. Financial Service Executive (FSE) deployed for marketing products of PFRDA should obtain registration as aggregators under the PFRDA regulations.
 - iii. Financial Service Executive (FSE) deployed for marketing financial products of SEBI should obtain registration as Investment Advisors under the Securities and Exchange Board of India (Investment Advisors) Regulations, 2013.
- B. Financial Service Executive (FSE) deployed in the Insurance Marketing Firm shall meet the necessary training, qualifications, experience and other requirements as may be specified by the other regulatory/ statutory authorities for the line of activity undertaken on an on-going basis in order to be fully in compliance with applicable law, regulations, rules, guidelines, circulars, etc.

C. Insurance Marketing Firm is NOT permitted to engage in marketing any other financial products other than the financial products mentioned Schedule II Part I above.

SCHEDULE-III

Training Methodology for Brokers Training and Examination.

1. General:

- (i) The Brokers Training material and self-assessment content shall be in digital downloadable format and shall be hosted under a suitable Learning Management System by any institution as approved by the Authority from time to time.
- (ii) The self-assessment tests shall be in multiple-choice models.
- (iii) The candidate shall register on the Learning Management System website and complete the training.
- (iv) The candidate shall download the digital training content to his PC / laptop and complete the self-learning modules.
- (v) At the end of each module the candidate shall complete the self-assessment test. The Learning Management System shall not allow the candidate to complete more than two self-assessment tests per day.
- (vi) On completion of the self-assessment test for each of the module, the candidate shall earn one hour training credit.
- (vii) The candidate shall complete all the self-learning modules and self-assessment tests online to earn the credit for 50 hours training.

2. Examinations and Certification

- (i) The online examination shall be conducted by an institute approved by the Authority from time to time in their centres spread across India.
- (ii) The candidate on completion of training and earning 50 hours training credit shall be eligible for appearing for the online examination.
- (iii) The periodicity of the online examination shall be decided by the Authority in consultation with respective examination conducting institutes; depending on the training requirements.
- (iv) The examination questions shall be displayed with multiple choices of answers.
- (v) The number of questions for the online examination shall be 100 and with a duration of 60 minutes.
- (vi) The examination shall cover both Life and Non-Life syllabus prescribed
- (vii) Each question shall carry ONE marks and the examination is for 100 marks. The examinee has to score minimum 35 marks to pass the examination.
- (viii) There shall be no limit for the number of attempts for appearing the examination by candidate.
- (ix) The candidate has to pay the appropriate fee as approved by the Authority for training and examination to the concerned institute

3. On line examination:

- (i) Authorised institutes will conduct online examination and the results will be published on the web site of the Examination body and the Authority.
- (ii) Candidates who are declared 'pass' in the examination will be issued a Certificate, by the examination body; which shall be referred to as "Certified of Passing Insurance Brokers Exam".
- (iii) The examination institute will forward a copy of the certificate and the data of the candidates who have passed the exam to the Authority in the soft format prescribed by the Authority.
- (iv) The Authority will process the application of the Applicant and consider issuance the Licence as per eligibility conditions prescribed in these Regulations.

Schedule IV

Rules Governing the Insurance Marketing Firms.

Part – I. Remuneration applicable to the Insurance Marketing Firm

- 1) The Insurer shall make all remuneration for the Insurance Sales undertaken by an Insurance Marketing Firm, to the concerned Insurance Marketing Firm only, and NOT to any other sales / marketing intermediary.
- 2) The remuneration payable to Insurance Marketing Firm by the Insurer, for the solicitation of policies by the ISPs shall not exceed the remuneration as specified by the Authority from time to time under Sec. 42-E of the Act.
- 3) In addition the Insurance Marketing Firm can be paid a fee by the insurer, for the following services
 - i. Marketing Expenses
 - ii. Expenses towards infrastructure
 - iii. Performance based incentivesthat shall be as mutually agreed between the insurer and Insurance Marketing Firm from time to time and in no case exceed 50% of the limit of expenses of management ceiling specified in the Act.
- 4) The Insurance Marketing Firm shall also be entitled to receive the fees for undertaking other insurance & non-insurance services that will be either mutually agreed between the Insurance Marketing Firm and the Insurance Company or will be those governed by the stipulation of other regulatory/ statutory authorities.
- 5) The settlement of accounts by insurers in respect of remuneration of Insurance Marketing Firm shall be done on a monthly basis and it must be ensured that there is no cross settlement of outstanding balances.

