Insurance Broking

Committee on Insurance and Pension

The Institute of
Chartered Accountants of India

(Setup by an act of Parliament)
(New Delhi)

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Basic Draft of this Publication was
prepared by CA. Rajkumar S. Adukia

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FOREWORD

Insurance Industry is a growth orientated industry with a huge potential in India. According to some relevant sources, the total premium collected from life and non life insurance business in India during the year 2006 by the insurance players was 43,032 (U.S. millions $). Chartered Accountants with their twin skills of legal acumen and analytical approach can provide several services to this booming industry as an insurance broker, risk management consultant, surveyor and loss assessor and claims adjustor, examiner and investigator, etc. Our Institute has also taken a proactive step in this regard - by allowing members in practice to become managing director, whole time director or manager of a management consultancy company, which can *inter alia* involve in Insurance Financial Advisory Services under the Insurance Regulatory & Development Authority Act, 1999, including Insurance Brokerage - to empower the members to face the emerging challenges in the service sector as well as to equip them for the opportunities in the non-audit service area. It is my sincere hope that the initiatives taken by ICAI would lead the way for our members to play proactive role in the insurance sector.

I am pleased to note that the Committee on Insurance and Pension has brought out this publication to provide an appreciable level of insights about the entire gamut of Insurance Industry in general and Insurance Broking with specific focus on members of the Institute in particular, in a lucid and succinct manner.

I appreciate the effort put in by my fellow colleague in the Central Council of ICAI, CA. Rajkumar S. Adukia, for preparing the basic draft of this publication. I also wish to place my appreciation to CA. J. Venkateswarlu, Chairman of the Committee on Insurance and Pension, Members of the Committee on Insurance & Pension and the officials of the Secretariat of the Committee for their efforts in publishing this book.

New Delhi — **(CA. Sunil Talati)**
1st February, 2008 — President

PREFACE

The insurance industry in India has been growing at a remarkable pace after its opening to the private players. Entry of new players into the industry has increased the competition which facilitated insurance companies to design newer insurance products according to the needs of insured. In a country like India where insurance penetration is not so high, there should be an intermediary between the insurers and insured who would not only identify and analyse insurance needs of insured but also advise the insurance companies in designing the insurance products accordingly. Insurance brokers play the role of professional risk & insurance advisors who advise the client by analysing the operational risk exposures of the client and getting proper insurance policies with the best lowest premium determined from amongst competing insurers.

Chartered Accountants, as a professional having keen analytical ability, excellent technical skills and meticulous working style, are the most suited for rendering Insurance Financial Advisory Services within the meaning of Management Consultancy and Other Services. Moreover, they can provide value added services to their client in selection of insurance products suitable for their requirements within budgetary limits, owing to capability of understanding of risk exposures and negotiation skills. I believe that all these can conveniently clubbed with existing practice with due adherence to the ethical standards of our Institute.

It is in this context that the Committee on Insurance and Pension of ICAI has decided to bring out a publication on 'Insurance Broking' for equipping the fraternity with various features and intricacies in the subject matter and to help the members in converting the areas into that of a new professional opportunity.

I am grateful to CA. Rajkumar S. Adukia, my fellow Council member, for preparing the basic draft of this publication. I am thankful to Shri K. Ramachandran for reviewing the basic draft and providing excellent technical inputs. I place on record my gratitude for the support and guidance of CA. Sunil Talati, President, ICAI and CA. Ved Jain, Vice President, ICAI for the various endevours of the Committee on Insurance and Pension including the publication of this book. I am also grateful to CA. Kashi P. Khandelwal, Vice Chairman of the Committee on Insurance & Pension and CA. Uttam P. Agrawal, CA. Preeti P. Mahatme, CA. V.C. James, CA. Subodh K. Agarwal, CA. Anuj Goyal, CA. Vijay K. Gupta, Dr. Pritam Singh, Shri R. Sekar, CA.

Ketan M. Bhatt, CA. Shashi Kumar, CA. Anil Kumar Sharma, CA. K. Sreedhar, Dr. R. Kannan and Shri S.J. Gidwani members of the Committee for their valuable guidance and cooperation in bringing out this publication and in the various initiatives of the Committee. I appreciate the efforts put in by the officials of Secretariat of the Committee on Insurance and Pension for their contribution in publishing this book.

Hyderabad **(CA. J. Venkateswarlu)**
2nd February, 2008 Chairman
Committee on Insurance & Pension

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1 HISTORY OF INSURANCE

The roots of insurance might be traced to Babylonia (in Iraq), where traders were encouraged to assume the risks of the caravan trade through loans that were repaid (with interest) only after the goods had arrived safely—a practice resembling bottomry and given legal force in the Code of Hammurabi.

In 18th Century BC, Hammurabi (Babylonian king) formulated a code of law, known as the code of Hammurabi, which codified rules governing the practices of early risk-sharing activities. Seagoing merchants from Phoenicia (in and around present-day Lebanon) started using an insurance system known as *bottomry* about 1200 BC. In this system, backers loaned money to merchants to finance voyages. The insurance system of bottomry became famous to other parts of Asia and the Mediterranean by 400 BC.

The Phoenicians and the Greeks applied a similar system to their seaborne commerce. The Romans used burial clubs as a form of life insurance, providing funeral expenses for members and later payments to the survivors.

With the growth of towns and trade in Europe, the medieval guilds undertook to protect their members from loss by fire and shipwreck, to ransom them from captivity by pirates, and to provide decent burial and support in sickness and poverty. By the middle of the 14th Century, as evidenced by the earliest known insurance contract (Genoa, 1347), marine insurance was practically universal among the maritime nations of Europe.

Insurance as we know it today can be traced to the Great Fire of London, which in 1666 devoured 13,200 houses. In the aftermath of this disaster, Nicholas Barbon opened an office to insure buildings. In 1680, he established England's first fire insurance company, "The Fire Office," to insure brick and frame homes. By the end of the 18th Century, Lloyd's had progressed into one of the first modern insurance companies. In 1693 the astronomer Edmond Halley constructed the first mortality table, based on the statistical laws of mortality and compound interest. The table, corrected (1756) by Joseph Dodson, made it possible to scale the premium rate to age; previously the rate had been the same for all ages.

The first insurance company in the United States underwrote fire insurance and was formed in Charles Town (modern-day Charleston), South Carolina, in 1732.

Milestones in Insurance Business in India

Insurance in India has its history dating back to 1818, when Oriental Life Insurance Company was started by Europeans in Kolkata to cater to the needs of European community.

Later developments were as follows:

1850 The first general insurance company, Triton, established in Calcutta by the British.

1870 Bombay Mutual Life Assurance Society

1907 Indian Mercantile Insurance

1912 The Indian Life Insurance Company Act enacted as the first statute to regulate the life insurance business.

1928 Indian Insurance Companies Act enacted to enable the government to collect statistical information about both life and non-life insurance businesses.

1938 The Insurance Act: Comprehensive Act to regulate insurance business in India

Earlier legislation consolidated and amended to by the Insurance Act with the objective of protecting the interests of the insuring public.

1956 Nationalization of life insurance business in India with a monopoly awarded to the Life Insurance Corporation of India

245 Indian and foreign insurers and provident societies taken over by the central government and nationalized. LIC formed by an Act of Parliament, viz. LIC Act, 1956, with a capital contribution of Rs. 5 crores from the Government of India.

1972 Nationalization of general insurance business in India with the formation of a holding company General Insurance Corporation (GIC).

The General Insurance Business (Nationalization) Act, 1972 nationalized the general insurance business in India with effect from 1st January, 1973.

107 insurers amalgamated and grouped into four companies viz. the National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd. and the United India Insurance Company Ltd. GIC incorporated as a company.

1993 Setting up of Malhotra Committee

1994 Recommendations of Malhotra Committee

1995 Setting up of Mukherjee Committee

1996 Setting up of (interim) Insurance Regulatory Authority (IRA) Recommendations of the IRA

1997 Mukherjee Committee Report submitted but not made public

1997 The Government gives greater autonomy to Life Insurance Corporation, General Insurance Corporation and its subsidiaries with regard to the restructuring of boards and flexibility in investment norms aimed at channeling funds to the infrastructure sector.

1998 The cabinet decides to allow 40% foreign equity in private insurance companies - 26% to foreign companies and 14% to Non-Resident Indians and Foreign Institutional Investors.

1999 The Standing Committee headed by Murali Deora decides that foreign equity in private insurance should be limited to 26%. The IRA bill is renamed the Insurance Regulatory and Development Authority Bill.

1999 Cabinet clears Insurance Regulatory and Development Authority Bill.

2000 President gives Assent to the Insurance Regulatory and Development Authority Bill.

Privatization

2003 Law Commission initiates comprehensive consolidation of insurance laws.

Insurance in India has gone through two radical transformations. Before 1956, insurance was private with minimal government intervention. In 1956, life insurance was nationalized and a monopoly was created. In 1972, general insurance was nationalized as well. But, unlike life insurance, a different structure was created for the industry. One holding company was formed with four subsidiaries. As a part of the general opening up of the economy after 1992, a Government appointed committee recommended that private companies should be allowed to operate. It took six years to implement the recommendation. Private sector was allowed into insurance business in 2000. However, foreign ownership was restricted.

Insurance business was conducted in India without any specific regulation for the insurance business. They were subject to Indian Companies Act (1866).

Although some legislation were passed, comprehensive insurance legislation covering both life and non-life business did not materialize for many years.

Finally, in 1938, the Insurance Act was passed. This piece of legislation was the first comprehensive one in India. It covered both life and general insurance companies. It clearly defined what would come under different heads of insurance business. It covered deposits, supervision of insurance companies, investments, commissions of agents, directors appointed by the policyholders among others. This piece of legislation lost significance after nationalization. Life insurance was nationalized in 1956 and general insurance in 1972 respectively. With privatization of Insurance in late twentieth century, it has returned as the backbone of the current legislation of insurance companies.

