

Insurance web aggregation channel – significance of recent regulatory changes

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Introduction

Insurance brokers have been regulated for over 16 years in India, with regulations governing insurance brokers introduced in 2002 by the Insurance Regulatory and Development Authority of India (IRDAI). The IRDA (Insurance Brokers) Regulations 2002 (2002 Brokers Regulations) primarily stipulated the norms for the physical solicitation and procurement of insurance by insurance brokers' employees. When the 2002 Broker Regulations were introduced, there was limited solicitation and procurement of insurance business online or through other means of distance marketing; thus, the 2002 Broker Regulations did not address these forms of marketing.

With the advent of new technology and increase in the popularity of e-commerce, it became imperative for the regulatory framework to be updated in order to allow insurance intermediaries to sell and service insurance online.

2011 guidelines

The first step was the introduction of the IRDAI's Guidelines on Distance Marketing of Insurance Products of April 5 2011. Subsequently, the IRDAI introduced a new channel (ie, web aggregators) as a specific channel for the solicitation of insurance products online. The IRDAI notified the Guidelines on Web Aggregators of November 21 2011 (2011 guidelines) to regulate the establishment and operation of insurance web aggregators. Web aggregators registered under the 2011 guidelines could display product comparisons on their websites and transmit leads to insurers and insurance brokers with which they had an agreement for a fixed fee, as set out under the 2011 guidelines.

2013 regulations

In 2013 a need was felt to establish web aggregators as an independent channel of insurance intermediation. The IRDAI therefore released the IRDA (Web Aggregator) Regulations 2013 (2013 Web Aggregator Regulations) to replace the 2011 guidelines and recognise insurance web aggregators as an independent insurance intermediation channel that would solicit and procure insurance online on behalf of Insurers. Around the same time, the IRDAI replaced the 2002 regulations for insurance brokers with the IRDA (Insurance Brokers) Regulations 2013 (2013 Brokers Regulations). The 2013 Brokers Regulations allowed insurance brokers to solicit and procure insurance online and, in this regard, specified the norms that would have to be followed by insurance brokers for the same.

However, there remained clear distinctions in the scope of activities that could be undertaken by an insurance broker and a web aggregator, and both channels had a distinct set of activities and therefore revenue sources. For example, an insurance broker was permitted to undertake

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solicitation through online and offline modes (ie, both electronic and physical solicitation of insurance). On the other hand, while an insurance web aggregator was permitted to undertake only online or other distance marketing forms of solicitation, it could also perform certain activities for insurers, on an outsourced basis, that an insurance broker could not, including:

- premium collection (eg, printing and dispatching premium reminders and other reminders); and
- policy services (eg, receiving requests in physical, electronic and telephonic forms from clients and transmitting them to the insurers without accessing the insurers' original database).

Further, insurance web aggregators could charge a fee to display a product online, which insurance brokers were expressly prohibited from doing.

2017 regulations

With e-commerce gaining popularity and the rise in security threats in relation to online transactions, there was an increased need for a uniform framework to govern the online solicitation and servicing of insurance by market participants. Therefore, the IRDAI issued the Guidelines on Insurance E-commerce of March 9 2017 to regulate the establishment and operation of insurance self-network platforms by market participants (including insurance brokers and web aggregators).

Soon after, the IRDAI also released the IRDAI (Insurance Web Aggregator) Regulations 2017 (2017 Web Aggregator Regulations) to replace the 2013 Web Aggregator Regulations. While the 2017 Web Aggregator Regulations continued to allow an insurance web aggregator to undertake outsourcing activities for insurers, the erstwhile list of outsourcing activities as set out under the 2013 Web Aggregator Regulations did not find a place under the 2017 Web Aggregator Regulations. The new regulations provided that web aggregators could undertake outsourcing activities only through telemarketing and distance marketing modes. That said, the 2017 Web Aggregator Regulations remained silent on physical solicitation of insurance by web aggregators.

2018 regulations

At the beginning of 2018, the IRDAI released the IRDAI (Insurance Brokers) Regulations 2018 (2018 Brokers Regulations) to revise the norms governing the establishment and operation of insurance brokers in India. The 2018 Brokers Regulations have introduced a myriad of changes which largely appear to bring parity between the norms applicable to insurance brokers and web aggregators, particularly with respect to solicitation through online, telemarketing and distance marketing modes. The 2018 Brokers Regulations now specifically allow insurance brokers to perform outsourcing activities for insurers for the solicitation of insurance through telemarketing and distance marketing modes. Further, they expressly permit insurance brokers to perform risk management and claims consultancy functions, for a fee, subject to certain conditions specified therein.

In light of these new regulations, insurance brokers can now:

- solicit and procure insurance business through online and offline modes;
- provide certain outsourced services to insurers; and
- perform risk management and claims consultancy functions.

This arguably provides a distinct competitive edge to insurance brokers with regard to web aggregators that are permitted to solicit and procure insurance business only through online, distance marketing and telemarketing modes and to provide certain outsourced services to insurers.

As the regulatory framework and restrictions applicable to web aggregators do not appear to be less stringent than those applicable to insurance brokers, one fundamental issue to be considered by web aggregators is whether they wish to continue with this form of insurance intermediation or whether they should consider converting into insurance brokers.

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