

भारतीय बीमा विनियामक और विकास प्राधिकरण  
INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA



**Report of the Committee  
for Review of  
Insurance Marketing Firm  
(IMF) Regulations**



# REPORT OF THE COMMITTEE FOR REVIEW OF INSURANCE MARKETING FIRM (IMF) REGULATIONS

August 2018



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INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA





**Dr. Subhash C. Khuntia**

Chairman  
Insurance Regulatory and Development Authority of India  
Hyderabad

**Sub: Report of the Committee for review of Insurance Marketing Firm (IMF) Regulations.**

Respected Sir,

I have immense pleasure in submitting the Report of the Committee for review of **Insurance Marketing Firm (IMF) Regulations**, constituted vide IRDAI order Ref: IRDA/INT/ORD/IMF/092/06/2018 dated 15 June, 2018.

The Report and the recommendations contained is an outcome of extensive review of literature on the subject, meetings with various stakeholders and elaborate internal discussions by the Committee. This review broadly covered the following points:

1. Evaluation of the various constraints faced by Insurance Marketing Firms(IMFs)
  - a) Net-worth requirement
  - b) Restriction on area of operation
  - c) Restriction on insurer tie-ups placed on IMFs
  - d) Product restrictions placed on IMFs
  - e) Matters related to remuneration of an IMF etc.
  - f) Change in shareholding pattern
  - g) Condition for surrender of agency license
2. Matters related to the Principal Officer (PO) and Insurance Sales Persons (ISPs) of an IMF
  - a) Eligibility criteria for PO
  - b) Inter-changeability of ISPs/ PO
  - c) Resignation of ISPs
  - d) Monthly remuneration of ISPs
  - e) ISP domicile criteria
3. Carving out processes which will enable the IMFs to tackle operational issues and simplify processes relating to:
  - a) Professional Indemnity policy
  - b) Opening of account with State Bank of India (SBI)
  - c) Activities under scope of IMFs – Survey jobs, becoming Approved Persons of Insurance Repositories
  - d) Record maintenance and book-keeping
  - e) Simplifying regulatory procedures
4. Other issues
  - a) Promotion of IMF channel
  - b) GST related issues
  - c) Distance Marketing by IMFs



The Report is structured in four parts:

**PART A** Providing the Background

**PART B** Covering the Methodology adopted by the Committee and its Recommendations

**PART C** Listing the members of the Committee and Acronyms used

**PART D** Annexures

On behalf of the Members of the Committee, and on my own behalf, I sincerely thank you for entrusting this responsibility to us.

Place: Hyderabad

Date: 09.08.2018

**Suresh Mathur**

Chairperson of the Committee



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INSURANCE REGULATORY AND  
DEVELOPMENT AUTHORITY OF INDIA

Ref: IRDA/INT/ORD/IMF/092/06/2018

Date: 15<sup>th</sup> June, 2018

**ORDER**

**Re: Constitution of Committee for Review of IMF Regulations.**

The new distribution channel of Insurance Marketing Firm (IMF) was introduced in 2015 by IRDAI, with the objective of increasing insurance penetration in the country through an area-wise registration approach. The channel has now been in operation for three years. IRDAI also conducted three workshops for the IMFs at Chandigarh, Ahmedabad and Hyderabad in May 2018, wherein operational feedback was received from them. In order to enable the channel to evolve and fulfill the objective of spreading insurance coverage to all stratum of the society, a review of the Regulations is necessary.

The Authority hereby constitutes the following Committee to examine the Regulations and make necessary recommendations:

1. Shri. Suresh Mathur, ED (IMF), IRDAI – Chairperson,
2. Smt. K.G.P.L. Ramadevi, GM (IMF), IRDAI – Member,
3. Shri. Sourabh Bhanot, Sr. VP, Aviva Life Ins. Co. India Ltd.– Member,
4. Shri. Siddharth Pradhan, GM, The New India Assurance Co. Ltd.– Member,
5. Shri. Amit Rathi, Sr. VP, Max Life Ins. Co. Ltd. – Member,
6. Smt. Deepti Rastogi, Sr. VP, Apollo Munich Health Ins. Co. Ltd. – Member,
7. Shri. Rakesh Kumar, ED, Life Insurance Corporation of India – Member,
8. Shri. Girish Joshi, ED & ISP, iKuber Financial Services IMF Pvt. Ltd. – Member,
9. Shri. Rajinder Singh, MD, JK Insurance Marketing Pvt. Ltd. – Member,
10. Ms. Priya Kumari, AM, IMF, IRDAI – Member Secretary.

The **Terms of Reference** of the Committee shall include the following:

1. Revisiting the IRDAI (Registration of Insurance Marketing Firms) Regulations, 2015.
2. Recommendations for issuing guidelines on the areas on which the regulations are silent.
3. Recommendations on further strengthening the channel by taking up the products which fall under the jurisdiction of other financial sector regulators, including creating avenues for discussions with the other Regulators.
4. Any other matter, with the permission of the Chair.

The Committee may invite other persons to the meeting(s) as special invitees, as may be required. The Committee shall meet as often as required and come up with recommendations on or before 31<sup>st</sup> July, 2018.

  
(Sujay Banarji)

**Member (Distribution)**





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*The report and the recommendations reflect the collective views and opinions of the Committee as a whole. These views are a result of the analysis, synthesis and deliberations with different stakeholders representing insurance companies, IMFs, Life & General Insurance Councils and other financial sector stakeholders such as Pension Fund Regulatory and Development Authority(PFRDA) and National Institute of Securities Market(NISM). The individual views and opinions of the members of the Committee however may differ on some of the items. But the Committee felt that a collective expression would better serve the purpose as presented in this report.*





## ACKNOWLEDGEMENTS

At the outset, the Committee thanks Chairman, IRDAI and Member (Distribution) for providing an opportunity to review the existing IMF Regulations and suggest recommendations which may further strengthen the IMF distribution channel.

The Committee would like to profusely thank the representatives of Life and General Insurance Councils, representatives of other financial sector regulatory bodies such as the Pension Fund Regulatory and Development Authority (PFRDA), the National Institute of Securities Markets (NISM), Insurance Companies (Life/ General/ Health) and IMFs who have so generously given their time and for sharing their valuable inputs and structured suggestions at several meetings. These suggestions provided a collective industry view and were extremely useful in striking a balanced approach between regulation and development of IMFs as a channel of distribution for increasing insurance penetration.

The Committee wishes to acknowledge with gratitude the help, assistance and co-operation rendered by the IMF department in IRDAI and its team. The Committee is also grateful to Shri. Randip Singh Jagpal, Chief General Manager, IRDAI for having been a part of the interaction and sharing his views on the IMF Regulations.

The Committee would like to specially thank the IRDAI HO, NDRO and MRO for providing the space and infrastructure in facilitating the discussions.

Last but not the least, the Committee is extremely grateful to the managements of the insurance companies that the Committee members represent for having provided the members with time and resources for completing this Report.



## EXECUTIVE SUMMARY

### Background

- The Insurance Regulatory and Development Authority of India (IRDAI) formulated a committee under the chairmanship of Shri N M Govardhan, the ex-chairman of LIC. In 2007, the committee recommended allowing new distribution channels having multiple tie ups with insurers, a model akin to Independent Financial Advisors, to increase the insurance penetration in the country.
- Consequently, in exercise of the powers conferred by Section 114A of the Insurance Act, 1938 (4 of 1938), as amended from time to time, 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, as amended from time to time, the Authority in consultation with the Insurance Advisory Committee, made the Insurance Regulatory and Development Authority of India (Registration of Insurance Marketing Firm) Regulations, 2015 ('IMF Regulations'). The IMF Regulations were notified on 21 January, 2015. Pursuant to the feedback and suggestions received from the stakeholders, IRDAI (Registration of Insurance Marketing Firm) (First amendment) Regulations, 2017 were brought out, harmonizing training and examination requirements of the intermediaries; clarifying about the area of operation of IMFs operating in state capitals and distance marketing activities of IMFs, etc. These IMF Regulations are in force as on date.
- The IMF channel is now in operation for three years.
- In May 2018, IRDAI has conducted three (3) workshops for the IMFs at Chandigarh, Ahmedabad and Hyderabad which were attended by representatives of insurance companies, Life and General Insurance Councils and IMFs. The Insurance Companies and IMFs also shared their feedback on the various operational and practical issues.
- Below are some of the key feedback received during the workshops:
  - Promote IMF channel with the help of other regulators
  - Revisit the area restriction
  - Explore the possibility of tax benefits under Start-Up India
  - Reduce eligibility criteria for PO
  - Remove the requirement to surrender individual agency license
  - Revisit the net-worth requirements in tier II & tier III cities
  - More products in General Insurance to be allowed
  - Tie-ups with more than two Life, General and Health Insurers to be allowed
  - Portal to be upgraded for modification/ disclosure/ compliance requirements
  - Non-performing ISPs, monthly remuneration of ISPs to be revisited
  - Requirement of Bank Account with SBI to be removed
  - Requirement of Professional Indemnity policy to be revisited
  - Procedure for migration from one Insurer to another be allowed
  - Hiring ISPs from outside the district to be allowed