The Government initiative, in the insurance sector, led to nationalization of the industry after the promulgation of general Insurance Business (Nationalisation) Act, 1972. The post nationalization general insurance business was undertaken by the General Insurance Corporation of India (GIC) and its four subsidiaries:-

1. Oriental Insurance Company Limited
2. New India Assurance Company Limited
3. National Insurance Company Limited
4. United India insurance Company Limited

Towards the end of 2000, the relation ceased to exist and the four companies are, at present, operating as independent companies.

2 LIFE INSURANCE

Life insurance is a contract that pledges payment of an amount to the person assured (or his nominee) on the happening of the event insured against.

Life insurance or life assurance is a contract between the insurer and the policy owner (policyholder) whereby a benefit is paid to the designated Beneficiary (or Beneficiaries) if an insured event occurs which is covered by the policy. In return, the policy owner (or policy payer) agrees to pay a stipulated amount called a premium at regular intervals or in lump sums to be a life policy the insured event must be based upon life (or lives) of the people named in the policy.

The contract is valid for payment of the insured amount on:

- The date of maturity, or
- Specified dates at periodic intervals, or
- Unfortunate death, if it occurs earlier.

Under Section 2(11) of Insurance Act, 1938, Life Insurance is defined as:

The business of effecting contracts of insurance upon human life, including any contract whereby the payment of money is assured on death (except death by accident only) or the happening of any Insured events that may be covered include:

- Death
- Accidental death
- Sickness

Life policies are legal contracts and the terms of the contract describe the limitations of the insured events. Specific exclusions are often written into the contract to limit the liability of the insurer; for example claims relating to suicide (in India after one year suicide is covered), fraud, war, riot and civil commotion.

Insurance vs. Assurance

In general, the term insurance refers to providing cover for an event that might happen while assurance is the provision of cover for an event that is certain to happen.

For the purposes of financial provisions, a life insurance policy provides cover for a set period of time. If the worst were to happen during that time (and there are no complications), then the insurance company will be required to pay out the agreed sum to the beneficiary. The only time the policy has any real monetary value, as if there is a claim made for payment as a result of an event triggering that claim, such as the death of the person covered. If the person outlives the term of the policy, then the insurance policy will cease and no payment will be made.

Life assurance is different from insurance, and will always result in a payment. This is achieved by combining an investment element along with an insured sum. This means that over time, the value of the policy can increase as the investment bonuses are added. If the life covered were to die, then the insured sum would be paid out, along with the investment bonuses that have accrued over time. If it is necessary to cancel the policy prior to the end of any designated term period, or the death of the life being covered, then once an investment bonus has been added, the life assurance policy will have an encashment value. It is therefore possible to cash in a policy earlier than its usual termination date, in order to collect on the investment portion. It should be noted that many insurance companies place penalties for cashing in policies early.

The test of whether a policy is assurance or insurance is that with an assurance policy the insured event will definitely occur (at some point) whereas with an insurance policy there is a risk the insured event might occur.

During recent years, the distinction between the two terms has become largely blurred. This is principally due to many companies offering both types of policy, and rather than refer to themselves using both insurance and assurance titles, they instead use just one.

Human Life Value Concept

The Human Life Value Concept is one segment of the general theory of Human Capital. Only in recent times, has the interrelationship between human capital and life insurance been acknowledged.

One of the First Evaluations of Human Life was made in the old Anglo-Saxon Law, and was variously called the wer, wergild, wite, or bode. While some scholars in the past felt that amount set as the wergild, or bode were arbitrary, later research revealed that they were originally set as an estimate of the person's value. This estimate was based upon the wealth that he had accumulated during his life. Thus as an individual grew older and accumulated more goods, his bode became greater.

This view of the Human Life Value differs substantially from the present day concept that the human life value decreases over time. There is however no reason for assuming that the human life value must either increase or decrease over time. On an average, the human life value does tend to decrease with age. This is because the value of a human life is based upon future earning power rather than accumulated wealth.

Human Life Value concept in insurance is the total amount a person would need invested today, to equal the total earnings of a person's lifetime. The value of human life is often expressed in terms of potential lifetime earnings, a measure of the productivity of an individual.

Human life value concept has been used by quite a number of professionals such as actuaries, life insurance consultants, financial planners and lawyers clamming accident compensation for the clients. Basically, human life value is based on the individual's earning ability. It is the amount that the person's family will suffer loss of income that they used to receive during the breadwinner's lifetime. In the application of human life value, its interactive feature allows assessment of the value of an individual's life to his dependents. Financially, this means that the exact amount of money would have to be invested today to allow their family to replace their current standard of living after the person's death.

Ingredients of Life Insurance Policy

Parties to a Contract

There is a difference between the insured and the policy owner (policy holder), although the owner and the insured are often the same person. In cases where the policy owner is not the insured (also referred to as the *cestui qui vit* or CQV), insurance companies have sought to limit policy purchases to those with an "insurable interest" in the CQV. For life insurance policies, close family members and business partners will usually be found to have an insurable interest. The insurable interest requirement usually demonstrates that the purchaser will actually suffer some kind of loss if the CQV dies.

Contract Terms

Special provisions may apply, such as suicide clauses wherein the policy becomes null if the insured commits suicide within a specified time. The face amount on the policy is the initial amount that the policy will pay at the death of the insured or when the policy matures, although the actual death benefit can provide for greater or lesser than the face amount. The policy matures when the insured dies or reaches a specified age (such as 100 years old).

Age

Proof of age is required to be submitted together with proposal form. In life insurance, age is an important criterion for premium calculation as well as for underwriting risk.

Insurance Costs

The insurer (the life insurance company) calculates the policy prices with intent to fund claims to be paid and administrative costs, and to make a profit. The cost of insurance is determined using mortality tables calculated by actuaries. Actuaries are professionals who employ actuarial science, which is based in mathematics (primarily probability and statistics). Mortality tables are statistically based tables showing expected annual mortality rates. It is possible to derive life expectancy estimates from these mortality assumptions.

Payment of Premium

The insurance company receives the premiums from the policy owner and invests them to create a pool of money from which it can pay claims and finance the insurance company’s operations. Rates charged for life insurance increase with the insured’s age because, statistically, people are more likely to die as they get older.

Individuals getting a life insurance cover have to pay the monthly/ quarterly/ half yearly/ yearly premium/ life insurance rate, which depends on the amount insured. The premium amount also increases or decreases with different life insurance plans, age of the individual, etc. The company pays the full insurance amount either on the death of the individual or the expiry of the policy whichever is earlier. Life insurance policy can be renewed after the expiry. Some insurance companies offer a discount while renewing the policies of existing clients. The insurance is done after a medical examination of the individual being insured.

Days of Grace

The policy stipulates that the premium is to be paid on or before due date that is the date specified in the insurance contract for payment of premium. Insurer, however, allows grace period for payment of premium. Payment of premium within the grace period is considered to be payment on time. The grace period would be not less than one month for yearly, half-yearly or quarterly modes of premium and 15 days for monthly modes of premium.

If the premium is not paid before the expiry of the days of grace the policy lapses.

Revival of Lapsed Policy

If the premium is not received within the days of grace, there is a default on the part of policyholder. The insurer is entitled to say that the policy has terminated. Such termination of policy is called a 'lapse'. All premiums are forfeited after a lapse and there can not arise any claim afterwards. If the policy has lapsed, it can be revived during the life time of the life assured, within a period of five years from the date of the first unpaid premium but before the date of maturity subject to certain conditions. Such a policy can be revived by furnishing revival requirements, i.e., paying interest on premiums for the lapsed period and evidence regarding its continued good health. The policy can be revived by mere payment of arrears with interest, if six months have not lapsed from the first unpaid premium.

Section 113 of The Insurance Act, 1938 requires that every policy shall have a guaranteed surrender value, if atleast three years premiums have been paid. The provisions that provide safeguards to policyholder in case of premium default are known as non-forfeiture provisions. The other non-forfeiture options available are

- Making the policy paid-up.
- Keeping policy in force through premiums advanced from the surrender value.
- Providing term insurance cover from the surrender value.

Surrender Value

The cash value payable by Insurer on termination of the policy contract at the desire of Policyholder, but before the expiry term, is known as Surrender Value.

A policy can be surrendered, provided, it is kept in force for at least three years.

Surrender Value will depend upon the duration elapsed and the total duration under the policy as on the date of surrender. Separate Surrender Value tables are available for all plans.

Claims

The insured can notify the company that the payment is due under the terms of the policy. This can be done at the expiry of the life insurance policy. In case of the death of the person insures, the beneficiary, receives the amount of life insurance. In case of death of insured, insurance companies can repudiate the claim. This is done to ensure the protection of the insurer. The procedure generally takes from 7-15 days.

The settlement of a claim arises due to Death of the Policyholder or due to Maturity of the Policy.

Death Claim

- In respect of a death claim an intimation regarding death of a policyholder from a relative/nominee/or assignee is to be received.
- The facts required to be submitted are:
    1. Date of death,
    2. Reason and Place of Death,
    3. Full details of policies held by the Life assured should also be submitted.

Death claims are categorized as Non-Early Death claims and Early Claims. The procedure for processing these claims is different.

Non-early Death Claim: Non-early Death Claims refer to death of the Life assured occurring after three years from the date of commencement of policy or Date of last revival/reinstatement.

Early Claims: Early Claims refer to the death of Life assured occurring within three years from commencement of policy.

Maturity

If the life insured survives to the full term, then basic sum assured is payable. This payment by the insurer to the insured on the date of maturity is called maturity payment.

