

## **IRDA Guidelines on Distance Marketing**

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Please find attached a copy of the Guidelines on Distance Marketing which were released by IRDA last evening.

These guidelines will be applicable from 1 October 2011.

For further information on this topic please contact Tuli & Co

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## **Guidelines on Distance Marketing of Insurance Products**

These Guidelines are issued in exercise of the powers conferred upon the Authority under Section 14(1) of the IRDA Act, 1999 to protect the interests of the policyholders and to regulate, promote and to ensure the orderly growth of the insurance industry.

### **1. Scope and applicability of these Guidelines**

a) Distance marketing includes every activity of solicitation (including lead generation) and sale of insurance products through the following modes:

- (i) Voice mode, which includes telephone-calling;
- (ii) Short Messaging service (SMS);
- (iii) Electronic mode which includes e-mail, internet and interactive television (DTH);
- (iv) Physical mode which includes direct postal mail and newspaper & magazine inserts; and,
- (v) Solicitation through any means of communication other than in person.

These Guidelines cover distance marketing activities of insurers/brokers and corporate agents (with specific approval of insurers) at the stages including offer, negotiation as well as conclusion of sale.

b) These Guidelines are specifically applicable in case of the following activities in addition to other similar activities:

- (i) Use of distance mode for ascertaining the client's intent to purchase insurance.
- (ii) Solicitation as well as sale over the distance mode.
- (iii) Lead Generation; and,
- (iv) Requests by clients seeking information or sale of insurance products.

## 2. Definitions:

- (i) “Authority” means the Insurance Regulatory and Development Authority established under the provisions of Section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999)
- (ii) “Corporate Agent” – as defined in Regulation 2(f) of IRDA (Licensing of Corporate Agents) Regulations, 2002
- (iii) “Insurance Broker” – as defined in Regulation 2 (i) of IRDA (Insurance Brokers) Regulations, 2002
- (iv) “Insurer” – as defined in Section 2 (9) of Insurance Act, 1938.
- (v) “Telemarketer” means an entity registered with Telecom Regulatory Authority of India under Chapter III of The Telecom Commercial Communications Customer Preference Regulations, 2010 (as amended from time to time) to conduct the business of sending commercial communications on behalf of Insurers, Corporate Agents or Brokers.
- (vi) “Specified Person” – As defined in Regulation 2 (n) of IRDA (Licensing of Corporate Agents) Regulations, 2002.
- (vii) “Tele caller” – For the purpose of these Guidelines, a Tele caller is a person engaged by a Telemarketer for the purpose of interacting with clients over distance mode.
- (viii) “Authorized Verifier” – For the purpose of these Guidelines, an Authorized Verifier is a person employed by a Telemarketer for the purpose of solicitation or sale over telephonic mode.
- (ix) “Designated Person” – As defined in regulation 2 (f) of IRDA (Licensing of Insurance Agents) Regulations, 2000.
- (x) “Principal Officer” – As defined in regulation 2 (k) of IRDA (Insurance Brokers) Regulations, 2002.
- (xi) “Lead Generation” – For the purpose of these guidelines, lead generation is the process of collecting the details of the clients or prospects in any fashion or approaching the clients

directly or in distant mode to ascertain their intent to purchase insurance before proceeding with solicitation of insurance products and includes all the activities leading to the solicitation.

- (xii) "Solicitation" – For the purpose of these guidelines, solicitation is defined as the approach of a client by an insurer or an intermediary with a view to induce the client to purchase an insurance policy.

### **3. Compliance**

Insurers/brokers/telemarketers shall, in addition to these Guidelines, comply with all the applicable provisions of the Insurance Act, 1938, the IRDA Act, 1999, IT Act, 2000, TRAI Act, 1997, The Telecom Unsolicited Commercial Communications (Amendment) Regulations, 2008 and the rules, regulations, circulars or guidelines, as applicable, to be issued from time to time.

### **4. Persons engaged for solicitation**

- (a) For the purpose of solicitation of insurance business through distance marketing, insurers/brokers may engage:
  - (i) Employees on their rolls (brokers shall engage only those employees who have undergone statutory training);
  - (ii) Specified persons of corporate agents, or
  - (iii) Telemarketers
- (b) Insurers or brokers as the case may be shall be responsible for all acts of commission and omission of the persons deployed on their behalf.

### **5. Agreements between Insurers/Brokers and Telemarketers**

The agreement between the insurer/broker and Telemarketer, by whatever name called, shall interalia include the following clauses:

- (i) The Telemarketer shall maintain/preserve recordings of all the calls in a manner that is compliant with the provisions of these Guidelines, till such records are transferred in satisfactory condition to the insurer.

- (ii) The Telemarketer shall maintain records of all the tele callers and authorized verifiers employed by them along with their training and assessment particulars.
- (iii) The records under (i) & (ii) above shall be open to inspection by the Authority.