- In the backdrop of the feedback received in the workshops, the IRDAI felt the need to review the IMF Regulations to create a more comprehensive and robust framework for IMFs, with an aim to help the channel to evolve and fulfill its objectives of spreading insurance coverage to all stratum of the society. Hence, this Committee was formed with the following Terms of Reference(TOR):
  - Revisiting of IRDAI (Registration of Insurance Marketing Firm) Regulations, 2015.
  - Recommendation for issuing guidelines on the areas on which the Regulations are silent.
  - Recommendations on further strengthening the channel by taking up the products which fall under the jurisdiction of other financial sector regulators, including creating avenues for discussion with the other Regulators.
  - Any other matter, with the permission of the Chair.

## KEY RECOMMENDATIONS

### 1. Restriction on Area of Operation and ISPs Domicile Criteria

As per the existing IMF Regulations, an IMF is permitted to set up offices in a District for which the registration of the IMF is valid. Further, it is mandated for the ISPs to be domiciled in the area of registration of the IMFs.

**Recommendation:** The Committee recommends that the area of operation of the IMF may be expanded from a District to a State. The IMF may be permitted to set-up offices in the State of its registration and ISPs may be employed from anywhere across the State. If there is more than one branch, each branch should have at least one ISP.

### 2. Net Worth Requirement

An IMF is required to have a net worth of not less than Rs. 10 lakhs that should be maintained at all times. The net worth requirement is considered to be very high for tier II & tier III cities.

Different approaches were discussed on whether to reduce the requirements in accordance with tier based city classification; State capital, metro cities classification; or to relax net worth requirement at the time of incorporation allowing them to fulfill the requirement by the time of first renewal.

**Recommendation:** The Committee recommends that the net worth criteria may be relaxed in the initial years of IMF set up. IMFs may have a net worth of not less than Rs. 5 lakhs at the time of registration and by the time of first renewal of the registration, the net worth should not be less than Rs. 10 lakhs, which has to be maintained for each year, thereafter.

### 3. Product Restrictions

In respect of the General insurers, an IMF is allowed to solicit or procure only the retail lines of insurance products as given in the file & use guidelines.

**Recommendations:** The Committee recommends that the list of products to be sold through an IMF may be expanded to include the Group insurance products and Combi-products.

#### 4. Remuneration payable to IMFs

In addition to remuneration and rewards, IMFs may receive fees or charges from life insurance companies in the form of service charges for recruitment, training and mentoring of their ISPs. No such fee or charges are allowed in case of General and Health insurers.

**Recommendations:** The Committee recommends that the remuneration structure may be kept same across Life, General and Health Insurers. However, the remuneration model must be arrived at keeping in mind the expenses of management limit and in consultation with the Life and General Insurance Councils.

#### 5. Eligibility Criteria for Principal Officer

The eligibility criteria prescribed for PO, specifically the ten (10)/ five(5) years of financial/ insurance sector experience respectively, is considered to be very high.

**Recommendations:** The Committee recommends that the eligibility criteria for the PO of an IMF may be relaxed and may be brought at par with the qualification criteria for a PO of a Corporate Agent. Further, a PO may also be allowed to procure and solicit insurance business.

#### 6. Change of Principal Officer

The IMF Regulations are currently silent on the procedure to be adopted in the event of change/ resignation of a PO.

**Recommendations:** The Committee recommends that during the vacancy in the office of the PO, the IMF may be allowed to continue and procure insurance business through its ISPs. Further, the position of the PO should be filled within a period of three (3) months or such extended time as the Authority may approve in writing.

#### 7. Principal Officer in each District

Presently, the IMF Regulations stipulate appointment of separate PO for each of the districts where the IMF intends to expand its operation.

**Recommendation:** The Committee recommends that with the expansion of the definition of area of operation of the IMFs from a District to a State, the IMFs may be required to appoint only one PO for its area of operation.

#### 8. ISP Resignation

The ISP resignation process is found to be very cumbersome resulting in significant procedural delays.

**Recommendations:** The Committee recommends that the ISP resignation process may be simplified and automated by using technology. Further, the requirement for approval of the ISP resignation from the Life/ General Insurance Councils may be waived-off and should be on the basis the self-certification by the PO of the IMF.

#### 9. Interchangeability of ISPs

Currently, it is difficult to convince any individual agent who is an eligible candidate to be a PO/ISP of an IMF, since that entails him to surrender his individual agency license which will result in him losing his renewal commission as per the present practice of the insurance companies.

**Recommendations:** ISPs and PO get fixed remuneration whereas the individual agent does not get fixed remuneration. Interchangeability from ISP to PO and agent may be allowed. However, in case of migration from an agent to PO or ISP, it is recommended that the continuation of renewal commission/benefits post-surrender of the individual agency may be as per the Board approved policy of the insurance companies.

#### 10. Monthly Remuneration to ISPs

The IMF Regulations specify that an ISP shall be paid a fixed monthly salary, which is not lower than Rs. 5,000 per month.

**Recommendations:** The Committee recommends that the current mandate of payment of minimum salary, which is not lower than Rs. 5,000 per month may be continued.

#### 11. Change in IMF Shareholding Pattern

As per the present framework, no change in ownership/ shareholding exceeding 10% in the IMF shall be carried without seeking the prior approval of the Authority.

**Recommendation:** The Committee recommends that change in ownership/ shareholding up to 26% may be intimated to the Authority and any change beyond 26% can only be executed with the prior approval of the Authority.

#### 12. Change in Tie-ups with Insurance Companies

Any change in arrangement with the insurance companies is currently done only with the prior approval of the Authority.

**Recommendations:** The Committee recommends that any change in tie-ups with insurance companies may be governed as per the contractual terms of the IMF agreement between the insurer and IMFs with intimation to the Authority along with the reasons for change in arrangement.

#### 13. Mandatory Account with State Bank of India

It is mandated that both the IMF and the ISP shall open an account with SBI. Concerns were raised that IMFs are facing issues in opening accounts with SBI.

**Recommendation:** The Committee is of the view that the arrangement with SBI may be continued. However, for any practical operational difficulty, the Committee recommends regular structured meetings between IRDAI and SBI at quarterly intervals to address the difficulties.

#### 14. Record Maintenance and Book-keeping

The record maintenance and book-keeping requirements for IMFs are very elaborate and hence difficult.

**Recommendations:** The Committee recommends that the Insurers may share various operational data such as status of applications/grievances referred by IMFs etc. with their IMFs on a monthly basis. However, being a corporate entity, and having multiple tie ups, it is the responsibility of the IMF to maintain basic records of information.

## CHAPTER 1

### Key Regulatory Developments

Insurance does influence the growth and development of an economy in several ways. The availability of insurance can mitigate the impacts of perils. It provides the required products which help organizations and individuals to minimize the consequences of perils. It has a positive effect on industry growth as entrepreneurs are able to concentrate on their business rather than worry about perils that endanger their enterprise.

The Insurance industry in India has evolved significantly over the last decade and is now at a turning point in its development. It has grown at an annual growth rate of about 12%. The industry holds further significant potential, both from the perspective of growth and value creation.

Penetration of insurance critically depends on the availability of insurance products and services and widespread insurance distribution channels. The insurance products should be easily accessible to the members of the society in all districts of the country. Huge untapped market, proliferation of schemes, new product innovations, perception of insurable risks of Indian consumers, competitive pressures arising from integration of bank and insurance, impact of information technology, and the role of insurance industry in financial services industry, making insurance distribution viable for the insurance intermediaries, providing various options to the intermediaries to multiply their revenue sources are some of the forces which shape the competitive structure of the insurance industry.