In majority of the plans, full sum assured becomes payable along with Bonus as a maturity payment, unless survivals benefits are paid earlier as in a money back policy.

Certain relaxations in settlements of the claims:

Legally no claim is acceptable in respect of a lapsed policy or death of the Life assured occurring within three years from the date of commencement of the policy. However, some concessions are available and payment of claims are made -

- If the Life assured had paid at least three years' premiums and thereafter if premiums have not been paid, the nominees get proportionate paid up value.
- In the event of the death of the Life assured within three years and the policy is under the lapsed position, nothing is payable.

Nomination

- Nomination is the process of identifying a person to receive the policy money in the event of the death of the Policyholder.
- Nomination can be done at the inception of the Policy by providing details of nominee in the proposal form. However, if the nomination is not given at the beginning, the policyholder can give it at a later date.
- This nomination has to be effected by giving notice in a prescribed form to the insurer and getting it endorsed on Policy Bond.
- Change of Nomination can be done by the Policyholder any time during the term of the Policy and any number of times. For this, the policyholder has to give a notice in a prescribed form to the insurer and get it endorsed at the back of the Policy. Further, Nomination can be removed any time by the Policyholder without giving prior notice to the Nominee.
- Nomination can be done only by a policyholder, who is a major, and on a policy on his own life.
- Under Nomination, the Nominee gets only the right to receive the policy money in the event of the death of the Policyholder.
- Nomination does not pass on the property in the Policy.
- If Nominee dies when the Policyholder is still surviving then the nomination would be ineffective.

- If Nominee dies after the death of the policyholder but before receiving policy money, then also Nomination becomes ineffective and only the Legal Heirs of the Policyholder can claim money.
- In the case of Children's Policies, Nomination is not done until the Child becomes a major. Nomination is governed by Section 39 of Insurance Act, 1938.

Assignment

- Assignment means transfer of rights, title and interest. When an assignment is executed, all rights, title and interest in respect of the property assigned are immediately transferred to the Assignee/s and the Assignee/s become the owner/s of the policy subject to any lawful condition made in the assignment.
- Assignment can be either conditional or absolute.
- Assignment, if the Absolute Assignee dies, the benefits under the Policy go to the Legal Heirs of the Assignee. Assignment is governed by Section 38 of Insurance Act, 1938.

Nomination vs. Assignment

1. Transferability: The assignment of life policy involves the transfer of all rights of the policyholder to the assignee. Nomination does not involve the transfer of policyholders' rights.
2. Right of action: The assignee is entitled to all benefits of the policy and can sue in his own name. The nominee can sue by his own name but he gets the money only by the constructive trustee on the behalf of the beneficiaries of the policy.
3. Cancellation and change: A nomination can be cancelled or changed. An assignment can not be changed, although there can be reassignment under certain circumstances.
4. Object: Assignment is done with the objective of giving benefit to the intended beneficiaries. The nomination is made to provide the insurer with a convenient method of discharging his obligations.The insurer can pay to the nominee without waiting for a succession certificate.
5. Consideration: Assignment of a policy may be with or without consideration. Nomination is done without consideration.

6. Procedure: Assignment can be made on the policy or by a separate deed. Nomination is done by endorsement on the policy with notice to the insurer.
7. Automatic cancellation: Nomination is automatically cancelled if the policyholder is alive at the time and is able to get the policy money. Assignment does not depend upon the life of the policyholder. In conditional assignment e.g. for mortgaging the policy, it is cancelled when the money is paid to the creditor.

Policy Document

The Policy Document is an evidence of the contract between the Insurer and the Insured. Hence the policyholder should preserve the Policy Bond till the contracted amount under it is settled. Loss of the Policy Document should be immediately intimated to the Insurer. In case the policy gets lost, destroyed or mutilated, then the policyholder must immediately procure a duplicate policy.

The need to have a duplicate policy also arises on the following occasions:

- At the time of receiving Maturity Amount or Death claim,
- To obtain Surrender Value/Loan,
- To obtain a Duplicate Policy in other cases.

Loans

Loans are granted on the life insurance policies to the extent of a certain percentage of Surrender Value of the policies. A rate of interest is charged on the loan granted. Rate of interested charged on loans taken on insurance policies varies from company to company and from time to time. Every Insurer may have different terms and conditions for grant of loans. A particular policy may be with or without the loan facility. A policyholder can repay the loan amount either in part or in full, any time during the term of the Policy.

Types of Life Insurance Plans

Term Insurance Policy

- A term insurance policy is a pure risk cover for a specified period of time. What this means is that the sum assured is payable only if the policyholder dies within the policy term. For instance, if a person buys Rs. 2 lakh policy for 15-years, his family is entitled to the money if he dies within that 15-year period.

- It means that a person pays a certain premium to protect his family against his sudden death. He forfeits the amount if he outlives the period of the policy. This explains why the Term Insurance Policy comes at the lowest cost.

Whole Life Policy

- As the name suggests, a Whole Life Policy is an insurance cover against death, irrespective of when it happens.
- Under this plan, the policyholder pays regular premiums until his death, following which the money is handed over to his family.

Endowment Policy

Combining risk cover with financial savings, endowment policies is the most popular policies in the world of life insurance.

- In an Endowment Policy, the sum assured is payable even if the insured survives the policy term.
- If the insured dies during the tenure of the policy, the insurance firm has to pay the sum assured just as any other pure risk cover.
- A pure endowment policy is also a form of financial saving, whereby if the person covered remains alive beyond the tenure of the policy, he gets back the sum assured with some other investment benefits.

In addition to the basic policy, insurers offer various benefits such as double endowment and marriage/education endowment plans. The cost of such a policy is slightly higher but worth its value.

Money Back Policy

- These policies are structured to provide sums required as anticipated expenses (marriage, education, etc.) over a stipulated period of time. With inflation becoming a big issue, companies have realized that sometimes the money value of the policy is eroded. That is why with-profit policies are also being introduced to offset some of the losses incurred on account of inflation.
- A portion of the sum assured is payable at regular intervals. On survival the remainder of the sum assured is payable.

- In case of death, the full sum assured is payable to the insured.
- The premium is payable for a particular period of time.

Annuities and Pension

In an annuity, the insurer agrees to pay the insured a stipulated sum of money periodically. The purpose of an annuity is to protect against risk as well as provide money in the form of pension at regular intervals.

Over the years, insurers have added various features to basic insurance policies in order to address specific needs of a cross section of people.

List of Life Insurers

Sr. No.	Name of the Company
1	Bajaj Allianz Life Insurance Company Limited
2	Birla Sun Life Insurance Co. Ltd.
3	HDFC Standard Life Insurance Co. Ltd.
4	ICICI Prudential Life Insurance Co. Ltd.
5	ING Vysya Life Insurance Company Ltd.
6	Life Insurance Corporation of India*
7	Max New York Life Insurance Co. Ltd.
8	Met Life India Insurance Company Pvt. Ltd.
9	Kotak Mahindra Old Mutual Life Insurance Limited
10	SBI Life Insurance Co. Ltd.
11	Tata AIG Life Insurance Company Limited
12	Reliance Life Insurance Company Limited
13	Aviva Life Insurance Co. India Pvt. Ltd.
14	Sahara India Life Insurance Co, Ltd.
15	Shriram Life Insurance Co. Ltd.
16	Bharti AXA Life Insurance Company Ltd.
17	Future Generali Life Insurance Company Ltd.
18	IDBI Fortis Life Insurance Company Ltd.

3 GENERAL INSURANCE

Insurance other than ‘Life Insurance’ falls under the category of General Insurance. General Insurance comprises of insurance of property against fire, burglary, etc., personal insurance such as Accident and Health Insurance, and liability insurance which covers legal liabilities. There are also other covers such as Errors and Omissions insurance for professionals, credit insurance, agricultural insurance, etc.

Non-life insurance companies have products that cover property against fire and allied perils, flood storm and inundation, earthquake and so on. There are products that cover property against burglary, theft etc. The non-life companies also offer policies covering machinery against breakdown, there are policies that cover the hull of ships and so on. A marine cargo policy covers goods in transit including by sea, air and road. Further, insurance of motor vehicles against damages and theft forms a major chunk of non-life insurance business.

In respect of insurance of property, it is important that the cover is taken for the actual value of the property to avoid being imposed a penalty should there be a claim. Where a property is undervalued for the purposes of insurance, the insured will have to bear a rateable proportion of the loss. For instance if the value of a property is Rs.100 and it is insured for Rs. 50/-, in the event of a loss to the extent of say Rs. 50/-, the maximum claim amount payable would be Rs. 25/- (50% of the loss being borne by the insured for underinsuring the property by 50%).

Personal insurance covers include policies for Accident, Health etc. Products offering Personal Accident cover are benefit policies. Health insurance covers offered by non-life insurers are mainly hospitalization covers either on reimbursement or cashless basis. The cashless service is offered through Third Party Administrators who have arrangements with various service providers, i.e., hospitals. The Third Party Administrators also provide service for reimbursement claims. Sometimes the insurers themselves process reimbursement claims.

Accident and health insurance policies are available for individuals as well as groups. A group could be a group of employees of an organization or holders of credit cards or deposit holders in a bank etc. Normally when a group is covered, insurers offer group discounts.

Liability insurance covers such as Motor Third Party Liability Insurance, Workmen's Compensation Policy, etc., offer cover against legal liabilities that may arise under the respective statutes— Motor Vehicles Act, The Workmen's Compensation Act, etc. Some of the covers such as the foregoing (Motor Third Party and Workmen's Compensation Policy) are compulsory by statute. Liability Insurance not compulsory by statute is also gaining popularity these days. Many industries insure against Public liability. There are liability covers available for Products as well.