Part II

Engagement of Sales Personnel in the Insurance Marketing Firm.

- 1) The Scope of functions Insurance Marketing Firm (IMF) is defined under regulation 3 of these Regulations.
- 2) The Qualifications and Eligibility conditions for Insurance Sales Person and the Financial Services Executives (FSE) defined in Schedule II of these Regulations
- 3) Minimum fixed salary of Insurance Sales Person and Financial Service Executives:
 - (i) Every sales person employed by the Insurance Marketing Firm shall be paid a monthly salary, which is not lower than the minimum wage rules applicable as per rules.
 - (ii) The Financial Service Executives (FSE) will be remunerated by the respective regulators as per the guidelines applicable, directly by the concerned regulators. The Insurance Marketing Firm can collect the 'Applicable Service Charges' for the services rendered by the Financial Service Executives' (FSE) deployed by the firm.
 - (iii) An Insurance Marketing Firm found violating this condition would have its license cancelled with notice.
- 4) Migration of insurance agents to Insurance Marketing Firm:

- a. An individual to operate as an Insurance Sales Person (ISP) in an Insurance Marketing Firm should possess a valid Broking Licence. Hence individuals with 'Agency License' shall NOT be eligible to migrate or join the Insurance Marketing Firm.
- b. An individual has to qualify in the Brokers Exam prescribed under these Regulations and can after surrendering his existing individual agency license to the Authority, if he desires to join the Insurance marketing firm as an Insurance Sales Person
- c. An Individual licensed as an Insurance marketing Person (ISP) in an Insurance Marketing Firm shall not be allowed to migrate to any insurance company / insurance firm/ broking firm etc. during the period of validity of the licence. Such migration shall be considered only during the renewal of the Broking License

PART III

Area of operation of the Insurance Marketing Firm.

- a. The Insurance Marketing Firm shall be licensed to operate from ONE selected District during the first three years of the license.
- b. The 'DISTRICT' selected by the Insurance Marketing Firm should be clearly mentioned in the application form A which is submitted to the Authority.
- c. The Authority shall incorporate the 'District' in the Licence issued in Form B to the Insurance Marketing Firm.
- d. The Insurance Marketing Firm can apply for More Districts (Maximum is one State) while filing the application form for renewal of license.
- e. The Insurance Marketing Firm should specify the details of the Offices to be set up in the districts opted; including manpower deployment etc. in the Renewal Application form.
- f. If additional Districts are NOT opted by the Insurance Marketing Firm in the renewal Application will be considered for the original jurisdiction for which the license was granted.
- g. The Insurance Marketing Firm may opt for a change in the district while applying for renewal of License. The Authority shall consider the request subject to the Insurance Marketing Firm submitting details of the Offices to be set up in the newly opted district; including manpower deployment etc. in the Renewal Application form.
- h. The Authority shall consider the past performance records of the Insurance Marketing Firm, and take appropriate decision in the matter.

Schedule V
Part I
Duties and Obligations of Insurance Marketing Firm towards
Insurance Sales Person (ISP)

1. Insurance Marketing Firm, on obtaining the license from the Authority to act as an insurance intermediary, may enter into agreements with Insurance companies for carrying out Insurance Business activity. .
2. Insurance Marketing Firm shall engage licensed Insurance sales Person (ISP) and Financial Sales Executive (FSE) of other Financial Intermediaries on salary and commission basis
3. Insurance Marketing Firm shall include the relevant conditions and clauses in the agreements with the Insurance Sales Person (ISP) engaged by the firm on matters relating to
 - a. Engagement with the Insurance Marketing Firm
 - b. Prescribed code of conduct,
 - c. Sales processes / rules etc.
 - d. Remuneration
 - i. The remuneration payable to Insurance Sales Person by the Insurance Marketing Firm by the Insurer, for the solicitation and procurement of policies by the ISPs shall be a fixed amount per month.
 - ii. In addition to the minimum amount specified above, the Insurance Marketing Firm, depending upon his performance can pay him additional incentives, which are declared upfront and form part of the employment contract between him and the Insurance Marketing Firm.
- e. Rules and procedure for dis-engagement of the Insurance Sales Person (ISP) from service shall be outlined by the Insurance Marketing Firm, while engaging the Insurance Sales Person (ISP).
4. Insurance Marketing Firm shall assist the Insurance Sales Persons to undergo the prescribed training and certification
5. Insurance Marketing Firm shall ensure continuous monitoring of the activities of the ISP and be responsible for the compliance of these Regulations and the code of conduct by ISPs.