The insurance industry in India has come a long way since the time when business was concentrated in the hands of the public sector insurers only. Following the passing of the Insurance Regulatory and Development Authority Act in 1999, Indian insurance market was opened up for private sector participation. From a predominantly agency dominated distribution pre 1999, the insurance distribution landscape was changing with brokers, corporate agents, Bancassurance partners coming to the forefront. Certain new channels like online distribution, Web Aggregation, Point of Sales Person, Insurance Marketing Firms were also introduced by the IRDAI to provide the necessary impetus to insurance distribution in the country and also ensuring that the insurance sector was also developing in line with the advancement of technology.

The IRDAI has created an environment wherein the insurance companies and intermediaries have taken on the roles of responsible players and become transparent and consumer-friendly. Technological advancement with digital initiatives are predominant in all spheres of life including insurance. Insurance companies are using technology more and more to ensure a faster connect with the intermediaries and the customers. Data of humongous proportion is available on the click of a button. Intermediaries are also using technology to interact with their customers.

The IMF channel is now operational for three years and feedback on the functioning of the channel was sought by IRDAI through three workshops conducted for the IMFs at Chandigarh, Hyderabad and Ahmedabad in May, 2018 which was attended by representatives of insurance companies, Insurance Councils and IMFs. The insurance companies and IMFs also shared their feedback on the various operational and practical issues. In order to enable the IMF channel to evolve and fulfill the objectives of spreading insurance coverage to all stratum of the society, a review of the regulations was considered necessary by IRDAI.

It is in the context of this regulatory history and subsequent unraveling of the IMF as a distribution channel that the Committee set out on its quest to review the IMF Regulations and recommend changes to keep it abreast with changing times and complexities of an evolving insurance market.

## CHAPTER 2

### Salient Features of current IMF Regulations

The current IMF Regulations have been in operation since January 2015. These regulations apply to IMF as a distribution model for soliciting or procuring life, general and health insurance business. The salient features of these regulations include the following:

- A company private or public limited, Co-operative society or LLP can be the applicant for IMF.
- IMF can have tie up with maximum of 2 life, 2 general and 2 health insurance companies for soliciting or procuring insurance business and also for performing back office activities for insurance companies it has a tie up with.
- The applicant shall have the words “Insurance Marketing/IMF” in its name.
- The IMF should have net worth of Rs.10 Lakhs.
- IMF can also undertake other activities in addition to insurance solicitation:
  - o Back office services of the insurance companies with which the tie up exists.
  - o Survey job subject to meeting the prescribed requirements.
  - o Act as Approved Person of Insurance Repositories.
  - o Marketing of the following financial products through FSE
    - Mutual Funds regulated by SEBI.
    - Pension Products regulated by PFRDA.
    - Other financial products distributed by SEBI licensed Investment Advisors.
    - Banking and Financial Products by NBFC, Banks regulated by RBI.
    - Non insurance products of Dept. of Posts.
- Area of Operation of IMF is restricted to one selected District in the first term of IMF registration. During the renewal, Authority may consider for increasing the area of operations to other selected districts. However, the IMF is free to procure or solicit insurance business from all over the country.
- The PO must be a graduate with 5 years of experience in insurance field or 10 years in financial sector. The IMF needs to have a separate PO for each district.
- The PO and ISP have to undergo on line training and examination from III, Mumbai.
- Directors, PO and ISPs shall surrender the existing individual agency license, if any.
- IMF has to employ ISPs for soliciting insurance products. The ISP must have completed his/her HSC and should be domiciled in the same district.
- For solicitation of financial products, IMF has to employ Financial Services Executives (FSEs).

IRDAI reviewed these IMF Regulations from time to time and took the following steps:

- Relaxed the restriction on IMFs to have six insurance tie ups (two for each class of business) to start its initial operations.
- Laying down the procedure for IMFs to follow on resignation of ISPs.
- Allowing the IMF to distribute the financial products regulated by any other financial regulator.
- Allowing the IMF to undertake distance marketing activities through its ISPs.

## CHAPTER 3

### Committee for review of IMF Regulations

In view of the actual experience of the Authority, insurers and IMFs during the last three years it is observed that actual experience is different from what was originally envisaged while formulating the IMF Regulations. Hence, it is imperative that these Regulations are reviewed taking into account the actual experience and the evolving needs of all the stakeholders. It is important that the IMF as a distribution channel is nurtured in a manner that the objective of increasing insurance penetration in the country through an area-wise registration approach is achieved. The following key objectives were considered for modifying the current regulations:

- Streamlining the operational processes to remove the constraints being faced by IMFs.
- Review of the IMF regulations to incorporate aspects which are not captured therein.
- The IMF channel should evolve in a manner that individual insurance agents can gradually migrate and develop into IMFs offering comprehensive financial solutions to their customers.
- The Authority's objective of increasing insurance penetration in the country through an area-wise distribution model is achieved.

Efficiency and fairness should be core to the modernization effort. Identifying gaps in the current approach and redesigning norms to modernize the IMF regulations should usher in a much favorable environment for the IMFs. This modification should allow insurance companies and IMFs to compete more effectively in the current financial service marketplace and to respond with innovation and flexibility to evermore demanding customer needs while continuing to protect consumers, which is the hallmark of prudent regulation.

Accordingly, in order to have a holistic and structured approach in devising appropriate revisions in IMF Regulations, IRDAI vide its IRDAI order Ref: IRDA/INT/ORD/IMF/092/06/2018 dated 15th June, 2018 constituted the Committee to review the extant Regulations and recommend changes to meet the aforesaid objectives.



## PART B

### CHAPTER 4

#### METHODOLOGY AND GUIDING PRINCIPLES

The IMF Committee adopted the methodology of Review; Analyse and Synthesize in finalizing the recommendations. As part of the review exercise, the Committee had an extensive review of the IMF Regulations and meetings with various stakeholders on the subject. Post the review, the Committee had elaborate internal discussions analyzing the various points and framing the key issues for further synthesizing the recommendations.

#### The Committee was guided by the following principles:

- Increasing penetration of IMFs.
- Encouraging experienced insurance professionals to join IMF business to make the IMF distribution model successful on the ground.
- Encouraging higher scale in this business by employing increasing number of ISPs and thereby realising higher penetration.
- Ensuring customers' interest is protected and right people come into this business with a long term vision.
- Smoothing the entry barriers and streamlining the licensing process to improve take up rates both from insurers and IMF.
- Bringing parity with other insurance intermediaries with respect to ease of doing business.

#### Stakeholder Meetings:

The Authority held zonal meetings with representatives of IMFs and Insurers wherein three workshops for the IMFs at Chandigarh, Ahmedabad and Hyderabad were conducted in May 2018, to gather the operational feedback on the issues/challenges faced by them under the existing IMF Regulations and their suggestions/ recommendations on how these could be suitably addressed in the proposed revision to the Regulations.

#### Forming an IMF Committee:

In order to enable the channel to evolve and fulfill the objective of spreading insurance coverage to all stratum of the society, a review of the Regulations is deemed necessary. As a result, the Authority constituted a Committee to examine the Regulations and make necessary recommendations.

### **Framing Key Issues:**

Arising out of the discussions with these stakeholders, the following key issues emerged for consideration of the Committee. The Committee was divided into two sub-groups to work on these issues independently. The sub-groups interchanged their works for peer-review and deliberated key issues in various Committee meetings. Broadly, the key issues were identified under the following categories:

- Net worth requirement
- Restriction of area of operation
- Product restrictions for IMFs
- Restriction on insurer tie-ups placed on IMFs
- Change in tie-ups with Insurers
- Matters related to the PO/ ISPs
- Matters related to remuneration of an IMF/ ISPs
- Matters related to Insurance Servicing Activities of IMFs
- Professional Indemnity policy
- Mandatory account with SBI
- Change in shareholding pattern
- IMF book keeping and reporting formats
- Others
  - Promotion of IMF channel
  - GST related issues
  - Distance Marketing by IMFs

## CHAPTER 5

### DISCUSSIONS WITH OTHER FINANCIAL SECTOR REGULATORS

In addition to sale of insurance products, the IMF is also allowed to sell and market the financial products falling in the purview of other financial sector regulators. The Committee interacted with other financial sector regulators to gather their views on further strengthening of the IMF channel.