There are general insurance products that are in the nature of package policies offering a combination of the covers mentioned above. For instance, there are package policies available for householders, shop keepers and also for professionals such as doctors, chartered accountants etc. Apart from offering standard covers, insurers also offer customized or tailor-made ones.

Industries also need to protect themselves by obtaining insurance covers to protect their building, machinery, stocks, etc. They need to cover their liabilities as well. Financiers insist on insurance. So, most industries or businesses that are financed by banks and other institutions do obtain covers.

Most general insurance covers are annual contracts. However, there are few products that are long-term.

It is important for proposers to read and understand the terms and conditions of a policy before they enter into an insurance contract. The proposal form needs to be filled in completely and correctly by a proposer to ensure that the cover is adequate and the right one.

4 REINSURANCE

Reinsurance is a type of risk management involving transfer of risk from insurer to the reinsurer. Reinsurance means that one insurer agrees, for a charge (the premium), to reimburse another insurer against all or part of a loss. The terms of the insurance coverage (the types of losses covered and the method for determining the amount to be reimbursed) are laid out in the reinsurance agreement, also known as the policy or policies of insurance. The company purchasing reinsurance is known as the ceding insurer, or, more simply, the reinsured; the company selling reinsurance is known as the assuming insurer, or, more simply, the reinsurer.

Described as “insurance of insurance companies”, reinsurance serves to spread the risk so that no single entity finds itself faced with a financial burden beyond its ability to pay.

Reinsurance primarily deals with catastrophe risks that are not predictable and cause the greatest exposure for the insurance company.

Types of reinsurance contracts

There are basically two methods of placing these forms of reinsurance: facultative and treaty.

Facultative

Facultative means that the reinsurance arrangement is optional. Each individual risk must be presented individually and is considered on a case by case basis. The reinsurer has the right to accept or reject each risk.

Treaty

A Treaty is an agreement whereby the reinsurer agrees to accept the reinsurances on all the risks that fall within the terms of the treaty. The reinsurer will not review individual risks and is obligated to accept the risks that are covered by the treaty.

Reinsurance Regulations

Reinsurance business in India is regulated by Insurance Regulatory and Development Authority (General Insurance - Reinsurance) Regulation, 2000 and amended from time to time.

Some of the guidelines are as follows:

- Every insurer should retain risk proportionate to its financial strength and business volumes.
- Certain percentage of the sum assured on each policy by an insurance company is to be reinsured with the National Reinsurer. National reinsurer has been made compulsory only in the non-life sector.
- The reinsurance programme will begin at the start of each financial year and has to be submitted to the IRDA, forty-five days before the start of the financial year.
- Private life insurance companies cannot enter into reinsurance with their promoter company or its associates, though the LIC can continue to reinsure its policies with GIC.
- The objective of these regulations is to expand retention within India, ensure the best protection for the reinsurance incurred costs and simplify administration.

General Insurance Corporation of India (GIC) has assumed the role of National Reinsurer for the market. It provides treaty and facultative capacity to the insurance company. GIC of India, wholly owned by Government of India has been catering to the reinsurance needs of Indian Insurance Industry for the past three decades and has been designated as “Indian Reinsurer”. GIC provides comprehensive reinsurance services to all the direct insurance players in India.

Role of Insurance Broker in Reinsurance Business

Reinsurance business is a mix between the characteristics of consulting and insurance. Good client relationship and clear communication with the clients at all levels of the company are essentials since reinsurance is a risk-sharing service with strong competition. This is why frequent contact and the ability to determine what clients’ exact needs are of paramount importance to reinsurance professionals and Brokers. Similar to insurance, reinsurance contracts need to be priced appropriately, and knowing policy characteristics of the directly issued policies and reinsured amount that have an effect on the product being priced is vital. Also, if data come from a credible block of policies such as one from a large insurer, one must recognize the additional information that need to be used. Furthermore, each reinsurer will make its own assumptions about the market (e.g. rate of return) and will incorporate these assumptions within their model to determine an appropriate price. Such assumptions will be further confirmed by simulations of market conditions and the detection of new patterns of the underlying exposure base (e.g. new mortality patterns). Negotiations with the client will then occur regarding the price or the characteristics of the contract being offered. Once the contract is in place, it is important to keep in touch with your client in order to explore mutual growth opportunities and monitor the effect of the signed contract.

5 RISK MANAGEMENT AND INSURANCE

The effect of Globalization of market economies has been felt world over and the freeing of trade exchanges, increased competitiveness, better trade relations, liberalization of financial markets enabling capital transfer and the creation of new financial instruments among nations are the new world realities, with the enhanced role for the World Trade Organization in organizing and regulating their conduct. The unprecedented developments in information technology, communication and digital technology have spurred consumerism, outsourcing of jobs, cost reductions and quality improvements in a variety of products and services on a global scale. Emergence of limitless possibilities of global economic exploitation has led to birth of newer risk exposures pushing professionals and corporate alike to strive for streamlining management processes and continually developing and upgrading their risk management policies, practices and procedures.

Introduction

Major components of risk management are as follows:-

1. Risk identification
2. Risk quantification
3. Risk control
4. Risk retention
5. Risk transfer

(Insurance is one of the methods of risk transfer)

What is a risk

Risk, in insurance terms, is the possibility of a loss or other adverse event that has the potential to interfere with an organization's ability to fulfill its mandate, and for which an insurance claim may be submitted.

What is risk management

Risk management ensures that an organization identifies and understands the risks to which it is exposed. Risk management also guarantees that the organization creates and implements an effective plan to prevent losses or reduce the impact if a loss occurs.

A risk management plan includes strategies and techniques for recognizing and confronting these threats. Good risk management does not have to be expensive or time consuming; it may be as uncomplicated as answering these three questions:

1. What can go wrong?
2. What will we do, both to prevent the harm from occurring and in response to the harm or loss?
3. If something happens, how will we pay for it?

In relation to a Business Enterprise Risk Management is the management function that deals with the identification, measurement and treatment of pure risk exposures. The process of risk management involves the following steps:-

1. Identification: The risk manager identifies the uncertain events to which the firm is exposed and is likely to be exposed.
2. Evaluation: The risk manager measures the potential losses associated with these exposures. It involves the assessment of the probability of a loss and also the probable maximum loss.
3. Selection: The risk manager selects the best methods of protecting against the consequences of happening of the uncertain event which *inter alia* include
   (a) avoiding the exposure,
   (b) reducing the chances of the event happening,
   (c) retaining the losses internally, and
   (d) transferring the risk to a third party.
4. Implementation: After deciding upon the best possible method of risk management which may include all or any of the aforementioned methods, the risk manager must implement the decision made.

   Transferring the risk is what is commonly understood as insurance. For a price, which is called 'premium' the insurance company takes over the consequences and losses as a result of the happening of an uncertain event. Arranging adequate insurance protection at the best available terms is one of the essential functions of a risk manager. The insurance companies through the experience gained out of insuring risks over a period of time also act as risk managers for the insured. They carry out the inspection of the premises of the insured, suggest way of minimizing risks and risk improvements, study the risk management philosophy of the insured and suggest the best possible methods of obtaining insurance covers.

Benefits to managing risk

Risk management provides a clear and structured approach to identifying risks. Having a clear understanding of all risks allows an organization to measure and prioritize them and take the appropriate actions to reduce losses. Risk management has other benefits for an organization, including:

- Saving resources: Time, assets, income, property and people are all valuable resources that can be saved if fewer claims occur.
- Protecting the reputation and public image of the organization.
- Preventing or reducing legal liability and increasing the stability of operations.
- Protecting people from harm.
- Protecting the environment.
- Enhancing the ability to prepare for various circumstances.
- Reducing liabilities.
- Assisting in clearly defining insurance needs.

An effective risk management practice does not eliminate risks. However, having an effective and operational risk management practice shows an insurer that your organization is committed to loss reduction or prevention. It makes your organization a better risk to insure.

Role of insurance in risk management

Risk management is the identification, measurement and economic control of the risks that threaten the assets and earnings of a business. A risk is defined as the peril or hazard that is covered by the insurance policy.

You need to decide whether you have adequate controls in place to manage the significant risks that your business faces. You will also need to consider whether you could cost-effectively do more to control risks, including evaluation of your health and safety standards and assessment of measures in place to protect your property against theft, damage and fire. Insurance is a valuable risk-financing tool.

Few organizations have the reserves or funds necessary to take on the risk themselves and pay the total costs following a loss. Only the purchasing of insurance, however, is not risk management initiative. A thorough and thoughtful risk management plan is the commitment to prevent harm. Risk management also addresses many risks that are not insurable, including brand integrity, potential loss of tax-exempt status for volunteer groups, public goodwill and continuing donor support.

Before looking in detail at the different types of insurance, it is worth considering the vital role of risk management for the organisation considering the goals and objective of the organisation. Adopting a risk management approach will protect your business, add value to the business and support achievement of your objectives by:

- Providing a framework that enables future activity to take place in a consistent and controlled manner.
- Improving decision-making, planning and prioritisation by comprehensive and structured understanding of the threats to your business activities.
- Contributing to the more efficient allocation and use of capital and resources.
- Reducing volatility in the non-essential areas of the business
- Protecting and enhancing assets and company image
- Developing and supporting people and knowledge base, and
- Optimising operational efficiency within your business.

Role of Insurance broker

- The term broker - “Brocour” is of Anglo-Norman origin meaning “a ceremony or ceremonial gift after the conclusion of a business deal”.
- “Look for prospective brokers with a clean record, great referrals and stability in their business. In addition he or she should not be transaction oriented but should instead be concerned about your values and goals and be willing to realize that the best trade may be no trade. In short, you should look for a financial advisor rather than just a broker.” - George Riles, Merrill Lynch

- To act as one who is able to provide professional advice in the manner of a consultant in furtherance of his client's values and goals.

