



21st September, 2007

IRDA/Life/Dist.Channel/ 037 /2007-08

CIRCULAR

The rapid growth of insurance industry, specially in the life segment has brought to the fore a number of issues concerning the agency structure which is a vital link between the insured and the insurer. In order to spread the message of insurance to the far corners of the country, the Authority had enlarged the scope of the intermediaries structure from the traditional tied individual agents to the corporate agent, micro-insurance agent, the Bancassurance mode and the referral system. Insurers have also adopted other channels of sales to suit e-selling such as computer points at convenient locations, on-line insurance purchase etc. These systems have been in place for some time now, some of them for the last eight years. Some of the practices that have crept into the system in terms of remuneration or reimbursement of expenses or incentive schemes and so on require a detailed examination to ascertain whether they are in conformity with the provisions of the Insurance Act and their impact on the acquisition cost.

The Authority feels that there is need for a study to be undertaken to ascertain the manner in which these channels have been functioning, their efficacy, their cost effectiveness, their weaknesses and make recommendations on the changes to be made to make them effective, professional and accountable and serve the interests of the insured and facilitate provision of services all over the country in a cost effective manner even for the low priced insurances.

2. In order to undertake the study, the following committee is constituted:

1. Shri N.M. Govardhan, former Chairman, LIC of India - **Chairman**
2. Chairman, LIC of India
3. MD & CEO, Max New York Life Insurance Co
4. MD & CEO, HDFC Standard Life Insurance Co
5. MD & CEO, Met Life Insurance Co.
6. MD & CEO, Tata-AIG Life Insurance Co. Ltd
7. Chairman-cum-Managing Director, National Insurance Co. Ltd
8. MD & CEO, IFFCO Tokio General Insurance Co.
9. MD & CEO, ICICI Lombard General Insurance
10. Shri Kunnel Prem – CSO(Life), IRDA - **Convener**

3. The Terms of Reference of the Committee are indicated below:

- (i) To review the system of licensing of corporate agents and suggest the criteria for the selection of the corporate agents and the qualifications for the functionaries of the corporate agents; in particular, consider the advisability of permitting several corporate agencies within the same group, the promoter of an insurance company also acting as its corporate agent;
- (ii) Examine in detail the commission structure obtaining now and recommend changes, if any; in particular examine the additional payments made to intermediaries and their justification and fairness;
- (iii) To examine the need for a system of referral providers, the guidelines in force in respect of referral system, the recommendations on the whole structure including the remuneration paid to the referral providers;
- (iv) To examine the scope for direct marketing, e-marketing, web-enabled sales points and other innovations and recommend the terms and conditions to be prescribed for each mode of direct marketing including the remuneration structure;
- (v) To examine the scope of Regulation 10(ii) of Advertising & Disclosures Regulation, 2000 and suggest modifications required, if any;
- (vi) To examine the scope of the existing micro-insurance agency system and its remuneration and suggest modifications and enlargement, if considered necessary;
- (vii) To review the Payouts made to distribution channels and administrators of group business and suggest modifications;
- (viii) To consider any other aspect relevant to rationalize the payments made to agents, corporate agents, micro-insurance agents and referral providers;

4. The Committee will submit its report by 31st December, 2007.

C S Rao

(C.S. Rao)
Chairman