**PFRDA model:** The PFRDA representative informed the Committee that the National Pension System (NPS) that was mandated for Central Government employees joining services on or after 1 January, 2004 was extended to all citizens of India on a voluntary basis from 1 May, 2007 and the Point of Presence (mainly banks) were registered by PFRDA for providing an interface to the subscribers with the existing system architecture. NPS being a low cost pension scheme, the costs related to intermediation and operations are regulated by PFRDA and mostly determined through competitive bidding process.

A non-government subscriber can interact with the NPS architecture through two channels i.e Point of Presence (PoP) and Retirement Adviser (RA) registered by PFRDA. The eligibility for becoming a PoP are specified under Regulation 5 of the PoP Regulations 2018 and the two basic criteria requirements are registration with any of the regulators in India and minimum net worth of Rs. 75 lakhs, and the other specified criteria can be relaxed at the discretion of the Authority. The RA registered by PFRDA has similarity with the IMF registered by IRDAI. RA can be an individual, a body corporate, a partnership, a society or trust and the minimum qualification prescribed for RA is graduate in any discipline. The RA should possess a valid certification on retirement planning/advisory (presently NISM provides certification) and provide a security deposit of Rs. 50,000 in case of body corporate and Rs. 5,000 in case of individuals.

To have synergy, IMF registered with IRDAI may be permitted to register with PFRDA as a RA and the “Principal Officer” specified under IMF regulations possessing the required qualification of being a Graduate may be allowed to solicit NPS business. The remuneration structure for RA is:-

- Rs. 200/- for on-boarding (one-time)
- Rs. 20/- per transaction upto a maximum of Rs. 100 per annum
- Advisory fee of 0.02% of AUM subject to minimum of Rs. 100 and maximum of Rs. 1000 per annum.

**SEBI Model:** The representative from NISM has apprised the Committee about the Investment Advisor model and the Mutual Fund Distributor model. After deliberations, it was stated that Mutual Fund Distributor model is more suited for IMFs. However, it was mentioned that generating awareness about IMFs is the need of the hour.

## CHAPTER 6

### RECOMMENDATIONS

#### Applicability

The recommendations apply to all IMFs approved by the Authority under IRDAI (Registration of Insurance Marketing Firms) Regulations, 2015. For ease of reference, the recommendations have been classified under two broad categories:

- (A) Regulatory matters; and
- (B) Other operational matters

These may be considered suitably while revising the IMF Regulations and are detailed hereunder:

#### A. Regulatory Matters:

##### 1. AREA OF OPERATION AND ISP DOMICILE CRITERIA

#### Background:

As per Regulation 19.3, *the IMF shall be permitted to set up offices only in one district of its choice* and as per Regulation 8.2, *the ISPs should be domiciled in the area of registration of the IMF*. In this connection, there is also a provision in Regulation 19.3 which states that *the IMF shall be free to solicit or procure the insurance business from all over the country*.

#### Concerns:

- i. The provision regarding ISPs to be domiciled in the same district is felt to be a disabling one.
- ii. Procuring insurance business from one part of the country and then logging it in another where the IMF is registered is found to be very difficult.
- iii. Whether IMFs may be allowed to source business through digital medium by taking up Insurance e-commerce through Insurance Self Networking Platform (ISNP).
- iv. Whether IMFs may be allowed to carry out telemarketing solely for lead generation.

W.r.t. points i and ii above, the approaches of expanding the area of operations to 2-3 adjacent districts or upto 5 districts, retaining a specific percentage of business in the district of registration; or expanding the area of operation to the entire State were discussed.

On points iii and iv above, a concern arose that it may go against the main intent behind the concept of IMF, which is to improve insurance penetration by expanding it to rural and remote areas. These may cause the IMF to lose focus on its registered district and in case these are to be allowed, it must be ensured that the IMF is sourcing a certain minimum percentage of business from its registered district. Further, utilization of tele-callers can pave way to mis-selling which was one of the menaces being faced by life insurance sector.

### **Recommendation:**

The Committee recommends the following:

- (i) Area of operation may be increased to a State.
- (ii) The registered offices and branches of the IMFs would be within the State.
- (iii) The IMF would have to login the business within the State.
- (iv) ISPs may be employed across the State.
- (v) Criteria of 'domicile' may be replaced with 'resident'.

### **Additional Comments/ Suggestions:**

- i. ISNP norms may be relaxed for IMFs as getting the license is onerous. Cloud based digital platforms may be allowed to IMFs. If IMFs are not allowed to do e-commerce through ISNP, it will deprive IMFs and their customers of the use of modern day technology. This puts IMFs at a clear disadvantage against other intermediaries in the insurance sector. With digitization taking root and spreading to every walk of life and every financial service, IMF should not be saddled to do business only through the traditional manual methods. IMF will become extremely uncompetitive if not allowed under e-commerce/ISNP.
- ii. Further Circular dated 11th April 2017 (Ref. IRDA/INT/CIR/ECM/083/04/2017) on Filing of Online Application for Insurance Self Networking Platform (ISNP) as per IRDAI's Guidelines on Insurance E-Commerce dated March 9, 2017 - This mentions Insurance Companies, Brokers and Corporate Agents can sell on this platform
  1. FAQs on ISNP website mentions insurers and intermediaries like Brokers, Corporate Agents and Web Aggregators.
  2. IRDAI Guidelines on Insurance E-Commerce (ref. IRDA/INT/GDL/ECM/055/03/2017) dated March 9, 2017 includes the following:
    - i. Insurers registered with the Authority
    - ii. Insurance Intermediaries registered by the Authority
    - iii. Insurance Agents appointed by Insurers registered with the Authority
    - iv. Any other person so recognized by the Authority.

Since IMF is a registered intermediary with IRDAI, it is allowed to participate in e-commerce through ISNP. Suitable clarification to this effect may be issued. This is also in keeping with the digital India initiative of the Government. Also the consumer benefits by way of ease and speed by having online servicing options as well along with benefits of e-KYC, Electronic Policy, etc. This ensures parity amongst all Insurance Intermediaries.

- iii. Distance Marketing Regulations of IRDAI are elaborate and have adequate safeguards against mis-selling. Similar, to Brokers and Corporate Agents who are allowed to generate leads through Distance Marketing, IMFs are already allowed to do it in compliance with the regulations.
- iv. If there is a change in the area of operation from district to state, transitory provisions may be made for migration of existing IMFs to the new set up, within a stipulated time.

## 2. NET-WORTH REQUIREMENTS

### Background:

As per Regulation 6.1, an IMF *shall have a net worth of not less than ten lakh rupees* that it should maintain at all times, in accordance with Regulation 6.2.

### Concerns:

- i. Net worth requirement of Rs. 10 lakhs is very high for Tier 2 & 3 cities.
- ii. IMFs need to invest in setting up infrastructure. So, maintaining the net worth at all times becomes difficult.

The following approaches have emerged from the discussions:

- i. A tier based structured approach to be adopted such that the net worth requirement in Tier 2 & 3 cities or rural areas is reduced viz. for tier 1 cities- Rs. 10 lakhs, for tier 2 cities- Rs. 5 lakhs and all for all other places Rs. 3 Lakhs.
- ii. 4 Metro cities - Rs 10 lakh network, all State capital cities (other than four Metro cities) - Rs. 5 lakh network; and all other cities/district HQs - Rs. 2 lakh network.
- iii. Area of operation may be increased to a State, with net worth requirement of 5 lakhs at the time of registration and Rs. 10 lakhs at renewals

### Recommendations:

The Committee recommends that the network may be reduced to Rs. 5 lakh and the same may be increased to Rs. 10 lakh at the time of renewal. Further, the net worth requirement may be maintained at the end of the financial year.