Changing Nature of Risk has changed the role of a broker

Demands for higher levels of performance, control over costs, asset and earnings protection and compliance with good governance require a much more holistic approach to risk assessment and risk management than has ever been required before.

The role of broker has changed from intermediary to trusted business adviser. Clients' expectations extend to advice about strategic and financial as well as operational risks.

It is expected that the brokers must have

- The ability to develop a more comprehensive understanding of a client's business and broad spectrum of risks and further
- The capability to assess the impact of risk and integrate effective risk control into the management systems of a business

Insurance broker is a risk advisor to the organisation who would oversee the implementation of risk management policy of the organisation.

The Insurance broker shall execute the following functions:

- Obtaining detailed information of the client's business and risk management philosophy;
- Familiarising himself with the client's business and underwriting information so that this can be explained to an insurer and others;
- Rendering advice on appropriate insurance cover and terms;
- Maintaining detailed knowledge of available insurance markets, as may be applicable;
- Submitting quotation received from insurer/s for consideration of a client;
- Providing requisite underwriting information as required by an insurer in assessing the risk to decide pricing terms and conditions for cover;

- Acting promptly on instructions from a client and providing him written acknowledgements and progress reports;
- Assisting clients in paying premium;
- Providing services related to insurance consultancy and risk management;
- Assisting in the negotiation of the claims; and
- Maintaining proper records of claims;

Why manage risk

An organization should have a risk management strategy because:

- People are now more likely to sue. Taking the steps to reduce injuries could help in defending against a claim.
- Courts are often sympathetic to injured claimants and give them the benefit of the doubt.
- Organizations and individuals are held to very high standards of care.
- People are more aware of the level of service to expect, and the recourse they can take if they have been wronged.
- Organizations are being held liable for the actions of their employees/volunteers.
- Organizations are perceived as having a lot of assets and/or high insurance policy limits.

6 REASONS FOR BUYING INSURANCE AND DISTRIBUTION CHANNELS

Almost all businesses buy insurance, but the type and amount of insurance cover purchased will vary according to the risk profile and risk appetite of the business. One business may decide to buy only a limited amount of insurance because it is willing to carry most of the risk itself, whilst another will choose to purchase considerable insurance. Such decisions form part of the overall process of risk management.

Insurance is a contract whereby an insurer promises to pay the insured a sum of money if one of a series of specified events occurs in the future. Businesses buy insurance to protect their assets and income streams; to protect the assets of directors and officers of the company; to pay compensation to third parties in the event of a claim against the company; and, in certain circumstance, because it is a legal obligation.

These reasons can be conveniently grouped under three headings:

Legal and Contractual Obligations

- Mandatory, for example, Employers' Liability and Third-Party Motor
- Required for your trade or profession, for example, Professional Indemnity
- Demanded by your customers or suppliers, for example, Public Liability

Balance Sheet/Profit and Loss Protection

- Protect the Balance Sheet if a major event occurs, for example, a fire or flood
- Relieve pressure on cash flow and reduce volatility in the event of a loss
- Budget for losses, for example, vehicle accidents or stolen plant/ machinery

Employee Benefit/Protection of Employee Assets

- Funding of an employment benefit, for example, Private Health insurance
- Protection of personal assets, for example, Directors' and Officers' Liability
- Protection of the business in the event of the death of a key member of staff

Insurance is a protection against financial loss arising on the happening of an unexpected event. It is a system by which the losses suffered by a few are spread over many, exposed to similar risks. Insurance companies collect premiums to provide for this protection. A loss is paid out of the premiums collected from the insuring public and the Insurance Companies act as trustees to the amount collected.

Insurance distribution channels

An insurance cover is an intangible product evidenced by a written contract known as the 'policy'. Insurers market various insurance covers either directly or through various distribution channels—individual agents, corporate agents, Bancassurance and Brokers. The marketer in the distribution network is in direct interface with the prospect and the customer.

Life insurance products are sold through individual agents and many of them have this as their only career occupation. General insurance products are sold through individual agents, corporate agents.

Distribution channels such as agents are licensed by the IRDA. To get an agency licence, one has to have certain minimum qualifications; practical training in insurance subjects and pass an examination conducted by the Insurance Institute of India. IRDA regulations on licensing of agents/brokers lay down the code of conduct for individual agents, corporate agents and brokers.

Thus it is seen that the dos and don'ts for these intermediaries are given clearly at the point of sale as well as in the event of a claim. Service does not end with the customer receiving his document; it in fact only begins here. After sales service is as important or even more important – like when a refund has to be made or when a claim has to be made.

Role of Distribution Channels in Value Creation in insurance companies

- Distribution accounts for the largest element in insurers' costs and impact the profitability.
- Distribution capabilities strongly influence product design in insurance.
- Distribution channels have a direct impact on the insurers' market image.
- Integrity of distribution channel is the key concern of the regulatory mechanism.

7 ROLE OF CHARTERED ACCOUNTANT IN INSURANCE INDUSTRY

Insurance industry is a growth-oriented industry globally. In India, the insurance market has a huge potential. The following are the facts stated on India in the International Insurance Fact Book 2007-08.

Direct Premiums Written, 2006

Total premiums: $43,032 (U.S. $ millions)

Non Life premiums: $ 5,812 (U.S. $ millions)

Life premiums: $ 37,220 (U.S. $ millions)

Opportunities for a Chartered Accountant in insurance and pension sector can be listed as under:

Actuary

Actuaries are experts who perform actuarial analysis of insurance rates, rating procedures, rating plans and schedules of insurance companies. These are professionals who are experienced in reviewing and analyzing insurance operations, reserves and underwriting procedures and provide technical assistance regarding actuarial matters to policy examiners and other technical staff. In other words they are the people who ascertain in advance the uncertain events that could take place in future and come to a financial conclusion.

A Chartered Accountant with his natural flair for quantitative techniques and numbers crunching can be of immense help in assisting an Actuary.

Advisor

A Chartered Accountant as an Insurance Advisor can assist in the following areas:

a) Insurance and Risk Management training

b) Insurance for new business

c) Due diligence for amalgamations and mergers

d) Life Insurance and Non-Life Insurance

e) Insurance laws and regulations

Risk Manager

A Chartered Accountant can assist in fulfilling the following objectives of Risk Management with his specialized knowledge:

- Prior to a loss
  - Economy
  - Reduction of Anxiety
  - Meeting external obligation
- After a loss occurs
  - Survival of the firm
  - Continued operation
  - Stability of earnings
  - Continued Growth
  - Social Responsibility

Surveyors and Loss Assessors

Insurance Surveyors and Loss Assessors are independent professionals appointed by an insurance company to assess the loss or damage when a claim is notified under a policy issued by them. An insurance surveyor is a duly qualified professional deputed for the assessment of losses, according to their qualification and experience.

As a professional they serve as a link between the insurer and the insured.

A Chartered Accountant is qualified to act as a surveyor as per Section 64UM (1) (D) of the Insurance Act, 1938. They are respected more in the key areas of consequential loss insurance and accounts based assessment of losses. IRDA has prescribed certain requirements in this regard which have to be fulfilled by Chartered Accountants.

Claims Adjusters, Examiners and Investigators

An Investigator investigates the insurance claim to figure out who should pay the damages. He or she looks for the truth when there's disagreement about who is legally responsible or when criminal activity is suspected. In other situations, adjusters and examiners are the ones who deal with insurance claims.

Claims adjusters, examiners and investigators work behind the scenes, usually for insurance companies or agencies, to make sure that insurance customers claiming payment get the money they are entitled to.

Underwriter

Insurance underwriters review insurance applications and decide whether they should be accepted or rejected based on the degree of risks that would be involved in insuring the people or objects of concern. They are required to use rate books, codebooks, tables, actuarial studies and other reference materials. A prospective candidate can find openings in the following sectors:-

- Fire, marine and casualty insurance companies
- Surety insurance companies
- Saving institutions
- Accident and health insurance

Sales Agent

Agent is the representative of Insurance Company. Agent's regulations have come into force from 1st June, 2000. Agents would have to go through a qualifying examination to be conducted by the IRDA.

Members of ICAI who are not in practice can explore this avenue to achieve handsome results through marketing the products as they are well equipped with the technical knowledge and skills required to perform the function.

Reinsurance

The following are some of the important positions in Reinsurance field which a Chartered Accountant can perform

a) Underwriter
b) Broker
c) Accountant
d) Department Administrator
e) Information Research and Statistics Personnel

Others

a) A Chartered Accountant may carry out the concurrent audits of the branches of the insurance companies.

b) A Chartered Accountant may also certify the various certifications as authorized and required by the IRDA.

8 OVERVIEW OF INSURANCE BROKING

The word broker may be connected through its Anglo-Norman source brocour" meaning "ceremony or ceremonial gift after the conclusion of a business deal."

The emergence of insurance broking dates back to the year 1575 in U.K. Services of insurance brokers were required whenever the insurance contract tended to be of complicated or of hazardous nature. It was the book keeper or the notary who acted as the broker. Even at such an early era the need of insurance broking was recognised and experienced intermediaries had become the smart players in Britain's rising trade by the early 1700's.

Introduction of the 'Insurance Broker' in India

Government of India embarked on the process of economic reforms in the 1990s. Insurance Sector Reform Measures initiated by the Government were based on the Report of the Malhotra Committee, which submitted its Report in 1994. One of the recommendations was "Introduction of Broking Firms who would act as professional intermediaries as in other established markets".