## **6. Role of Authorized verifier:**

- (i) Telemarketers shall employ either specified persons (in case the telemarketer happens to be a corporate agency), the employees of the insurer or authorized verifiers, who alone are permitted for soliciting and concluding the sale of insurance products in distant mode.
- (ii) The authorized verifiers shall be tied to the Telemarketer in which they are employed.
- (iii) Authorized verifiers are barred from soliciting insurance in their individual capacity in any mode, or on behalf of any organization other than the Telemarketer employing him.

## **7. Distance Marketing by Brokers**

- (i) Insurance brokers shall not exclusively promote the products of any particular insurer, and shall suggest the best available product in the market that fits the needs of the client.
- (ii) The price comparison charts that are displayed shall be up to date and reflect a true picture of all the available and suitable products under each category.
- (iii) Insurers shall not pay the brokers any remuneration other than brokerage. No payments by any name shall be made by insurers to brokers or their related parties towards infrastructure or any account other than brokerage on the policies solicited or procured over distance mode.
- (iv) Insurers shall specifically identify the proposals procured by brokers over distance mode and obtain all relevant records pertaining to such policies. Insurers shall produce such records before the Authority in case of dispute involving alleged violation of breach of conduct by the broker.

- (v) Brokers may outsource tele-calling activities to Telemarketers.

## **8. Training of tele callers and Authorized Verifiers**

- (i) Every tele-caller shall be trained at an institute accredited for pre-license training of agents by the Authority in the matters specified in 4(ii).
- (ii) The training shall be for duration of not less than 25 hours as per syllabus to be prescribed by the IRDA in matters related to regulations, disclosures, ethical conduct of business and specific instructions to be complied with while making the calls.
- (iii) The tele-callers shall clear the post-training assessment/test to be conducted by the respective insurers/brokers in matters mentioned in 4 (ii).
- (iv) Authorized Verifiers shall fulfill the requirements as for specified persons of corporate agents such as qualification, 50-hour pre-license training at an accredited agents training institute and passing the examination. They would be certified as authorized verifiers by the designated person or the principal officer concerned subject to fulfillment of the specified qualifications/norms.
- (v) Insurers/Brokers, and corporate agents wherever applicable, shall maintain a register of all persons engaged by them or by the telemarketers hired by them for the purpose of lead generation/solicitation of insurance business. The register shall, apart from the name and address of the Telecaller/Authorised Verifier, also contain valid copies of his proof of identification and other relevant credentials. Insurers shall allot a distinctive code number to every telecaller/authorised verifier and record the same in a register maintained for the purpose.

## **9. Process of lead generation/Solicitation**

Solicitation of insurance as well as lead generation shall be in specific compliance with the following norms:

### **9.1 Standardized Script**

- (i) Insurers/Brokers shall prepare standardized scripts for presentation of benefits, features and disclosures under each of the products proposed to be sold over the distance modes. Solicitation and lead generation under distant mode shall be in line with the standardized script.
- (ii) The scripts shall be incorporating all the Key Features of the product and shall be approved by the compliance officers of the respective insurers. The scripts shall be filed with the Authority under “Use & File” procedure within 15 days of their approval by the compliance officer.

## **9.2 Introduction**

- (i) The communication shall clearly highlight the name of the insurer.
- (ii) The fact that the purpose of approach is lead generation/solicitation of insurance shall be clearly highlighted.

## **9.3 Consent of the client**

- (i) The tele caller and the authorized verifier shall ascertain if the client is interested in continuing with the subject, and the process of solicitation shall proceed further only on receiving the consent in explicit terms.
- (ii) The client shall be given an option to continue with the subject or exit the page at every stage in case of electronic modes. The hours during which calls are made shall be in accordance with orders issued by TRAI/DoT from time to time.
- (iii) In case of telephonic solicitation the name of the caller shall be disclosed and the language options available must be indicated. The subsequent communication shall continue only in the language chosen by the client.
- (iv) Tele callers shall inform clients that the call is being recorded and that the client is entitled to a voice copy, if he so desires, at any time during the term of the policy or until a satisfactory settlement of claim, whichever is later.
- (v) No inconvenience, nuisance or harm shall be caused to the clients in the course of solicitation or thereafter. Full disclosures shall be made to the clients under all modes of

distance marketing and the requirements of confidentiality, privacy and non-disclosure shall be complied with.

#### **9.4 Client Information**

All relevant information pertaining to the client as well as the person/asset to be insured shall be obtained, and solicitation shall be strictly on the basis of analysis of the client's needs as specified by the Authority from time to time.