## 3. ELIGIBILITY CRITERIA OF A PRINCIPAL OFFICER / INTER-CHANGEABILITY OF ISPs

### Background:

- i. Regulation 2.11: *“Principal Officer” of Insurance Marketing Firm means a director or a partner or any officer or employee so designated by it, and approved by the Authority, to exclusively supervise the activities of Insurance Marketing Firm and who possesses the requisite qualifications and practical training and who has passed examination as required under these Regulations.*

- ii. Regulation 7.2: *It is necessary that PO fulfills any of the eligibility conditions as given below:*
  - (a) *Associate/Fellow of the Insurance Institute of India, Mumbai; or*
  - (b) *Associate/Fellow of the Institute of Actuaries of India; or*
  - (c) *Associate/Fellow of Chartered Insurance Institute, London; or*
  - (d) *Postgraduate qualification of the Institute of Insurance and Risk Management, Hyderabad; or*
  - (e) *Graduate with Insurance experience of five years preceding the year in which the application is made; or*
  - (f) *Graduate with 10 years of experience in financial services sector preceding the year in which the application is made.*
- iii. Regulation 19.2: *An individual agent cannot migrate or join Insurance Marketing Firm unless he has surrendered his existing agency license, undergone Insurance Marketing Firm training and qualified the Insurance Marketing Firm examination specified under these Regulations.*

#### **Concerns:**

- i. Finding a PO who is eligible as per these criteria is very difficult and many a time it is difficult to arrange proper documents in support of work experience of potential candidates from previous employers.
- ii. It is difficult to convince any individual agent who is an eligible candidate to be a PO of an IMF since that entails him surrendering his individual agency license which will lead to him losing his renewal commission as per the present practice of insurance companies.
- iii. The Committee deliberated on the requirement for an agent migrating to IMF channel to undergo fresh training as he/ she would have already undergone sufficient training during the course of his individual agency. It was generally felt that the Authority could look into minimizing such overlaps between different intermediaries by a framework of mutual recognition which will prescribe only the incremental training required for the particular channel.

#### **Recommendations:**

The Committee recommends that:

- i. The eligibility criteria of a PO of an IMF may be relaxed and should be brought at par with the qualification criteria for a PO of a Corporate Agent.
- ii. The PO may be allowed to solicit insurance business if the IMF does not have any ISP provided that the PO has the necessary qualification, undergone training and passed the examination.
- iii. Continuation of benefits post-surrender of agency license, in case of an agent becoming an IMF, may be as per the Board approved policy of respective insurance companies, and this provision may be mentioned explicitly in the Regulations.

- iv. An IMF may be allowed to function with only PO and no ISPs, in case of ISP's resignation, till new ISP appointed, in the 1<sup>st</sup> year.
- v. An IMF may be allowed to continue doing business if the PO or ISP leaves for an interim period not exceeding 3 months.

#### **4. CHANGE OF PRINCIPAL OFFICER**

##### **Background:**

The IMF Regulations are currently silent on the procedure to be adopted in the event of change of Principal Officer.

Further, the following documents are called for by the Authority when an application for change in PO is received:

- i. Board resolution accepting resignation of previous PO
- ii. Board resolution for appointment of new PO
- iii. Documents to ascertain eligibility of new PO
- iv. Fit & Proper criteria declaration by new PO
- v. Undertaking by new PO, in the prescribed format.

##### **Concerns:**

In the period between resignation of previous PO and approval of new PO by the Authority, the IMF functions without a PO. In such a case, the following concerns arise:-

- i. Can the IMF procure new business?
- ii. If yes, who would supervise the activities of the IMF and for how long?

##### **Recommendations:**

- i. IMF may be allowed to continue and procure new business through its ISPs, in the intervening period between the resignation of previous PO and approval of new PO by the Authority.
- ii. The IMF should endeavor to get a new PO approved by the Authority maximum within 3 months or such extended time as the Authority may approve in writing.
- iii. When the PO is not available, in the intervening period, a Whole-time Director/ Managing Partner/ or any other senior designated official of the IMF may, with the prior written approval from the Authority, be authorized to act and perform the duties of the PO.
- iv. Refer **Annexure A** for the format for the Form for change in Principal Officer.



## 5. PRINCIPAL OFFICER IN EACH DISTRICT

### Background:

Regulation 19.3 states that the *Insurance Marketing Firm shall have separate Principal Officer designated for each of the districts they intent to expand their operation.*

### Concerns:

Expecting the IMF to have a separate Principal Officer designated for each of the districts is very onerous for the IMFs and it is not cost effective for the IMF to have a separate Principal Officer.

### Recommendation:

With the expansion of the definition of area of operation of the IMF from a District to a State, the IMF may be required to appoint only one Principal Officer for its area of operation. If there is more than one branch, each branch should have at least one ISP.

## 6. PRODUCTS ALLOWED FOR IMFs

### Background:

A per Regulation 3, *in respect of general insurance, the Insurance Marketing Firm shall be allowed to solicit or procure only retail lines of insurance products as given in the file & use regulations namely motor, health, personal accident, householders, shopkeepers and such other insurance products approved by the Authority from time to time.*

### Concerns:

- i. Though there are no restriction on products in life insurance, the IMFs are not allowed to do group life insurance business.
- ii. A complaint was also raised that certain Insurance Companies are blocking IMFs from soliciting business in certain products like bikes, tractors etc.

### Recommendations:

The Committee recommends that:

- i. The list of products to be sold through IMF may be expanded.
- ii. IMF may be allowed to solicit group insurance products.
- iii. IMF may be allowed to sell combi products.

## 7. RESIGNATION OF ISPs

### Background:

Regulation 27.2 states that



- (a) *ISP being on the rolls of the Insurance Marketing Firm for a continuous period of at least three years unless he ceases to be an ISP of Insurance Marketing Firm due to death or fraud or resignation from the services of Insurance Marketing Firm subject to his resignation being approved by a committee of three persons nominated by the Life Insurance Council or the General Insurance Council.*
- (b) *The Authority shall allocate the States to the Insurance Councils and a report of the committee shall be submitted by the Councils to the Authority on a quarterly basis.*

### **Concerns:**

The present process for approval of ISP resignation is very cumbersome and results in significant delays. It was highlighted that the intention behind such a provision was to prevent the attrition/churning of agents in the industry and that if an ISP could be made to stay with an IMF for two to three years, various studies show that he/she would continue to stay with the IMF for long thereby reducing mis-selling and other similar issues plaguing insurance sector. The Committee deliberated whether the existing process has really served the intended purpose i.e. to place a check on attrition/churning of agents.

### **Recommendations:**

The Committee recommends as under:

- i. The requirement for approval of the ISP resignation from the Life/ General Insurance Councils may be waived-off and it should be on the basis the self-certification by the Principal Officer of the IMF; and
- ii. The ISP resignation process should be simplified and automated with the help of technology.

## **8. MONTHLY REMUNERATION TO ISPs**

### **Background:**

Regulation 19.2 states that *every ISP employed by the Insurance Marketing Firm shall be paid a fixed monthly salary, which is not lower than Rs. 5,000 per month or such other sum as may be specified by the Authority from time to time.*

### **Concerns:**

IMFs in semi-urban/rural/remote areas might not be able to bear the cost of ISPs fixed salary.

### **Recommendations:**

The Committee recommends that:

- i. The ISP may be considered as an employee of the IMF.

- ii. Mandate of payment of minimum salary to ISP may be continued with and the process of ISP resignation may be eased out. It shall also be in compliance with the Minimum Wages Act as may be applicable in that area/state jurisdiction.

## 9. MANDATORY ACCOUNT WITH STATE BANK OF INDIA

### Background:

Regulation 27.2 states that *the Insurance Marketing Firm shall set up necessary IT systems that shall be integrated to the IT Systems of Authority or of an institution recognized by the Authority with a capability of obtaining and monitoring.*

- (a) *Payment of minimum wages to the ISP by the Insurance Marketing Firm;*
- (b) *ISP being on the rolls of the Insurance Marketing Firm for a continuous period of at least three years unless he cease to be an ISP of Insurance Marketing Firm.*

For the aforementioned regulation, the explanation states that *an institution / Bank recognized by the Authority will be one with whom the Authority has entered into an MOU based on defined criteria.* In accordance with this, it was mandated that both the IMF and the ISP shall open an account with the State Bank of India. The rationale behind making this provision was that SBI had large number of branches and this provision would help the Authority to monitor the payments made to ISPs.

### Concerns:

A concern was raised that IMFs were facing issues in opening accounts with State Bank of India as per requirement.