Insurance Regulatory and Development Authority (IRDA) was established in 1999 with the passing of IRDA Act of 1999 on 19th April, 1999. Thereafter, IRDA enacted various Rules and Regulations and ushered in reforms in insurance sector. One among them was the Insurance Regulatory and Development Authority (Insurance Brokers) Regulations, 2002 which came into effect from 16th October, 2002. Subsequently, licences to this effect were issued by IRDA and broking operations came into being with the sole purpose of rendering professionalised service to the insurance buyers.

Definition

Regulation(1)(i) of IRDA (Insurance Brokers) Regulations, 2002 defines insurance broker as a person for the time being licensed by the authority under regulation 11, who for a remuneration arranges insurance contracts with insurance companies and/or reinsurance companies on behalf of his clients.

Explanation: The term "insurance broker" wherever it appears in these regulations shall be deemed to mean a direct broker, a reinsurance broker or a composite broker, as the case may be, unless expressly stated to the contrary.

Types of Insurance Brokers

There are three types of insurance brokers namely direct broker, composite broker and reinsurance broker.

1. Direct Broker: Regulation 1(e) of the Regulation defines direct broker as insurance broker who for the time being licensed by the authority to act as such, for a remuneration carries out the functions as specified under regulation 3 either in the field of life insurance or general insurance or both on behalf of his clients.
2. Composite Broker: Regulation I(d) of the Regulation defines composite broker who for the time being licensed by the authority to act as such, for a remuneration, arranges insurance for his clients with insurance companies and/or reinsurance companies for his clients.
3. Reinsurance Broker: Explanation (m) to Regulation 1 of the Regulation defines Reinsurance Brokers who, for a remuneration, arranges reinsurance for direct insurers with insurance and reinsurance companies.

NEED FOR INSURANCE BROKERS

- Insurance broker represents the insurance buyer, and not the insurance company (insurance seller), though the remuneration of insurance broker is paid and borne by the insurance companies. There is no additional cost to the insurance buyer for placing business through insurance broker.
- Insurance brokers have been introduced into the Indian market by IRDA as professionals, who will truly represent and service the interests of insurance buyers.
- Insurance brokers have qualified and experienced insurance experts and can buy insurance for their clients' at the most competitive premium rate and terms.
- Insurance brokers provide a package of services to the insurance buyer, including post-insurance services as well as assisting in submission of claim documents to insurance company.
- Insurance brokers have to obtain licence from the IRDA before they carry on insurance broking in India and the operations of insurance brokers are monitored and controlled by IRDA.

- Insurance brokers are different from insurance agents. Insurance agents represent a given insurance company, and not the insurance buyer. Thus, insurance agents sell the insurance policies of a given insurance company, taking care of the interests of the insurance company (insurance seller), and not of the insurance buyers.
- Insurance brokers are professionals and represent the insurance buyers only, and not the insurance company. Insurance broker can place the insurance of his client with any insurance company, in the best interest of the insurance buyer. Thus, the insurance broker is a single window solution for all insurance requirements of the insurance buyer with all insurance companies.
- Importance of insurance broker in the emerging scenario of 'detariff' and free market:

  For the last several decades, the insurance premium rates (in other words the prices) for traditional and/or statutory insurance covers in the Fire, Engineering, Motor, Workmen's Compensation, etc. departments have been controlled by Tariff Advisory Committee of Government of India through "Fire Tariff", "Engineering Tariff", "Motor Tariff", "Workmen's Compensation Tariff", etc. These insurances are known as "Tariff Insurance Covers".

  Tariffs have given way to a Non-Tariff regime, whereby the premium charged for any given insurance cover will be negotiated and fixed between the insurance company and the proposer by considering the risk exposures, past claims experience, risk improvement measures adopted, etc. on a more scientific basis. Therefore, the buyers of Insurance would do well to use the services of Professional Insurance Brokers.

Functions of a direct broker (Regulation 3)

The functions of a direct broker shall include any one or more of the following:

(a) Obtaining detailed information of the client's business and risk management philosophy;

(b) Familiarising himself with the client's business and underwriting information so that this can be explained to an insurer and others;

(c) Rendering advice on appropriate insurance cover and terms;

(d) Maintaining detailed knowledge of available insurance markets, as may be applicable;

(e) Submitting quotation received from insurer/s for consideration of a client;

(f) Providing requisite underwriting information as required by an insurer in assessing the risk to decide pricing terms and conditions for cover;

(g) Acting promptly on instructions from a client and providing him written acknowledgements and progress reports;

(h) Assisting clients in paying premium under Section 64VB of Insurance Act, 1938 (4 of 1938);

(i) Providing services related to insurance consultancy and risk management;

(j) Assisting in the negotiation of the claims; and

(k) Maintaining proper records of claims;

Functions of a Re-insurance Broker (Regulation 4)

The functions of a Reinsurance Broker shall include any one or more of the following:

(a) Familiarising himself with the client's business and risk retention philosophy;

(b) Maintaining clear records of the insurer's business to assist the reinsurer(s) or others;

(c) Rendering advice based on technical data on the reinsurance covers available in the international insurance and the reinsurance markets;

(d) Maintaining a database of available reinsurance markets, including solvency ratings of individual reinsurers;

(e) Rendering consultancy and risk management services for reinsurance;

(f) Selecting and recommending a reinsurer or a group of reinsurers;

(g) Negotiating with a reinsurer on the client's behalf;

(h) Assisting in case of commutation of reinsurance contracts placed with them;

(i) Acting promptly on instructions from a client and providing it written acknowledgements and progress reports;

(j) Collecting and remitting premiums and claims within such time as agreed upon;

(k) Assisting in the negotiation and settlement of claims;

(l) Maintaining proper records of claims; and

(m) Exercising due care and diligence at the time of selection of reinsurers and international insurance brokers having regard to their respective security rating and establishing respective responsibilities at the time of engaging their services.

Functions of Composite Broker (Regulation 5)

A composite broker shall carry out any one or more of the functions mentioned in Regulations 3 and 4.

Insurance Brokers Association of India (I.B.A.I.) was incorporated as a Company under Section 25 of the Companies Act, 1956 vide Certificate of Incorporation No. U 67120 MH 2001 NPL 132860 dated 25th July, 2001. IBAI has a Memorandum of Association as well as an Articles of Association, as required under the Companies Act, 1956. IBAI is run by a Board of Directors who are elected by the members.

The main objects of IBAI are to promote interaction among the Insurance/Reinsurance Broker members and to encourage, promote, facilitate and protect the interests of the members of IBAI and to provide an avenue to the members for further education, training and research in all fields of insurance and reinsurance and represent the interests of Brokers with other organizations. IBAI is a member of Bombay Chamber Of Commerce and Industry, Mumbai as well as of Federation of Indian Chambers of Commerce and Industry.

Insurance Brokers Association of India (I.B.A.I.) is the only Insurance Regulatory and Development Authority (I.R.D.A.) recognized apex body of licensed Insurance Brokers. As per Insurance Brokers' Regulations 2002 framed by the I.R.D.A., all licensed Brokers are required to be member of I.B.A.I. As on date, Direct Insurance Brokers, Composite Insurance Brokers and Reinsurance Brokers (totalling to 213 licensed insurance brokers) are members of I.B.A.I.

Only those insurance brokers who are licensed by the I.R.D.A. are considered for admission into the membership of I.B.A.I.

9 ROLE OF CHARTERED ACCOUNTANT IN INSURANCE BROKING

Meaning of Insurance Broker

Insurance broker is a person licensed by the authority, Insurance Regulatory & Development Authority (IRDA), who for remuneration arranges insurance contracts with insurance companies on behalf of his clients and as a reinsurance broker arranges reinsurance on behalf of insurance companies.

FCA or ACA is expressly recognized as one of the qualifications to be a principal officer for enabling insurance broking under IRDA (Insurance Brokers) Regulations, 2002.

Distinction between insurance broker and insurance agent

1. An insurance broker works on behalf of his clients whereas an insurance agent works on behalf of his insurance company.
2. An insurance broker is an independent intermediary who works with many insurance companies to find the very best available policies for his or her clients. An insurance agent works for one specific company, and chooses from within that company's policies for clients.

   Both agents and brokers are remunerated by the insurer as per guidelines issued in this regard by IRDA.
3. The broker is considered an agent of the Insured even though he or she may receive a commission from the insurance company.

Is the term Insurance Broker - A misnomer?

Insurance brokers play the role of professional risk and insurance advisors who advise the client by analysing the operational risk exposures of the client and getting proper Insurance Policies with the lowest premium determined from amongst competing insurers. He is expected to act as one who is able to provide professional advice in the manner of a consultant in furtherance of his client's values and goals.

Hence they may be additionally called "Professional Risk & Insurance Advisors".

Role of Chartered Accountant in Insurance Broking

Insurance Broking is another field where Chartered Accountants have established their positions with their in-depth knowledge, skill and professionalism in accounts and finance. Apart from playing role of auditors in insurance business, they have risen and shined in other areas of insurance too.

A Chartered Accountant who possesses the capability of understanding of risk exposures and negotiation skill can be an insurer broker.

Life Insurance

Types of Life policies - The various life policies include:

- Term plan
- Endowment plan
- Money back plan and
- Pension plan
- Children's policies
- Annuities
- Joint Policies for Couples
- Unit Linked Insurance Plan (ULIP)

Factors to be considered before taking a policy

The following are the factors that are considered before taking a life policy:

1. Motive
   - Protection
   - Investment
   - Future expenses
   - Retirement planning
2. Need
   - Multiple Earnings Model
   - Human Life Model
   - Debt Approach
   - Need Approach

3. Affordability
   - Low premium high cover
   - Cover for short term
   - Higher cover with high returns

General Insurance

Insurance Companies can quote their own rate depending upon their own experience in a particular class of Insurance as well as looking at past Claim Experience of the Policy Holder. The Brokers can approach different Insurance Companies and obtain a quote.