Part II
Duties and Obligations of Insurance Marketing Firm towards

Authority.

The Insurance Marketing Firm shall

- a. Undertake to immediately notify the Authority in writing within 30 days of –
 - i. any change in the status of licence of the Insurance Marketing Firm issued by the Authority;
 - ii. any change in the status of licence of the Insurance Sales Person (ISP) issued by the Authority
 - iii. any change in the status of licence of the any Marketing Intermediary holding the licence of any other regulator ; engaged by the Insurance Marketing Firm
 - iv. any change in its constitution, ownership, directors/partners;

- v. any disciplinary proceedings or investigation by any Authority;
- b. ensure that their employees and persons responsible for solicitation of insurance business shall be competent, qualified, have undergone the required training and passed the examination as specified by the Authority;
- c. not divulge any confidential information about its client, which has come to its knowledge, without taking prior permission of its clients, except where such disclosures are required to be made in compliance with any law for the time being in force.
- d. adhere to the IRDA (Advertisement & Disclosure) Regulation, 2000 as amended from time to time and take measures to enhance the awareness of insurance.
- e. display at their place of work/office, details of their licence issued by the Authority such as category of licence, date of issue of licence and its validity, necessary information about the business activities and functions / provisions of the code of conduct, and grievance handling systems.
- f. draw reference to statutory provisions such as:(i) sections 38,39,41,42E,45 and 64 VB of the Insurance Act, 1938 (ii) availability of the institution of the ombudsman and other grievance redressal mechanisms available.
- g. perform their duties, functions and terms of this agreement in a manner that they do not work as a fronting arrangements or a franchise institution. Both the parties shall act in the public interest and in a fiduciary capacity be accountable for the omissions and commissions of their own employees/persons engaged by them, in case of violations committee by such employees/persons;
- h. maintain a Professional Indemnity Insurance Cover as required under Regulations;
- i. ensure that none of the parties attempt or act to attempt unfair means to divert or wean away the business of each other

Schedule VI

Handling of customer grievance and complaints by Insurance Marketing Firm:

1. Insurance Sales Person

- (1) The complaint received against a corporate insurance sales person from the client shall be dealt in accordance with the Regulations issued by the Authority from time to time.
- (2) The IRDA (Protection of Policyholders' Interest) Regulations, 2002 shall continue to apply to both the insurance marketing firm and the insurance sales person and its compliance report furnished annually to the Authority.
- (3) The insurance marketing firm and the insurance sales person shall be accountable for the omissions and commissions. In case of violations committed by such employees/persons, the client shall hold the insurance marketing firm and the insurance sales person responsible for indemnification for the acts of the employees.
- (4) The Authority may conduct audits of the Insurer and the Firm so as to check on the procedure for complaint handling and verify the records on regular intervals.

2. **Financial Sales Executives (FSE)** – The handling of customer grievance and complaints and providing after sales services in case of non-insurance business shall be governed by the conditions prescribed by the respective regulatory/ statutory authorities.

Schedule VII

PART I

Inspection of Insurance Marketing Firm

1. Power of Authority to inspect: The Authority may *suo motu* or upon receipt of information or complaint appoint one or more persons as inspecting authority to undertake inspection of the books of accounts, records and documents relating to Insurance Marketing Firm for any of the following reasons, namely: -

- (i) to ensure that the books of account, records and documents are being maintained by the insurance marketing firm in the manner specified in these regulations;
- (ii) to inspect into complaints received from clients or any other person, on any matter having a bearing on the activities of the insurance marketing firm;
- (iii) to ascertain whether the provisions of the Act and these Regulations are being complied
- (iv) with by the insurance marketing firm;
- (v) to inspect into the affairs of a insurance marketing firm, in the interest of the policyholders.