### Recommendation:

- i. The opening of bank account of the IMF and the ISP with the State Bank of India is a key component of the regulatory and supervisory oversight mechanism. By this mechanism, the bank is able to generate exception report and submit the minimum regulatory amount to the Authority that have to be paid by the IMF to the ISP.
- ii. Since SBI is the only bank in the country with this kind of reach, it will be able to address the issue of accessibility.
- iii. In light of the above, the Committee is of the view that the same arrangements may be continued.
- iv. However, for any practical operational difficulty, the Committee recommends regular structured meetings between IRDAI and SBI at quarterly intervals to address any difficulties.

## 10. REMUNERATION PAYABLE TO IMFs

### Background:

Regulation 19.1 states that *in addition, the Insurance Marketing Firm may receive fees or charges from life insurance companies only in the form of service charges for recruitment, training and*

mentoring of their ISPs. These fees or charges shall not exceed 50% of first year commission and 10% of renewal commission received by IMF. No such payment shall be made in case of general/health insurance business. The life insurance companies shall have to disclose to the Authority upfront at the time of filing their products under file & use regulations on payment of such fees or charges to the IMF.

### **Recommendations:**

The Committee recommends that the remuneration structure may be kept same across Life, General and Health Insurers. The remuneration regulations already provide not more than 30% of commission or remuneration paid to insurance agents and insurance intermediaries for general Insurance including health insurance. Therefore, the remuneration model must be arrived at keeping in mind the expenses of management limit and any change in the structure should not lead to unhealthy competition in the sector.

## **11. PROFESSIONAL INDEMNITY POLICY**

### **Background:**

Regulation 9.2 states that the *limit of indemnity shall be two times the total remuneration of the insurance marketing firm subject to a minimum of Rupees ten lakh.*

### **Concerns:**

IMFs were facing difficulties in getting a Professional Indemnity Policy as prescribed in the Regulations. The Committee was apprised that the matter has been taken up by the Authority with the General Insurance Council and the Authority will pursue the said issue with the General Insurers, as well.

### **Recommendations:**

The Committee recommends that the present limit of indemnity may be continued with.

## **12. ACTIVITIES UNDER THE SCOPE OF IMFs**

### **Background:**

Regulation 3 b states *Insurance Servicing Activities of the Insurance Marketing Firm by:*

- i. undertaking back office activities of insurers as allowed in the Regulations on Outsourcing Activities by Insurance Companies issued by the Authority;*
- ii. becoming approved person of Insurance Repositories;*
- iii. undertaking survey and loss assessment work by employing on their rolls licensed surveyor & loss assessors;*
- iv. any other insurance related activity permitted by the Authority from time to time.*



*Explanation: For the purpose of these Regulations, the Insurance Marketing Firm shall undertake the insurance servicing activities in respect of only those insurance companies with whom they have an agreement for soliciting or procuring insurance products;*

#### **Concerns:**

The Committee was informed that a main concern was that IMFs were not expanding its activities to the complete scope allowed to them in the Regulations.

#### **Recommendations:**

The Committee recommends that:

- i. IMFs should not be restricted to take up survey jobs only from the six or less Insurance Companies with which they have tie-up.
- ii. The IMF may charge a certain amount for undertaking the support activities on behalf of the surveyor who undertakes survey work on his individual surveyor license. This is to enable the surveyor to focus upon his core activity of surveying and issuing the survey report, whereas the IMF can provide the necessary infrastructure, back office support and other miscellaneous help which the surveyor requires in carrying out his work. The arrangement between the IMF and the surveyor is left completely to them. This is very much akin to the activities undertaken by the FSE.
- iii. The IMF's can take up on behalf of insurers for their back office activities including:
  - a) Allied Activities: Setting-up service centers for insurers, revival campaigns, surveys, orphaned policy servicing, act as approved person of Insurance Repositories.
  - b) Special Services: Consultancy, Outsourcing (BPO/KPO) including case preparation for underwriting and claims.

### **13. CHANGE IN SHAREHOLDING PATTERN**

#### **Background:**

Regulation 25 states that *no change in ownership/shareholding exceeding 10% in the Insurance Marketing Firm, shall be carried out without the prior approval of the Authority.*

#### **Concerns:**

Initially, as a new entity with a few stakeholders, frequent change in shareholding could happen quite often. The Committee deliberated that this limit could be raised to 26% or 51% since change in ownership under the Companies Act is also recognized at that threshold.

#### **Recommendations:**

Change in ownership/ shareholding upto 26% may be intimated to the Authority. Any change beyond 26% can only be executed with the prior approval of the Authority.

## 14. CHANGE IN TIE-UPS WITH INSURANCE COMPANIES

### Background:

Regulation 3 (a) provides that *any change in the engagement with the insurance companies shall be done only with the prior approval of the Authority and with suitable arrangements for servicing existing policyholders.*

Further, the Committee has gone through the following approach with regard to request for change of Insurer:

- A. If the insurer has not entered into an agreement with the IMF within a reasonable period of time/ shown disinterest to enter into an agreement. The IMF may be advised to demonstrate their efforts to operationalize the agreement.
- B. One year has elapsed from the date of the last agreement and the IMF has not yet started soliciting and procuring business for the insurer.

### Concerns:

The Regulations does not explicitly lay down the procedure for change in tie-ups with Insurance Companies.

### Recommendations:

- i. It is recommended that any change in tie-up with Insurance Companies may be governed as per the contractual terms of the IMF agreement between the insurer and the IMF and that should be intimated to the Authority along with the reasons for change in arrangement.
- ii. In the event of change in tie-ups, the business booked for the Insurer may be called for in the following format:

Name of the company	No. of policies	Total premium	Total Commission

- iii. Refer **Annexure B** for the format for intimating the addition of /change in Tie Ups with Insurance Companies.

## 15. RESTRICTION ON INSURER TIE-UPS

### Background:

In terms of Regulation 3 a) for the purpose of soliciting and procuring Insurance Products, an IMF is allowed to enter into tie-ups with *two Life, two General and Two Health Insurance companies at any point of time under intimation to the Authority.*

### Concerns:

An analysis may be carried out whether the existing IMFs had used their allowed number of six tie-ups, i.e., two each in the three sectors and if they have, then whether the percentage of business from each tie-up was even or not. Such an analysis will give clarity whether option for additional tie-ups is required or not.

### Recommendations:

- i. At present, no further change in tie-ups (i.e. two each with Life, General and Health) is recommended.
- ii. In future, tie-ups with more insurance companies may be considered subject to optimum utilization of all six tie-ups that are allowed under the present regulatory framework.

## 16. RECORD MAINTENANCE & BOOK-KEEPING

### Background:

Regulation 26 states that *an Insurance Marketing Firm shall maintain the following records:*

- i. *Mandate received from the client;*
- ii. *Know Your Client (KYC) records of the client, as required under the relevant Authority's regulations and provisions of Prevention of Money Laundering Act, 2002;*
- iii. *Copy of the proposal form duly signed by the prospect and submitted to the insurer with Agent's Confidential Report (ACR) signed by the IMF;*
- iv. *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 fees received;*
- v. *A register containing details of complaints received, name of the complainant, nature of complaints and action taken thereon;*
- vi. *Any other record as may be specified by the Authority from time to time.*

### Concerns:

It was highlighted that the record maintenance and book-keeping requirements for IMFs are too elaborate and hence difficult. The requirement for IMFs to maintain such elaborate records was questioned considering that the insurance companies would anyway be maintaining all the records.

### Recommendations:

The Committee recommends that the Insurers may share various operational data with their IMFs on a monthly basis w.r.t. status of applications/grievances referred by IMFs etc. However, there should not be any regulatory binding on the insurers to provide any kind of register to the IMF. Being a corporate entity, and having multiple tie ups, it is the responsibility of the IMFs to maintain basic records.

## 17. REPORTING FORMATS

The Committee perused the various reporting formats drafted by the IRDAI, as under:-

- Form for Addition of ISPs
- Form for Addition of branch office or change in office address
- Form for Change in shareholding greater than 10%
- Form for Surrender of IMF Registration
- Form for reporting of status of complaints received by IMFs
- Form for reporting of business generated by IMFs

The Committee members deliberated on the aforesaid forms and suggestions put forward by the members were duly incorporated.