The primary role of the broker is to inspire in underwriters, on a case-by-case basis, the confidence to accept the risk presented. There can be no universal solution that will transform every risk into an attractive proposition for insurers and for some clients this may well be impossible. Each case must be considered on its merits and individual problems addressed. Market now works on guide wordings that can be modified to suit a client`s needs. These are negotiated accordingly and the risk transfer negotiated with skill in structuring policy wordings acceptable to the insurer and providing protection to the client.

Insurance program design and innovation

Many Companies will recognize benefits from a greater degree of risk retention. As premium rates rise and insurers become ever more selective, the option of insuring the risk from the 'ground up' will be less attractive and may not be viable in larger cases. Insurance program design will evolve and will need to be tailored to individual client needs. The broker's skill in designing and obtaining market support for more sophisticated programs will be essential in achieving and maintaining the optimum balance between retained and transferred risk for each individual client.

Market knowledge and influence

More than ever, brokers will need to deploy their understanding of the workings of the insurance market and the strength of their relationships with insurers to secure cover for their clients at affordable cost. Underwriters need the confidence to underwrite and confidence in the broker is a pre-requisite of this.

Detailed analysis of claims history

Loss history will have a profound influence in determining acceptability and pricing of the risk. Yet the compilation of accurate statistics, allowing for acquisitions and disposals, discontinued operations, inaccurate reserving of claims, trends in the client`s business and many other factors, can be a complex process. The analysis extends to the level of reviewing individual claims. Absolute accuracy is essential in order to present a true picture of this important aspect of the risk presentation.

Identification of trends and projection of future losses

1. Briefing on Annual Loss Cost Report
2. Estimating Probable Maximum Loss [PML]
3. Overview of Risk Exposures
4. Overview of Risk Transfer Methods
5. Risk Assessment Methods in Practice
6. Design of Insurance Program

Having developed an accurate statistical base, it is important to apply the data as a guide to future outcomes and so assist the underwriter in determining a 'technical' premium for the risk.

Improving the risk: Loss Prevention

The procedures for identification, assessment, mitigation, containment will need to be integrated into the culture and business purpose of the client to ensure successful implementation. Training on procedures and methods, as laid down, will assist to operationalize risk management into the organization culture of the client.

Most workplace injuries and work-related illnesses are avoidable, given senior management commitment to a professional standard of Health and Safety regime. This must be supported by effective training and monitoring throughout all levels of the business.

The amended Clause 49 of Listing Agreement has come into effect from 1st January, 2006. This needs listed companies with more than Rs. 3 Crores capital to address risk concerns. A key requirement is for a company to lay down procedures to inform the Board about risk assessment and minimization procedures. These procedures are to be periodically reviewed to ensure that management can control risk through means of a properly defined framework.

Outsourcing the Portfolio Administration

The insurance brokers virtually eliminate the need for their customers to keep track of their insurance program. They offer complete solution right from risk profiling to claims administration, which makes it easier for clients to concentrate on their core business.

Keeping the above in mind and the role that the insurance brokerage industry has been playing on a global level, the Indian market needs to mature and accept similar responsibilities. Only in such case would the brokerage industry be able to service the consumer to its optimal level of expected efficiency.

10 ESSENTIAL COMPLIANCE REQUIREMENTS BY INSURANCE BROKERS

Every insurance broker shall abide by the provisions of the Insurance Act, 1938 (4 of 1938), Insurance Regulatory and Development Authority Act, 1999 (41 of 1999), Rules and Regulations made there under which may be applicable and relevant to the activities carried on by them as Insurance Brokers.

Insurance Broker should fulfill certain requirements for getting engaged in the profession of insurance broking:

Application for Grant of License

An application by a person for grant of a licence as an insurance broker shall be made in Form A [given in Schedule I of IRDA (Insurance Brokers) Regulations, 2002] to the Insurance Regulatory and Development Authority.

The application shall be made for any one or more of the following categories, namely:

(a) Direct Broker;

(b) Reinsurance Broker;

(c) Composite Broker;

Along with the requisite fees as specified in the Regulations.

Fees

As per the Insurance Regulatory and Development Authority (Insurance Brokers) (Amendment) Regulations, 2007, the following has to be paid as fees by the Insurance Broker:

- Every insurance broker shall at the time of application for license, pay a non-refundable application fees as set out below:

Category of Insurance Broker	Amount of Application Fee payable (Rs.)
Direct Broker	20,000
Reinsurance Broker	25,000
Composite Broker	40,000

- Every insurance broker shall pay annual licence fees as set out below:

Category of Insurance Broker	**Amount of Licence Fee payable per annum**
Direct Broker	A sum calculated at the rate of 0.50 percent of remuneration earned in the preceding financial year subject to minimum of Rs. 25, 000 and maximum of Rs. 1, 00,000.
Reinsurance Broker	A sum calculated at the rate of 0.50 percent of remuneration earned in the preceding financial year subject to minimum of Rs. 75,000 and maximum of Rs. 3,00,000.
Composite Broker	A sum calculated at the rate of 0.50 per cent of remuneration earned in the preceding financial year subject to minimum of Rs. 1,25,000 and maximum of Rs.5,00,000.

- The Licence Fee shall be paid before the expiry of 15 days from the finalization of Annual audited accounts of the Broker or till the 30th of September whichever is earlier.
- Every Broker shall pay a Renewal Fee of Rs. 1,000 (Rupees one thousand only) along with application for renewal of the Licence.
- The fees shall be payable by an Account Payee draft in favour of “The Insurance Regulatory and Development Authority” payable at “Hyderabad.”

Consideration of Application

The Authority while considering an application for grant of a licence shall take into account, all matters relevant to the carrying out of the functions by the insurance broker.

In particular, it shall take into account the following:

(A) The applicant is not suffering from any of the specified disqualifications;

(B) The applicant has the necessary infrastructure, such as, adequate office space, equipment and trained manpower to effectively discharge his activities;

(C) The applicant has in his employment a minimum of two persons (known as principal officers) who have the necessary qualifications specified in clause (F) below and experience to conduct the business of insurance broker, in practice this applies for each branch office of the broker;

(D) Any person, directly or indirectly connected with the applicant, has been refused in the past the grant of a licence by the Authority;

(E) The applicant fulfils the capital requirements and deposit requirements as specified in the Regulations, this perforce compels the broker to be a company registered under the Companies Act,1956 and nearly all brokers are registered companies;

(F) The principal officer of the applicant fulfills the specified requirements;

(G) The principal officer has not violated the code of conduct as specified in Schedule III to the Regulations;

(H) The applicant is not engaged in any other business other than the main objects of the applicant; and

(I) The Authority is of the opinion that the grant of licence will be in the interest of policyholders.

Principal Officer

Principal Officer means — (i) proprietor, in the case of a proprietary concern; or (ii) a partner, in the case of a partnership firm; or (iii) a director, who is responsible for the activities of the insurance broking in the case of a body corporate; (iv) or the chief executive officer appointed exclusively to carry out the functions of an insurance broker.

The applicant insurance broker should have in his employment a minimum of two persons who have the necessary qualifications specified below and experience to conduct the business of insurance broker.

The Principal Officer of the Applicant, and any employee responsible for soliciting and procuring insurance business on behalf on an insurance broker shall have to fulfill the following requirements and a list of such employees need to be provided to the Authority and acknowledged by it.

(i) The Principal Officer of the Applicant should possess the minimum qualification of:

(a) Bachelors/Masters degree in Arts, Science, or Social Sciences or Commerce or its equivalent from any Institution/ University recognized by any State Government or the Central Government; or

(b) Bachelor's degree in engineering or its equivalent from any Institution/University recognized by any State Government or the Central Government; or

(c) Bachelor's degree in law or its equivalent from any Institution/ University recognized by any State Government or the Central Government; or

(d) Masters in Business Administration or its equivalent from any Institution/University recognized by any State Government or the Central Government; or

(e) Associate/ Fellow of the Insurance Institute of India, Mumbai; or

(f) Associate/Fellow of the Institute of Risk Management, Mumbai; or

(g) any post graduate qualification of the Institute of Insurance and Risk Management, Hyderabad; or

(h) Associate/Fellow of the Institute of Chartered Accountants of India , New Delhi; or

(i) Associate/Fellow of the Institute of Cost and Works Accountants of India, Kolkata; or

(j) Associate/Fellow of the Institute of Company Secretaries of India, New Delhi; or

(k) Associate/Fellow of the Actuarial Society of India; or

(l) Certified Associateship of the Indian Institute of Bankers, Mumbai; or

(m) any other qualification specified from time to time by the Authority under these Regulations.

(ii) The principal officer of the applicant should receive at least one hundred hours of theoretical and practical training from an institution recognized by the Authority from time to time.

Provided that where the principal officer of the applicant:

(a) has been carrying on reinsurance related activity or insurance consultancy for a continuous period of seven years, preceding the year in which such an application is made; or

(b) has for a period of, not less than seven years prior to the application made to the Authority has been a principal underwriter or has held the position of a Manager in any one of the nationalised insurance companies in India; or

(c) is an Associate/Fellow of the Insurance Institute of India, Mumbai; or Associate/Fellow of the Institute of Risk Management, Mumbai; or Associate/Fellow of the Actuarial Society of India; or any post graduate qualification of the Institute of Insurance and Risk Management, Hyderabad; the theoretical and practical training from an institution recognized by the Authority from time to time according to a syllabus approved by the Authority shall be fifty hours.

(iii) The Principal Officer should have passed an examination, at the end of the period of training mentioned above, conducted by the National Insurance Academy, Pune or any other examining body recognized by the Authority.

