

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

1. Scope of the guidelines

Distance marketing includes solicitation and sale of insurance products through the following media:

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

The guidelines cover distance marketing activities of insurers/brokers at the stages of offer, negotiation as well as conclusion of sale.

The guidelines are applicable in case of:

- (i) Usage of distance mode for the limited purpose of lead generation and completion of subsequent portion of solicitation through a physical approach
- (ii) Completion of the entire process of sale over the distance mode, and
- (iii) Calls/Mails initiated by clients themselves seeking to propose for insurance cover.

2. Compliance

The insurers/telemarketers shall comply with all relevant statutes including provisions of the TRAI Act, 1997 and The Telecom Unsolicited Commercial Communications (Amendment) Regulations, 2008 in case of solicitation over the distance mode. They shall not cause any inconvenience, nuisance or harm to the clients in the course of solicitation or after, and shall comply with all requirements of confidentiality, privacy and non-disclosure.

All the provisions of the Insurance Act, 1938 and IRDA Act, 1999, and the Rules, Regulations, Guidelines and Circulars flowing out of the same shall be duly complied with in the process of solicitation and all

disclosures prescribed thereto shall be made to the clients under all modes of distance marketing.

3. Persons engaged for solicitation

a) For the purpose of solicitation of insurance business over telephonic/voice mode, insurers may engage:

- (i) Employees on their rolls; or
- (ii) Insurance Agents – Only corporate agents specifically authorized for the purpose by insurers shall solicit business under distance mode.

The insurers will however be responsible for the actions and omissions of the persons deployed on their behalf.

b) Insurance Brokers may also solicit insurance over distance mode. They shall however avoid promoting the products of any particular insurer or a few insurers exclusively, and shall suggest the best available product that exactly fits the client's needs. The price comparison charts, if displayed, shall be upto date and shall reflect a true picture. Insurers shall not pay the brokers any remuneration other than brokerage towards policies procured over distance mode. Insurers shall specifically find out which of the proposals have been procured by the brokers over distance mode and shall make sure to comply with the distance marketing guidelines in all such cases.

4. Training of telecallers

- (i) Every telecaller shall be trained by the insurers/brokers either in-house or at an institute accredited for pre-license training of agents by the Authority.
- (ii) The training shall be for duration of not less than 25 hours in matters related to regulations, disclosures, ethical conduct of business and specific dos and don'ts for the callers.
- (iii) The callers shall clear the post-training assessment/test to be conducted by the respective insurers/brokers in matters mentioned in 4 (ii).
- (iv) Insurers/Brokers shall maintain a register of all persons engaged by them for the purpose of tele-calling. The register shall, apart from

the name and address of the caller, also contain valid copies of his proof of identification and other relevant credentials.

5. Process of Solicitation

Solicitation of insurance shall be in specific compliance with the following norms:

5.1 Standardised Script/Draft

- (i) Insurers/Brokers shall prepare standardised scripts for presentation of benefits, features and disclosures under each of the products proposed to be sold under telephonic mode. Similarly, standardized drafts shall be prepared for solicitation under other distance modes such as the internet. Solicitation under distance mode shall be in complete accordance with the standardized script/draft.
- (ii) The scripts/drafts shall be submitted to the Authority for prior approval. Usage of scripts/drafts shall take place only on receipt of Authority's approval.

5.2 Introduction to the client

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

5.3 Consent of the client

- (i) The client shall then be asked if he is interested in continuing with the subject, and the process of solicitation shall proceed further only if he gives his consent in explicit terms. While the client would respond by saying yes/no in case of tele-calls, he shall be given an option to continue with the subject or exit the page in case of electronic modes.
- (ii) 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.
- (iii) Telecallers 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 within three years from the date of the policy or commencement of risk cover, whichever is applicable.

5.4 Client Information

All relevant information pertaining to the client as well as the person/asset to be insured shall be obtained, and wherever possible solicitation shall be on the basis of the profile and requirements of the client.