Various forms with suggestive changes are Annexed as under:-

- Addition of ISPs - **Annexure C**
- Addition of branch office or change in office address - **Annexure D**
- Change in shareholding greater than 10% - **Annexure E**
- Surrender of IMF Registration - **Annexure F**
- Reporting of status of complaints received by IMFs - **Annexure G**
- Reporting on business generated by IMFs - **Annexure H**

## B. OTHER OPERATIONAL MATTERS

### 18. GST RELATED ISSUES

The Committee was informed that GST compliance was an issue since many, including IMFs as well as insurers, did not have complete clarity in this matter. To this, an explanation was provided that certain clarifications from Income Tax Department came very recently and consequently software development for the purpose of GST might have been delayed. It was a concern for the IMFs that if they are selling other financial products also along with insurance products, too many invoices are to be raised every month which was causing difficulties.

#### Recommendations:

The Committee recommends that the Authority could facilitate this matter for the IMFs by taking a representation from the IMFs in this regard to the GST council.

### 19. SIMPLIFYING REGULATORY PROCEDURES

The Committee was informed that the processes of application for fresh registration, renewal and modification should be made simpler.

#### Recommendations:

The Committee recommends that:

1. Turn Around Times (TATs) may be explicitly defined as done in case of other insurance intermediary regulations.



2. A timeline could also be prescribed for an IMF code to take off.
3. Facility of OTP generation in case an applicant forgets his/her login password on IMF portal since the applicants were facing difficulties with the present “Forgot Password” option on the portal.
4. For on line approvals or modification requirements, maker-checker concept maybe introduced wherein Maker should be IMFs, while the Checker should be IRDAI. Beyond 15 working days, the maker’s request should automatically get modified to ‘accepted’ on the portal.

## **20. DISTANCE MARKETING ACTIVITIES BY IMFs**

### **Background:**

Regulation 3 d states that *an IMF shall abide by the regulations/guidelines/circulars issued by the Authority from time to time on Distance Marketing of Insurance Products subject to the following: Distance Marketing shall be*

- i. *undertaken by the IMF without engaging tele-marketer(s).*
- ii. *undertaken after obtaining prior approval from the Authority.*
- iii. *carried out only through ISPs.*
- iv. *on behalf of those Insurer(s) with whom agreements are entered by IMF for carrying out insurance business activity as specified in Part I of Schedule V.*

### **Concerns:**

Requests were made to allow distance marketing by IMFs. It was clarified that IRDAI Distance Marketing Regulations are elaborate and have adequate safeguards against mis-selling. Similar to Brokers and Corporate Agents, Insurance Marketing Firms, are also allowed to undertake distance marketing activities subject to complying with the applicable regulations.

### **Recommendation:**

The Committee deliberated on the issue and is of the view that presently there is no requirements to change the existing provision for Distance Marketing activities by IMFs.

## **21. PROMOTION OF IMF CHANNEL**

### **Background:**

As on 28<sup>th</sup> June, 2018 only 222 IMFs were registered with the Authority covering only 74 districts across the Country.

### **Recommendations:**

Considering the lesser number of IMF registration, the Committee recommends that the Life and General Insurance Councils should come up with a roadmap for promoting the IMF as a distribution channel.



## PART C

### CHAPTER 7

#### OTHER DETAILS

##### Members List

The following are the members of the Committee

1. Shri. Suresh Mathur, ED (IMF), IRDAI – Chairperson,
2. Smt. K.G.P.L. Ramadevi, GM (IMF), IRDAI – Member,
3. Shri. Saurabh Bhanot, Sr. VP, Aviva Life Ins. Co. India Ltd.– Member,
4. Shri. Siddharth Pradhan, GM, The New India Assurance Co. Ltd.– Member,
5. Shri. Amit Rathi, Sr. VP, Max Life Ins. Co. Ltd. – Member,
6. Smt. Deepti Rustagi, Sr. VP, Apollo Munich Health Ins. Co. Ltd. – Member,
7. Shri. Rakesh Kumar, ED, Life Insurance Corporation of India – Member,
8. Shri. Girish Joshi, ED & ISP, iKuber Financial Services IMF Pvt. Ltd. – Member,
9. Shri. Rajinder Singh, MD, JK Insurance Marketing Pvt. Ltd. – Member,
10. Ms. Priya Kumari, AM, IMF, IRDAI – Member Secretary.

Following is the list of Special Invitees who participated in the meetings of the Committee and shared their valuable inputs:

1. Shri. Randip Singh Jagpal, CGM, IRDAI,
2. Shri. V. Manickam, Secretary general, Life Insurance Council,
3. Shri. R. Chandrashekar, Secretary general, General Insurance Council,
4. Shri. Mono Mohan Gogoi Phukon, GM, PFRDA,
5. Shri. G. P. Garg, Registrar, NISM.
6. Smt. Nandini Ali, CMO, Apollo Munich Health Insurance Co. Ltd.,
7. Shri. Jaspal Bedi, VP, ICICI Lombard General Insurance Co. Ltd.,
8. Shri. Suraj Kumar, Sr. Manager, Bajaj Allianz Life Insurance Co. Ltd.,
9. Shri. Arun Bhaduria, Head-Motor and retail business, Universal Sompo General Insurance Co. Ltd.,
10. Shri. C. D. Singh, DGM, Oriental Insurance Co. Ltd.,
11. Shri. K.C. Behl, Chief Manager, Oriental Insurance Co. Ltd.,
12. Shri. Vivek Gupta, President, Shriram General Insurance Co. Ltd.,
13. Shri. Manu Kaushik, Chief Manager, IFFCO Tokio General Insurance Co. Ltd.,
14. Shri. Soly Thomas, Canara HSBC OBC Life Insurance Co. Ltd.,

### Abbreviations / Acronyms

1.	FSE	Financial Service Executive
2.	GI Council	General Insurance Council
3.	IMF	Insurance Marketing Firm
4.	IRDAI	Insurance Regulatory and Development Authority of India
5.	ISNP	Insurance Self Networking Platform
6.	ISP	Insurance Sales Person
7.	NBFC	Non Banking Financial Company
8.	NPS	National Pension System
9.	PFRDA	Pension Fund Regulatory and Development Authority
10.	PI	Professional Indemnity
11.	PO	Principal Officer
12.	RBI	Reserve Bank of India
13.	Regulator	Insurance Regulatory and Development Authority of India
14.	SBI	State Bank of India
15.	SEBI	Securities and Exchange Board of India
16.	HO	Head Office
17.	NDRO	New Delhi Regional Office
18.	MRO	Mumbai Regional Office



## PART D – Annexures

### Annexure A

#### Form for change in Principal Officer

{Refer Schedule I of IRDAI (Registration of IMF) Regulations, 2015}

1	Name of the IMF	
2	IMF Registration Code	
3	Date of Expiry of Registration	
4	Name of the previous PO	
5	Date of Resignation of the previous PO	
6	Date on which the Authority was informed of the resignation(attach copy of communication)	
7	Name of the new PO(attach FIT & PROPER Form)	
8	Date of IMF Exam passing of the new PO(attach Certificate)	
9	Educational/Professional Qualification(attach Certificate)	
10	Work Experience(attach proof)	
11	Whether the proposed PO has any existing individual agency license?	
12	Has the proposed PO ever been employed by another IMF ?	
	Other documents to be submitted	• Undertaking by the PO as per attached format

I hereby solemnly acknowledge that the details provided above are true to the best of my knowledge.