#### **9.5 Product benefits & Features**

The standardized script shall cover the following items in the course of product presentation:

- (i) The specific responses of the client in the form of agree/disagree, yes/no, accept/reject, understand/don't understand, as applicable, against each of the items below, under all modes of distance solicitation.
- (ii) Name of the product suggested and its nature and parameters.
- (iii) Insurance cover available under the product for a specified amount of annual premium, or, conversely, premium chargeable towards a specified amount of insurance cover.
- (iv) The scope of cover, perils covered and not covered, exclusions, deductibles or franchise, co-payments, loading/discounts on premiums, add-on covers, conditions, other terms and benefits, mid-term inclusions, short period scales, basis of sum insured, warranties, clauses and endorsements, compliance with Section 64VB of the Insurance Act, 1938 – payment of premium before commencement of risk, etc, as applicable.
- (v) The contents of the “key features document” as and when specified by the Authority.
- (vi) The right to cancel the policy within 30 days of receipt of the policy in case of disagreement with the terms of the policy under all life contracts and covers tied to credit/debit/other cards, and for all personal accident and health insurance policy contracts with a term of 3 years or more offered by insurers over distance mode, provided no claim has already been made on the policy.



- (vii) Disclosure of rates of commission available on the product solicited upon the request of the client.

## **9.6 Premium Ceilings in case of sale of ULIPs and prohibition of sale of Universal Life Products over telephonic mode**

- (i) Insurers shall not solicit ULIPs of non-single premium type for annualized premiums exceeding Rs 50,000/- over telephonic mode (voice as well as SMS).
- (ii) Single premium ULIPs shall not be solicited for a premium of more than Rs 1,00,000/- over telephonic mode.
- (iii) No variable insurance product shall be solicited or sold over distance marketing mode.

## **10. Post-Solicitation Process**

Once the client agrees to purchase a policy, the proposal form and premium acceptance shall comply with the following requirements:

- (i) The premium towards the policy may be debited online or interactive voice response medium or through a manual collection subject to compliance with the procedures and controls prescribed by the RBI.
- (ii) The norms applicable to insurers as regards AML and PAN need to be complied with in the process of selling a policy over distance marketing mode.
- (iii) In all instances where a policy is issued without obtaining a proposal in physical form, insurers shall forward a verbal transcript of the voice/electronic record of the queries raised and answers thereto on the basis of which the policy has been underwritten, along with the policy bond.
- (iv) For policies solicited/sold over distance mode, insurers shall issue policies in exactly the same format and medium as in case of sale through physical interface, duly enclosed by the requisite annexures.
- (v) The address and toll-free number of the office to be contacted by the policyholder in case of a servicing need or grievance shall be informed to the client.

- (vi) Before conclusion of sale the authorized verifier / specified person / employee (as the case may be) shall divulge his name and distinctive code number / license / employee number to the prospect and this shall form part of the recorded conversation for the sake of future verification.
- (vii) The records pertaining to every call made and SMS sent by a Telemarketer/Corporate Agent/Broker that materializes into a policy shall be transferred to the insurer's location within 30 days of conclusion of sale. In case of telephone calls the records transferred shall be the recordings of the entire conversation.

## **11. No Unfair Denial of Insurance Cover**

When a client approaches an insurer or broker over distance mode proposing for insurance cover, the latter are duty-bound to consider the case on merits and in accordance with regulatory directions and their own norms. In no case shall they resort to an unfair denial of cover to a client who seeks insurance.

## **12. Preservation of Records**

The insurer shall preserve, in an inalterable and easily retrievable form, a voice/electronic/physical record, as applicable, of the entire process beginning with lead generation/solicitation and concluding in sale of insurance, for a period of six months beyond the term of the policy or until satisfactory settlement of claim, whichever is later. Voice and electronic records shall be digitized and encrypted for storage to ensure reliability and security of the data.

## **13. Verification Process**

- (i) Insurers/Brokers shall monitor the calls live by arranging for listening to at least 1% of the calls as they happen.
- (ii) Insurers shall verify at least 3% of calls leading to sales for compliance with the guidelines, by engaging a team of dedicated employees to listen to the call recordings. The observations made in the course of verification shall be preserved in a retrievable form for a period of not less than three years.

- (iii) Insurers shall make verification calls, to monitor the quality of sales, to a minimum of 3% of the policyholders who purchase insurance over distance marketing mode, every month. The purpose of verification calls is to ascertain whether the client has understood the benefits, features and disclosures of the product purchased correctly. Verification calls shall also bear a standardized script and the records of calls shall be preserved for a period (a) not less than 15 months from the date of policy or until satisfactory claim settlement, whichever is later, in case of non-life contracts (b) not less than 3 years in case of life insurance policies.
- (iv) The policies under (ii) and (iii) above shall be selected according to a random pattern, making sure to cover each product category and mode of sale.

#### **14. Certification of Compliance**

The compliance officer of each insurer shall submit to the Authority, at the end of each financial year, a certificate confirming that the insurer has complied with all the provisions of these Guidelines during the financial year.

#### **15. Disputes**

For the purpose of these guidelines the contract of insurance shall be deemed to include the contents of KFD and the records of calls to the client pertaining to the product. In case of disputes involving specific wordings of the policy, the client shall have the right to give primacy to the wordings of the KFD and the calls over the specific wordings of the policy.

The above guidelines shall be applicable from 1st October, 2011.

(J. Hari Narayan)  
Chairman