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बीमा विनियामक और विकास प्राधिकरण

INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY

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Guidelines on Servicing of Orphan policies

Introduction: Insurance agents play a key role in conservation of insurance business by rendering valuable post sale service to policyholders. Whenever an agent discontinues his agency or is terminated by the Insurance Company, the policies secured by the agent are left behind orphaned. In order to fill the gap created by the exit of insurance agents in servicing the insurance policies as also to promote the persistency of insurance policies, the Authority issues the following guidelines under Section 14 (2) (e) of Insurance Regulatory and Development Authority Act, 1999.

Guidelines on Servicing of Orphan Policies

Definitions:

1. 'Orphan life insurance policies' for the purpose of these Guidelines, means the policies initially effected by an individual insurance agent whose services were subsequently terminated or removed or deleted from the rolls of the insurer excluding those policies to which the effecting agent is entitled to renewal commission under provisions of Section 44 of the Insurance Act. The policies that are considered eligible under section 40(2A) of Insurance Act also do not fall under the purview of this definition.
2. "Allottee Agent" for the purpose of these guidelines is an individual insurance agent who has completed atleast 2 years of service as an insurance agent and on the rolls of the life insurance company to whom the orphan, lapsed life insurance policies are allotted for the purpose of conservation and rendering policy services.
3. 'A lapsed life insurance policy' for the purpose of these guidelines is a policy on which premium remains unpaid even after six months from the due date

Guidelines:

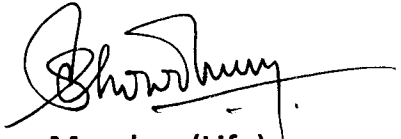
4. Insurance companies are allowed to allot any of the lapsed orphan life insurance policies to individual insurance agents whose license is in force for the purpose of conservation and rendering effective policy service to the policyholders. Only an orphan life insurance policy that is in lapsed condition on the date of allotment is eligible for allotment.

5. Single Premium Life Insurance policies or life insurance policies on which no further premiums are due for payment (Limited Premium Payment Policies after the expiry of Premium Paying Term) are not eligible for allotment under these guidelines. Life Insurance Products designed with specific marketing features, inter alia, say direct / online marketing where no commission outgo is projected under respective File and Use are also not eligible for allotment.
6. The Life Insurers shall notify the particulars of 'Allottee Agent' to the concerned policy holders.
7. The 'Allottee agent' shall be provided with a list of such allotted life insurance policies along with the addresses for policy servicing. While submitting the list, it shall be stipulated that the purpose of submitting the said list is for rendering required policy services including revival and any details thereof shall neither be parted with to any third party / entity nor be used for any other business purposes. However there is no bar in an 'Allottee agent' canvassing new policies to the policyholder after reviving the lapsed allotted policies.
 - a. As a prudent measure, in the event of surrender of an allotted policy after allotment, but before revival / reinstatement, no new business shall be accepted by Life Insurer from the same allottee agent on the life of the same policyholder until the expiry of 6 months from the date of surrender of the orphan lapsed life policy.
8. It shall be specified to the 'Allottee agent' that the objective of the allotment is the conservation/revival and further servicing of the policies.
9. Regulation 8 of IRDA (Licensing of Individual Agents) Regulations, 2000 (Code of Conduct) applies to the 'Allottee agent' in respect of all the allotted policies. It shall be disclosed upfront to the 'Allottee agent'.
10. While allotting the policies for servicing, the life insurers shall direct the Allottee agents that all policy services shall be rendered similar to how an insurance agent would do to those policies that were otherwise effected by him / her.
11. The insurers are allowed to pay the following remuneration to the 'Allottee agent' towards policy service in respect of the policies allotted to him/her.
 - a. Equivalent to the commission rates mentioned in the respective File & Use.
 - b. The remuneration referred to in 11 (a) above is payable only on revival of a lapsed orphan policy on account of arrears premiums received on or after the

date of allotment and also on subsequent renewal premiums paid under the policy.

- c. No upfront / advance payments to agents are allowed on account of the policy allotments referred herein.
 - d. The payment of remuneration shall cease with the exit of an 'Allottee agent' by any means and such 'Allottee agent' will not be eligible for the benefits accorded by Section 44 of the Insurance Act.
12. The policies that are allotted for servicing shall not be counted for persistency of the '*allottee agent*'.
 13. The allotment of lapsed policies shall be done judiciously by the life insurers keeping in view the ability / feasibility of the insurance agents to service the policies allotted subject to the following condition.
 - a. The number of policies allotted to an agent shall not exceed 20% of the total number of policies that were introduced by him/her and in force as on the date of allotment.
 14. Insurers shall also take into account the track record of the agent and complaints registered against an agent etc. while allotting the orphan policies.
 15. Insurers shall have in place a Board approved policy for allotment of lapsed orphan policies which is in compliance with these guidelines.
 16. The Life Insurers shall take an undertaking from the agents regarding their willingness for the proposed allotment and their consent for rendering the required policy services.
 17. Where the lapsed orphan policy allotted is not revived / reinstated within 6 months from the date of such allotment, life insurers shall have the discretion to undo the allotment by issuing a formal notice to the '*Allottee agent*' and re-allot to any other agent as per the norms prescribed herein.
 18. An allotted policy which was revived or reinstated but lapsed subsequently may also be allotted in accordance with the provisions of the within referred stipulations, despite the '*allottee agent*' being an active agent on the rolls of the Life Insurer.
 19. Allotting the lapsed orphan policies by a life insurance company is only an option.

20. The Insurers shall put in place procedures for capturing the details of allotment of lapsed orphan policies and the Allottee agents who are servicing the allotted policies, in order to ensure that the objectives of allotment are met.
21. All Life Insurers shall put in place measures in accordance to Point no. 2 and. 2 (b) of IRDA Circular No. 31/IRDA/CA/CIR/Sep-09 dated 02.09.2009 to service all lapsed orphan policies that do not fall within the definition of these guidelines.
22. All Life Insurers shall submit the periodical reports relating to allotments referred in these guidelines in the specified format, if any, as and when called for by the Authority.
23. These Guidelines will come in to force with immediate effect.


Member (Life)