

Draft Guidelines on Distance Marketing and Sale Process Verification of Insurance Products

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'Distance marketing' includes 'solicitation and sale of insurance products' through voice mode (including telephone calling), electronic mode (including email, Internet and interactive televisions such as DTH), physical mode (including post, newspaper and magazine inserts) and solicitation through any other means of communication, apart from 'in person'.

Scope of the guidelines

Applicable to:

- Distance marketing activities of Insurers/brokers at the stages of offer, negotiation and the conclusion of sale.
- Usage of distance mode for 'lead generation' and subsequent completion of the sale through a physical meeting.
- Completion of the entire process of sale over distance mode.
- Calls/mailings initiated by clients seeking insurance cover.

Insurers/telemarketers are additionally required to comply with the rules and regulations of the TRAI Act 1997.

All telecallers must be:

- (i) employees in Insurer/Broker roles or corporate agents specifically authorised by Insurers to call to 'solicit insurance business' through telephonic/voice mode;
- (ii) trained either in-house or at an agent training institute for a minimum of 25 hours and are required to pass an assessment/test post training; and
- (iii) follow the standard script.

If the prospect agrees to purchase the policy over the telephone, the proposal form and premium will comply with the following:

- Premium may be debited on-line or over the telephone (subject to the applicable RBI rules and regulations) collected manually.
- AML norms must be complied with.
- Insurers must collect a 'signed written proposal in physical form' if the policy is purchased through distance marketing modes.

- Insurer's details for policy servicing and grievance redressal details must be provided to the policyholder.

Records

Insurers are required to maintain in 'unalterable and easily retrievable form' a voice, electronic or physical record of the entire process from solicitation to sale, throughout the policy term. A transcript/copy of the record shall be forwarded to the policyholder as an annexure to the policy.

Verification

Insurers are required to monitor calls by:

- (i) listening live to at least 5% of the calls;
- (ii) dedicating a team of employees to verify at least 10% of the calls for compliance with IRDA guidelines; and
- (iii) making sales quality calls (based on a script approved by the IRDA) to at least 20% of the policyholders who have purchased over distance marketing mode every month. Records of these calls are to be maintained for at least 3 years.

Monitoring sales quality

Insurers must monitor (based on a script approved by the IRDA) the quality of all sales by calling at least 20% of the policyholders (all policyholders for ULIPs) every month. Records of these calls are to be maintained for at least 3 years.

For further information on this topic please contact Tuli & Co by telephone

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