Date:

Signature (Director/Partner)

Place:

Name:



Please submit an undertaking by the proposed Principal Officer that neither he/she nor any of the directors/partners of the firm is suffering from any disqualifications specified under sub-section (5) of section 42D of the Insurance Act, 1938, as amended from time to time. (Sample below):

**Undertaking**

- (a) *that none of the directors / partners / employees in our firm is a minor;*
- (b) *that none of the directors / partners / employees in our firm have been found to be of unsound mind by a court of competent jurisdiction;*
- (c) *that none of the directors / partners / employees in our firm have 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;*
- (d) *that none of the directors / partners / employees in our firm have been found guilty of or have knowingly participated in or connived at any fraud, dishonesty or misrepresentation against an insurer or insured in the course of any judicial proceeding relating to any policy of insurance or the winding up of an insurer or in the course of an investigation of the affairs of an insurer;*
- (e) *that the Principal Officer and Insurance Sales Person(s) employed in our firm possess the requisite qualifications, have undergone practical training and have passed the examination, as specified by the regulations;*
- (f) *that the directors / partners in our firm shall ensure that the net worth as specified in the regulations is maintained at all times and we shall submit a certificate duly certified by a chartered accountant to this effect annually within three months from the close of the financial year;*
- (g) *that the directors / partners in our firm shall take out and maintain at all times a professional indemnity insurance cover, as specified in the regulations, throughout the validity of the period of the registration granted to us by the Authority and shall submit such a policy within twelve months from the date of issue of original registration;*
- (h) *that the directors / partners in our firm shall forthwith inform the Authority in writing, if there is any material change in the information or particulars previously submitted to the Authority;*
- (i) *that no change in the contents of MoA & AoA / LLP Agreement and ownership / shareholding exceeding the prescribed limit in the Insurance Marketing Firm, shall be carried out without the prior approval of the Authority;*
- (j) *that the directors / partners in our firm shall set up necessary IT systems that shall be integrated to the IT Systems of Authority or of an institution recognized by the Authority with a capability of obtaining and monitoring payment of minimum wages to the Insurance Sales Person and till such time a CA certificate confirming payments to ISPs shall be submitted on a Half Yearly basis;*
- (k) *that a tele marketer(s) shall not be engaged for solicitation / lead generation of insurance business.*

Date:

Place:

(PRINCIPAL OFFICER)

**Form for Addition of /Change in Tie Ups with Insurance Companies**  
 {Refer Regulation 3.a. of IRDAI (Registration of IMF) Regulations, 2015}

1	Name of the IMF			
2	IMF Registration Code			
3	Date of Issue of Registration			
4	Consent letters submitted during registration	Life : _____	_____	
		Non Life : _____	_____	
		Health : _____	_____	
5	Agreements of Tie Ups done after issue of Registration	No. Insurer	Date of Agreement	Date of Authority's approval
		1 _____	_____	_____
		2 _____	_____	_____
		3 _____	_____	_____
		4 _____	_____	_____
		5 _____	_____	_____
		6 _____	_____	_____
6	New Tie Up(s) Proposed	_____ at/instead of No. _____		
		_____ at/instead of No. _____		
		_____ at/instead of No. _____		
		_____ at/instead of No. _____		
		_____ at/instead of No. _____		
7	Reason for change in tie up, in brief			
	Documents to be submitted	*as per regulations to be issued		

I hereby solemnly acknowledge that the details provided above are true to the best of my knowledge.

Date:

Signature (Principal Officer)

Place:

Name:

**Form for Addition of ISPs**

{Refer Schedule II of IRDAI (Registration of IMF) Regulations, 2015}

1	Name of the IMF	
2	IMF Registration Code	
3	Date of Expiry of Registration	
4	Name of the ISP	
5	Date of IMF Exam passing (attach Certificate)	
6	Educational Qualification (attach Certificate)	
7	Address of ISP within the Area of operation of the IMF(attach proof)	
8	Whether the proposed ISP has any existing individual agency license?	
9	Has the proposed ISP ever been employed by another IMF ?	
10	Aadhaar and Pan No of the ISP	

I hereby solemnly acknowledge that the details provided above are true to the best of my knowledge.

Date:

Signature (Principal Officer)

Place:

Name:

**Form for Change in Registered Office Address/Addition of Branch Office**

1	Name of the IMF	
2	IMF Registration Code	
3	Date of Expiry of Registration	
4	Area of Operation	
5	Present Registered Office Address	
6	Details of branch offices, if any	
7	New Registered Office Address, if change proposed (attach address proof, manpower deployment & photographs)	
8	New Branch Office Address, if addition proposed (attach address proof, manpower deployment & photographs)	
10	Whether the proposed registered office/branch office is within the Area of Operation?	

I hereby solemnly acknowledge that the details provided above are true to the best of my knowledge.

Date:

Signature (Principal Officer)

Place:

Name:



**Form for Change in Shareholding greater than 10 %**

{Refer Regulation 25 of IRDAI (Registration of IMF) Regulations, 2015}

1	Name of the IMF	
2	IMF Registration Code	
3	Date of Expiry of Registration	
4	% change in shareholding	
5	Details of the change in brief	
	Documents to be submitted	<ul style="list-style-type: none"><li>• Board Resolution</li><li>• Bank statement of the person subscribing shares</li><li>• FIT &amp; PROPER Form of New Shareholder, if any</li><li>• New shareholding pattern</li></ul>

I hereby solemnly acknowledge that the details provided above are true to the best of my knowledge.

Date:

Signature (Principal Officer)

Place:

Name:

**Form for Surrender of IMF Registration**

1	Name of the IMF			
2	IMF Registration Code			
3	Date of Issue of Registration			
4	Name of the PO			
5	Number of ISPs			
5	No. of policies procured	Life:	Non-Life:	Health:
6	Total Premium collected	Life:	Non-Life:	Health:
7	Whether the Insurers with which the IMF has tie up have been intimated?(attach acknowledgement)			
8	Whether any amount like premium collected is due from the IMF to the Insurance Companies?			
9	Whether any commission is pending from any Insurance company? Give details			
10	Whether any salary payment is pending to ISPs?(attach CA certificate)			
10	Whether any payment is pending to PO or other employees? Give details			
	Other Documents to be submitted	<ul style="list-style-type: none"> <li>• Original copy of the Registration granted</li> <li>• Board resolution regarding surrender</li> <li>• A declaration that <i>the IMF shall continue to service the existing policies for a period of six months within which suitable arrangements shall be made by Insurance Marketing Firm for having the contracts attended to and serviced by respective insurers or by another Insurance Marketing Firm registered to operate in that jurisdiction as may be approved by the Authority.</i></li> </ul>		

We hereby solemnly acknowledge that the details provided above are true to the best of our knowledge.

Date:

Name and Signature of Director/Partner

Place:

• A personal/ telephonic interview may be conducted before surrender is approved

**Annexure G****Form for Particulars of grievances received by the IMF for the Half Year  
(See Regulation 11.4)**

Particulars of grievances received by the IMF for the Half Year ending \_\_\_\_\_

IMF Details	
Name	
Code	
Email ID	
Area of Operation	
Date of License expiry	

Sl. No	Complainant's Name	Grievance related to	Insurer concerned	Insurer Branch	Complaint type	Complaint Description	Policy type	Policy No./ Proposal No./ Any other reference No.	Grievance Status	Reason if pending
1										
2										
3										
4										
5										
6										
7										
8										
9										
10										

I hereby solemnly acknowledge that the details provided above are true to the best of my knowledge.

Date :

Signature (Principal Officer)  
Name :



**Annexure H**

**Form for Particulars of Business Generated by the IMF  
(See Regulation 27.1)**

Particulars of Business Generated by the IMF for the Financial Year / Half Year ending \_\_\_\_\_

<b>IMF Details</b>	
Name :	
Email ID	
Code :	
Area of Operation :	
No. of ISPs :	
Date of License Expiry :	

*Rs. In Lakhs*

Sl. No.	Name of the Insurer	No. of policies	Premium		Commission accrued	
			New Business	Renewal	New Business	Renewal
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						

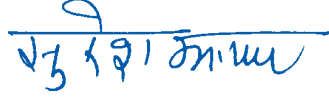









I hereby solemnly acknowledge that the details provided above are true to the best of my knowledge.

Date :

Signature (Principal Officer)

Name :

### MEMBERS OF THE COMMITTEE

Sl. No.	Name	Signature
1.	Shri Suresh Mathur, Chairperson	
2.	Smt. K.G.P.L. Ramadevi, Member	
3.	Shri. SourabhBhanot, Member	
4.	Shri. Siddharth Pradhan, Member	
5.	Shri. Amit Rathi, Member	
6.	Smt. Deepti Rustagi, Member	
7.	Shri. Rakesh Kumar, Member	
8.	Shri. Girish Joshi, Member	
9.	Shri. Rajinder Singh, Member	
10.	Ms. Priya Kumari, Member Secretary	



**प्रधान कार्यालय:** सर्वे नं. 115/1, फाइनेंशियल डिस्ट्रिक्ट, नानकरामगुडा, गच्चीबाउली,  
हैदराबाद-500 032, तेलंगाना (भारत) फोन: +91-40-20204000

**Head Office:** Sy. No. 115/1, Financial District, Nanakramguda, Gachibowli,  
Hyderabad-500032, Telangana (India) Phone: +91- 40 - 20204000