2. Notice before inspection.

- (i) Before ordering an inspection under regulation 22, the Authority shall give not less than ten days notice to the insurance marketing firm.
- (ii) Notwithstanding anything contained in sub-regulation (1), where the Authority is satisfied that in the interest of the policyholders no such notice should be given, it may by an order in writing direct that the inspection of the affairs of the insurance marketing firm be taken up without such notice.

3. Obligation of insurance marketing firm on inspection.

- (1) It shall be the duty of every insurance marketing firm in respect of whom an inspection has been ordered under the Regulation 22 and any other associate person who is in possession of relevant information pertaining to conduct and affairs of such insurance marketing firm, including representative of insurance marketing firm, if any, to produce to the inspecting authority such books, accounts and other documents in his custody or control and furnish him with such statements and information as the inspecting authority may require for the purposes of inspection.
- (2) It shall be the duty of every insurance marketing firm and any other associate person who is in possession of relevant information pertaining to conduct and affairs of the insurance marketing firm to give to the inspecting authority all such assistance and shall extend all such co-operation as may be required in connection with the inspection and shall furnish such information as sought by the inspecting authority in connection with the inspection.
- (3) The inspecting authority shall, for the purposes of inspection, have power to examine on oath and record the statement of any employees, directors, partners or person responsible for or connected with the activities of insurance marketing firm or any other associate person having relevant information pertaining to such insurance marketing firm.

- (4) The inspecting authority shall, for the purposes of inspection, have power to obtain authenticated copies of documents, books, accounts of insurance marketing firm, from any person having control or custody of such documents, books or accounts.

4. Submission of Inspection Report to the Authority.

The inspecting authority shall, as soon as possible, but in any case not later than 30 days of the completion of the inspection, submit an inspection report to the Authority:
Provided that if directed to do so by the Authority, the inspecting authority may submit an interim report.

5. Action on the inspection Report.

The Authority may after consideration of the inspection report and after giving reasonable opportunity of hearing to the insurance marketing firm, issue such directions as it deems fit in the interest of policyholders including -

- a) requiring an insurance marketing firm not to undertake the activities for a particular period;
- b) requiring the insurance marketing firm to refund any money collected as fees, charges or commissions or otherwise to the concerned clients along with the requisite interest.
- c) prohibiting the insurance marketing firm from operating in the insurance market for a specified period.
- d) Any other matter the Authority may deem fit.

PART II

Appointment of Auditor for Insurance Marketing Firm

1. The Authority may appoint a qualified auditor to inspect the books of account or the affairs of an insurance marketing firm:

Provided that the auditor so appointed shall have the same powers of the inspecting authority mentioned in regulation 17 under this regulation.

Explanation: For the purpose of this sub-regulation, the expression 'qualified auditor' shall have the meaning derived from section 226 of the Companies Act, 1956 (1 of 1956).

- (2) The expenses of such audit under sub-regulation (1) shall be borne by the insurance marketing firm.

2. Submission of report by the Auditor to the Authority. The Auditor shall, as soon as possible, on completion of the financial audits submit the audited report to the Authority:

Provided that if directed to do so by the Authority, the auditor may submit an interim report.

3. Action on the Audit report by the Authority.

The Authority may after consideration of the audit report and after giving reasonable opportunity of hearing to the insurance marketing firm, issue such directions as it deems fit in the interest of policyholders including,-

- a) requiring an insurance marketing firm not to undertake the activities for a particular period;
- b) requiring the insurance marketing firm to refund any money collected as fees, charges or commissions or otherwise to the concerned clients along with the requisite interest.
- c) prohibiting the insurance marketing firm from operating in the insurance market for a specified period.

Schedule VIII

Procedure for Disciplinary Proceeding against the Insurance Marketing Firm and Insurance Sales Persons (ISP)

Chapter I

I. Cancellation of License of the Insurance Marketing Firm WITH NOTICE.

The Authority may suspend or cancel the licence of an Insurance Marketing Firm for any one or more of the following reasons -