5.5 Product benefits & Features

The communications 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 an annual premium of, say, Rs. 10,000 or, conversely, premium chargeable towards a given 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) In case of life insurance, pension and other products with savings/investment component:
 - a) Wherever the investment risk in the solicited product is to be borne by the client this should be prominently highlighted in the communication.
 - b) In case of availability of guarantees, the exact nature of the guarantee such as NAV guarantee, capital protection etc and their implications shall be clearly explained.

- c) The returns projected shall be in strict compliance with the benefit illustrations approved by the life insurance council.
 - d) Disclosures as regards lock-in period, provision for surrender and partial withdrawals, surrender charges, top-up availability and conditions thereto, fund-switch options and charges thereto etc shall be made.
 - e) The different types of charges deductible under the product and the amounts or percentage of premiums deducted under the product in each year of the policy term shall be disclosed.
 - f) The impact of premium default at different stages of the policy term shall be highlighted.
- (vi) The cessation of risk cover on default of premiums and the availability of non-forfeiture provisions such as days-of- grace and claims concessions in case of all life and long term health contracts.
 - (vii) The right to withdraw the policy within 15 days of receipt of the policy bond in case of disagreement with the terms of the policy, under policy contracts offered by life insurers.
 - (viii) No misleading claims or exaggerated/incorrect statements shall be made as regards the product solicited or the insurer being represented.
 - (ix) No advice shall be tendered on the suitability of a particular product or products to the specific requirements of the client in the process of solicitation of insurance over the distance mode.

At the end of the process of solicitation, the client shall be requested to give his decision as regards purchase of policy. If he consents to buy, the process is to be taken further in the manner detailed below.

6. Post Solicitation Process

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

- i. The premium towards the policy may be debited online or over voice medium subject to compliance with the procedures and controls prescribed by the RBI; or through a manual collection.

- ii. The norms applicable to insurers as regards AML and PAN need to be complied with in the process of selling a policy under distance marketing.
- iii. Insurers must collect a signed written proposal in physical form from the clients who purchase policies on the distance marketing channel.
- iv. The address and particulars of the office to be contacted by the policyholder in case of a servicing need or grievance shall be informed to the client.

7. No Unfair Denial of Insurance Cover

When a client approaches an insurer or broker over telephone, internet or postal medium proposing for insurance cover, the latter are duty-bound to consider the case as per 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 proposes for insurance.

8. Preservation of Records

- (i) The insurer/broker shall preserve, in an inalterable and easily retrievable form, a voice/electronic/physical record, as applicable, of the entire process beginning with solicitation and concluding in sale of insurance, through out the term of the policy. A transcript/copy of the record shall be forwarded to the client as an annexure to the policy bond.
- (ii) Voice and electronic records shall be digitized and encrypted for storage in a secure and inalterable manner during the policy term.

9. Verification Process

- (i) Insurers/Brokers shall monitor the calls live by arranging for listening to at least 5% of the calls as they happen.
- (ii) Insurers shall verify at least 10% 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 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 20% of the policyholders who purchase insurance over distance marketing mode, every month. The purpose of verification calls is to ascertain whether the client

understands the benefits, features and disclosures of the product purchased correctly. Verification calls shall also bear a standardised script and the records of calls shall be preserved for a period of not less than three years.

- (iv) The policies under (ii) and (iii) above shall be selected according to a fixed pattern, say, every fifth policy in the series under each product category and mode of sale.

10. Monitoring quality of sales under all modes

- (i) Insurers shall also monitor the quality of sales through telephonic confirmation, post-sales, under all modes of marketing including in-person and distance modes, by calling up not less than 20% of all the policyholders, every month.
- (ii) However, under the ULIP category all policies shall be monitored under the process.
- (iii) The calls shall bear a standardized script and the records of the same shall be preserved for a period of not less than three years.
- (iv) Insurers shall obtain prior approval of the Authority for the standardized scripts to be used for the purpose of verification calls under 9 (iii) and 10 (i) above.