

The following is the Exposure draft on usage of Trade Logos by Insurance Companies released for comments of the public and all the stakeholders. The views ,if any, may be sent to dvsramesh@irda.gov.in by 30th September 2013.

Exposure Draft on usage of Trade Logo by Insurance Companies

It is common that companies have in place a distinct trade logo /emblem / icon(*referred as trade logo hereafter*)so as to build the brand image / draw the attention of their respective loyal customers. Insurance Companies being in the business of promoting insuranceservicesmay have in place their own identity through a distinct trade logo so as to seamlessly reach the minds of insuring public. While it is the business prerogative of insurance companies to adopt / promote the trade logo, be it by having a distinct trade logo or use the existing trade logo of the promoters with the objective of leveraging their respective strengths, it is desired that the insurance companies that use the trade logo of the business partners / promoters also keep in place certain risk management practices so as to ensure that the interests of thepolicyholdersare appropriately protected against possible concomitant reputational risks associated. The need for safeguarding the business interests of the Insurers is more pertinent, in cases where the trade logo of promoting / foreign partners is used, as a trade logowhich is reared and sustained over a span of business periods carries with it significant reputational risks and is considered as an intangible asset.

Another important aspect of usage of Trade Logo of the promoters is the impression or perception it instantly generates which can potentially affect the informed choice to insuring public.

While, the Authority has put in place comprehensive regulations, guidelines and circulars on Insurance Advertisements, there is no mention on the 'trade logos', though, trade logos are predominantly used in all the publicity material / insurance advertisements. However, while reviewing the practices adopted by various life insurers that are using the trade logo of promoters / foreign promoters, the following varying practices are noticed.

- i. Some companies are using only one of its promoting partners'trade logo, despite the fact that the other promoters are having significant share in the Insurance Company.
- ii. In respect of some companies no written agreements are in place, but trade logos of the promoting partners are used.
- iii. Some agreements did not have any specific time lines for usage of trade logo.
- iv. Some agreements did not have any reference to the consideration amount while some have a mere reference to the consideration amount with no specificities.

- v. Some agreements have consideration clause as a percentage of the premium, with no upper ceilings.
- vi. Some agreements have a reference to huge amount of compensation in the event of alleged damage to the brand of promoter.

As may be noticed the absence of prudent risk management measures may lead to the following potential problems while using the trade logo of promoting partners.

1. Having no written agreements, may be a matter of concern especially in the event of any reputational loss, as shareholders of respective promoter companies may prefer to have their own stand on the quantum of compensation to be sought, thereby, possibly jeopardizing the interests of the policyholders.
2. Absence of specific consideration amount may result in fleecing Insurers' expenses in the case of any unforeseen contingencies, if determination of compensation is based on future discretions with no pre-defined parameters.
3. With no ceiling to the absolute amount payable, when consideration amount is determined / decided as a percentage of premium income, this may lead to disproportionate out-go year on year based on insurance business prospects.
4. In the event of exit of the promoting partner, the costs of building the unique logo may be prohibitive. Otherwise the exited partner may charge the Insurer exorbitantly.

In the light of above concerns, the Authority considers that there is a need for putting in place the prudent risk management measures by all the insurance companies. Towards this objective, the following guidelines are proposed to be issued under Section 14 of IRDA Act, 1999.

It is clarified that the '*Trade Logo*' for the purpose of these guidelines is considered as 'a name or a mark, such as symbol, monogram or logo which is used in relation to using the name of Insurance Company as an acronym or the Insurance Services offered for the purpose of promoting, canvassing and publicizing the company or the services and products offered'.

Keeping in view the risks associated with trade logo and the long term interests of policyholders, all Insurers shall consider developing a distinct trade logo of their own so as to minimize not only possible confusion in the minds of insuring public but also the costs, be it the consideration amount or the compensation, associated with the trade logo of the promoting partners.

- a) Where an Insurer adopts the trade logo of any of its partners, there shall be a prominent declaration as to the fact of Insurer being a separate entity giving the names of all joint venture partners. Further it should state clearly that mere

adoption of logo of promoter does not convey any inheritance of financial strength and quality of promoter in products and services of the Insurer.

- b) Where an Insurer adopts the trade logo of any of its partner, there shall be in place a written agreement setting forth the underlying terms and conditions.
- c) The parties to the agreement shall specify the consideration amount, if any, leaving no scope for any arbitrary payments. Where the consideration amount is not mentioned as an absolute amount, but referred as a percentage of premium income, specified ceiling as an absolute amount shall be mentioned leaving no scope for any disproportionate windfall gains to the other party.
- d) The consideration amount shall be reasonable.
- e) There shall be a specific mention in unambiguous terms if there is no consideration amount involved.
- f) The terms and conditions of the agreement shall also have specific caveats on settlement of compensation, if any to be made to one of the parties owing to the damages caused.
- g) The agreement may be for a specific period of time with a provision to renew in the agreed periodicity.
- h) Any pay outs towards compensation made, on account of alleged damages owing to usage of trade logo of the promoting partner shall be remitted from the Shareholders' Account.

All Insurance Companies that are using trade logo of their promoter partners shall file the agreements with the Authority. Any changes / modifications to the terms and conditions shall also be filed, soon after effecting the changes.

All the Insurance Companies are hereby directed to comply with these guidelines. The guidelines come into force immediately.

CHAIRMAN