- (i) The firm suffers at any time during the period of the licence from any of the disqualifications specified under sub-section (5) of section 42D of the Insurance Act, 1938;
- (ii) Violates the provisions of the Insurance Act, 1938, IRDA Act 1999, Regulations, Guidelines, Notices, Circulars, Insurance Regulatory And Development Authority Act, 1999 or Rules or Regulations made there under such as;
 - a. Fails to furnish any information relating to its activities as a Insurance Marketing Firm as required by the Authority;
 - b. Furnishes wrong or false information; or conceals or fails to disclose material facts in the application submitted for obtaining a licence;
 - c. Indulges in rebates or inducements in cash or kind to a client or any of the client's Directors or other employees or any person acting as an introducer;
 - d. Fails to carry out its obligations as specified in the Guidelines.
 - e. Fails to comply with any of the conditions subject to which the licence has been granted;
- (iii) Violates any provisions of the CRPC or any other law as applicable for the functioning as insurance sales person;
- (iv) Fails to comply with regulation 29 of these regulations;
- (v) Resort to spurious calls or mis-selling;
- (vi) Acts in a manner against the interest of the policyholder or against public interest;

Chapter II

I. Procedure to be followed while initiation of Action against the Firm.

- a) The Authority shall issue a Show Cause Notice to the Insurance Marketing Firm, requiring the firm to show cause within 21 days from the date of receipt of the notice, why the licence granted to the entity shall not be suspended or cancelled or any other action as considered appropriate by the Authority for the violations noted in the Show Cause Notice.
- b) The Insurance Marketing Firm shall submit its reply to Show Cause Notice issued by the Authority within the time limit stipulated in the notice.
- c) Upon considering the reply, if any, the Authority may pass an order directing the suspension or cancellation of the licence granted to the Insurance Marketing Firm or shall pass any other order as deemed appropriate based on the facts of the case.
- d) The Authority shall communicate the decision to the Insurance Marketing Firm within thirty days stating therein the grounds on which the decision is taken.
- e) Any applicant, if aggrieved by the decision of the Authority, may submit a REPRESENTATION against the order of the Authority, within a period of thirty days from the date of receipt of the communication, to the Authority for a reconsideration of the decision.

- f) The Authority shall consider the representation made by the Applicant in light of the facts brought out in the representation, and communicate its decision to the Applicant in thirty days of the receipt of the representation.
- g) Any Applicant, if not satisfied with the decision of the Authority, may submit an APPEAL against to the Chairman of the Authority, within a period of thirty days from the date of receipt of the communication.
- h) The Chairman of the Authority shall communicate his final decision within a period of thirty days of the appeal in writing to the Applicant.
- i) The decision of the Chairman shall be final and the Authority shall entertain no correspondence in the matter after the final decision of the Chairman is communicated to the Applicant as mentioned above.
- j) The Applicant can submit a fresh application under regulation 7, for consideration of grant of licence, after a period of ONE YEAR from the date of communication of the final order of the Chairman for consideration of the Authority.

Chapter III

I. Cancellation of License of Insurance Marketing Firm WITHOUT NOTICE.

The licence of a insurance marketing firm may be cancelled or suspended without notice, if it

- (i) is found guilty of fraud, or is convicted of a criminal offence;
- (ii) commits such defaults, which require immediate action in the opinion of the Authority, Provided the Authority has communicated the reasons for the cancellation in writing.
- (iii) The procedure to be followed while initiation of Action against the Firm is outlined in Section II above

Chapter IV

I. Cancellation or suspension of licence of Insurance Sales Person (ISP) with notice:

- (i) The licence of insurance sales person may be cancelled or suspended after due notice and after giving him a reasonable opportunity of being heard if the insurance sales person is found guilty of misconduct or his conduct is not in accordance with the code of conduct in these Regulations, or fails to carry out his obligations specified under these Regulations
- (ii) The procedure to be followed while initiation of Action against the Firm is outlined in Section II above.

Chapter V

I. Cancellation or suspension of licence of Insurance Sales Person (ISP) without notice:

- (i) The licence of insurance sales person may be cancelled or suspended without notice if he is found guilty of fraud, or is convicted of a criminal offence; or 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.
- (ii) The procedure to be followed while initiation of Action against the Firm is outlined in Section II above

Chapter VI

I. Effect of Suspension or cancellation of licence to Insurance Marketing Firm –

- (i) Any Insurance Marketing Firm or Insurance Sales Person (ISP), whose licence has been suspended or cancelled by the Authority, shall, on and from the date of the receipt of the communication under regulation cease to act as an Insurance Marketing Firm or Insurance Sales Person (ISP) and cease to solicit Insurance business.
- (ii) On and from the date of suspension or cancellation of the licence of the Insurance Marketing Firm or the Insurance Sales Person (ISP), the Insurance Marketing Firm or the Insurance Sales Person (ISP) shall
 - a) not undertake any new assignment or contract or launch any new scheme and during the period of such debarment or suspension it shall cease to carry on any activity in respect of which certificate had been granted;
 - b) take such other action including the action relating to any records or documents and policies or money of the policyholders
 - c) return the license so cancelled to the Authority and shall not represent itself to be a holder of license for carrying out the activity for which such license had been granted;
 - d) cease to carry on any activity in respect of which the license had been granted;
 - e) transfer its activities to another insurance marketing firm holding a valid license to carry on such activity without any additional cost to such client;
 - f) make provisions as regards liability incurred or assumed by it;
 - g) take such other action including the action relating to any records or documents and policies of the policyholders that may be in custody or control of such person, within the time period and in the manner, as may be required under the relevant regulations or as may be directed by the Authority while passing order under this Chapter or otherwise.
 - h) The Insurance Marketing Firm or the Insurance Sales Person (ISP) however, shall service the existing policies sourced through such Insurance Marketing Firm are service his clients till the expiry of the contracts.

Schedule IX

Code of Conduct of Insurance Sales Person (ISP) and Financial Service Executive (FSE)

Every Insurance Sales Person (ISP) holding a valid licence shall adhere to the code of conduct specified below: -

(i) Every Insurance Sales Person (ISP) shall,---

- a) identify himself and the insurance marketing firm of whom he is an insurance sales person;
- b) disclose his licence particulars to the prospect on demand;
- c) disseminate the requisite information in respect of insurance products offered ; and take into account the needs of the prospect while recommending a insurance product;
- d) indicate the premium to be charged by the insurer for the insurance product offered;
- e) disclose the scales of commission in respect of the insurance product offered; if asked by the prospect;
- f) 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;
- g) bring to the notice of the insurer any adverse habits or income inconsistency of the prospect, in the form of a report (called “Insurance 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;
- h) inform promptly the prospect about the acceptance or rejection of the proposal by the insurer;
- i) 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;
- j) render necessary assistance to the policyholders or claimants or beneficiaries in complying with the requirements for settlement of claims by the insurer;
- k) 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;
- l) Forward any information received from the client regarding a claim or an incident that may give rise to a claim without delay;
- m) 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;
- n) Ensure that statements made regarding the policies to the customer are not misleading or extravagant;
- o) Ensure the compliance of Section 64-VB of the Act;
- p) Draw the attention of the client to Section 41 of the Act, which prohibits rebating and sharing of commission/remuneration;
- q) Ensure the compliance of AML and KYC guidelines in force.
- r) act in a fiduciary capacity towards its clients and shall disclose all conflicts of interests as and when they arise;
- s) follow recognized standards of professional conduct and discharge his functions in the interest of the policyholders. comply with provisions of Insurance Act, 1938, IRDA Act, 1999, IRDA(Protection of Policyholders’ Interests) Regulations, 2002 and any other regulations, guidelines, circulars, directions issued by the Authority from time to time;

(ii) No Insurance Sales Person (ISP) shall,----

- a) solicit or procure insurance business without holding a valid licence,
- b) induce the prospect to omit any material information in the proposal form;
- c) induce the prospect to submit wrong information in the proposal form or documents submitted to the insurer for acceptance of the proposal;
- d) behave in a discourteous manner with the prospect;
- e) interfere with any proposal introduced by any other insurance intermediary;
- f) offer different rates, advantages, terms and conditions other than those offered by his insurer;
- g) demand or receive a share of proceeds from the beneficiary under an insurance contract;
- h) 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;
- i) become or remain a director of any broking company;

(iii) Every insurance sales person 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;

(iv) Financial Service Executive (FSE)– Every Financial Service Executives shall abide by the code of conduct prescribed by the respective regulatory/ statutory authority which oversees that particular activity.

(v) Violation of Code of Conduct by the Insurance Sales Person (ISP): The Code of Conduct outlined above has to be adhered to by the Insurance Sales Person (ISP). The Authority shall initiate disciplinary action against the Insurance Sales Person (ISP) as outlined in Schedule VIII of these Regulations, in case of violation of any of the provisions mentioned in this schedule.