Disqualifications

The Applicant should not suffer from any of the disqualification as mentioned in the Insurance Act, 1938, which are as hereunder:

(a) that the person is a minor;

(b) that he is found to be a unsound mind by a court of competent jurisdiction;

(c) that he has been found guilty of criminal misappropriation or criminal breach of trust or cheating or forgery or an abetment of or attempt to commit any such offence by a court of competent jurisdiction:

[However where at least five years have elapsed since the completion of the sentence imposed on any person in respect of any such offence, the Authority shall ordinarily declare in respect of such person that his conviction shall cease to operate as a disqualification under this clause];

(d) that in the course of any judicial proceedings relating to any policy of insurance of the winding up of an insurance company or in the course of an investigation of the affairs of an insurer it has been found that he has been guilty of or has knowingly participated in or connived at any fraud dishonestly or misrepresentation against an insurer or an insured;

(e) that he does not possess the requisite qualifications and practical training for a period not exceeding twelve months, as may be specified by the Regulations made by the Authority in this behalf;

(f) that he has not passed such examinations as may be specified by the Regulations made by the Authority in this behalf;

(g) that he violates the code of conduct as may be specified by the Regulations made by the Authority.

Capital requirement:

Any applicant seeking to become an insurance broker under these regulations should satisfy the following conditions:

- It shall have a minimum amount of capital as mentioned below:

Category	Minimum amount (Rupees)
(a) Direct Broker	fifty lakhs
(b) Reinsurance Broker	two hundred lakhs
(c) Composite Broker	two hundred and fifty lakhs

- The capital in the case of a company limited by shares and a cooperative society shall be in the form of equity shares;
- The capital in the case of other applicants shall be brought in cash;
- The applicant shall exclusively carry on the business of an insurance broker as licensed under these regulations;
- No part of the capital of an applicant shall be held by a non-Indian interest beyond 26% at any time. For the purposes of these Regulations, the calculations of non-Indian interest shall be made in the same manner as specified in Insurance Regulatory and Development Authority (Registration of Indian Insurance Companies) Regulations, 2000 for an insurer.

Ceiling on business from single client

The business of the insurance broker shall be carried in such a manner that, not more than 50 percent of the premium (quantum, receipts, etc. as the case may be) in the first year of business, 40 percent of the premium in the second year of business, and 30 percent of the premium from the third year of business onwards shall emanate from any one client.

The term “client” shall include, in the case of a firm or a company, an associate or a subsidiary or a group concern under the same management.

Code of conduct

Every insurance broker shall follow recognized standards of Professional Conduct and abide by the Code of Conduct as specified in Schedule III to the IRDA (Insurance Brokers) Regulations, 2002. Schedule III contains Code of Conduct in relation to various matters which are as follows:

- Conduct in matters relating to clients relationship
- Conduct in matters relating to Sales practices
- Conduct in relation to furnishing of information
- Conduct in relation to explanation of insurance contract
- Conduct in relation to renewal of policies
- Conduct in relation to claim by client
- Conduct in relation to receipt of complaints
- Conduct in relation to documentation
- Conduct in matters relating to advertising
- Conduct in matters relating receipt of remuneration
- Conduct in relation to matters relating to training

Deposit requirements

Every insurance broker shall before the commencement of his business, deposit and keep deposited with any scheduled bank a sum equivalent to 20% of the initial capital in fixed deposit, which shall not be released to him unless the prior permission of the Authority is obtained.

In case of any other person other than “insurance broker” as defined under the Regulations but recognized by the Authority to act as an insurance broker, the Authority may impose a separate limit of deposit, in any case not exceeding Rupees one hundred lakhs.

Every insurance broker shall furnish to the Authority as and when called upon to do so a statement certified by the Bank in which such fixed deposit is kept.

Segregation of insurance money

The provisions of Section 64VB of the Insurance Act, 1938 determines the question of assumption of risk by an insurer. The Section 64VB of the Insurance Act, 1938 has been reproduced hereunder:

“No risk to be assumed unless premium is received in advance.”

(1) No insurer shall assume any risk in India in respect of any insurance business on which premium is not ordinarily payable outside India unless and until the premium payable is received by him or is guaranteed to be paid by such person in such manner and within such time as may be prescribed or unless and until deposit of such amount as may be prescribed, is made in advance in the prescribed manner.

(2) For the purposes of this section, in the case of risks for which premium can be ascertained in advance, the risk may be assumed not earlier than the date on which the premium has been paid in cash or by cheque to the insurer.

Explanation: Where the premium is tendered by postal money order or cheque sent by post, the risk may be assumed on the date on which the money order is booked or the cheque is posted, as the case may be.

(3) Any refund of premium which may become due to an insured on account of the cancellation of a policy or alteration in its terms and conditions or otherwise shall be paid by the insurer directly to the insured by a crossed or order cheque or by postal money order and a proper receipt shall be obtained by the insurer from the insured, and such refund shall in no case be credited to the account of the agent.

(4) Where an insurance agent collects a premium on a policy of insurance on behalf of an insurer, he shall deposit with, or despatch by post to, the insurer, the premium so collected in full

without deduction of his commission within twenty-four hours of the collections excluding bank and postal holidays.

(5) The Central Government may, by rules, relax the requirements of sub-section (1) in respect of particular categories in insurance policies."

This is done with respect to marine hull, aviation and project policies wherein instalments are permitted. In respect of mediclaim and personal accident policies a 15 day credit is permitted and it is 30 days for fidelity guarantee policy. There are other exceptions.

In the case of reinsurance contracts, it may be agreed between the parties specifically or as part of international market practices that the licensed reinsurance broker or composite broker can collect the premium and remit to the reinsurer and/or collect the claims due from the reinsurer to be passed on to the insured.

Professional indemnity insurance

Every insurance broker shall take out and maintain and continue to maintain a professional indemnity insurance cover throughout the validity of the period of the licence granted to him by the Authority. The Authority shall in suitable cases allow a newly licensed insurance broker to produce such a guarantee within fifteen months from the date of issue of original licence.

The insurance cover must indemnify an insurance broker against:-

(a) Any error or omission or negligence on his part or on the part of his employees and directors;

(b) Any loss of money or other property for which the broker is legally liable in consequence of any financial or fraudulent act or omission;

(c) Any loss of documents and costs and expenses incurred in replacing or restoring such documents;

(d) Dishonest or fraudulent acts or omissions by brokers' employees or former employees.

The indemnity cover:-

(a) Shall be on a yearly basis for the entire period of license;

(b) Shall not contain any terms to the effect that payments of claims depend upon the insurance broker having first met the liability;

(c) Shall indemnify in respect of all claims made during the period of the insurance regardless of the time at which the event giving rise to the claim may have occurred.

Provided that an indemnity insurance cover not fully conforming to the above requirements shall be permitted by the Authority in special cases for reasons to be recorded by it in writing.

Limit of indemnity for any one claim and in the aggregate for the year in the case of insurance brokers shall be as follows :

Category of insurance broker	**Limit of indemnity**
Direct Broker	three times remuneration received at the end of every financial year subject to a minimum limit of rupees fifty lakhs.
Reinsurance Broker	three times remuneration received at the end of every financial year subject to a minimum limit of rupees two crores and fifty lakhs.
Composite Broker	three times remuneration received at the end of every financial year subject to a minimum limit of rupees five crores.

License

The Authority on being satisfied that the applicant fulfills all the conditions specified for the grant of licence, shall grant a licence in Form B (as given in Schedule I to the Regulations).

The licence shall be issued subject to the insurance broker adhering to the conditions and the code of conduct as specified by the Authority from time to time.

Validity of the Licence: A licence once issued shall be valid for a period of three years from the date of its issue, unless the same is suspended or cancelled.

Renewal of Licence: An insurance broker may, within thirty days before the expiry of the license, make an application in Form A to the Authority for renewal of license. Renewal of license has to be made in the specified period and on payment of the required fee.

An insurance broker before seeking a renewal of licence, shall have completed, atleast twenty five hours of theoretical and practical training, imparted by an institution recognized by the Authority from time to time.

The application for a renewal shall be dealt with in the same manner by the Authority as application for license. The Authority shall renew the license in Form B for a period of three years.

Duplicate Licence: In the event of a licence being lost or destroyed or mutilated, an application along with a fee of rupees one thousand may be made to the Authority.The Authority shall issue a duplicate license in Form B with an endorsement thereon that it is a duplicate one.

Remuneration

Insurance broker shall not be paid or contract to be paid by way of remuneration (including royalty or license fees or administration charges or such other compensation), an amount exceeding:

(A) on direct general insurance business:-

- (i) on tariff products:
  - (a) 10 percent of the premium on that part of the business which is compulsory under any statute or any law in force;
  - (b) 12½ percent of the premium on others.
- (ii) on non-tariff products:

  17½ percent of the premium on direct business.

(B) on direct life insurance business:-

- (i) individual insurance
  - (a) 30 percent of first year's premium
  - (b) 5 percent of each renewal premium
- (ii) annuity
  - (a) immediate annuity or a deferred annuity in consideration of a single premium, or where only one premium is payable on the policy:

    2 percent of premium
  - (b) deferred annuity in consideration of more than one premium.

(i) 7½ percent of first year's premium

(ii) 2 percent of each renewal premium

(iii) group insurance and pension schemes:

(a) one year renewable group term insurance, gratuity, superannuation, group savings linked insurance:-

7½ percent of risk premium

Note: Under group insurance schemes there will be no remuneration for the savings component.

(b) single premium:

2 percent of risk premium

(c) annual contributions, at new business procurement stage:

5 percent of non-risk premium with a ceiling of Rupees three lakhs per scheme.

(d) single premium new business procurement stage: 0.5 percent with a ceiling of Rupees five lakhs per scheme.

(e) remuneration for subsequent servicing:

(i) one year renewable group term assurance:

2 percent of risk premium with a ceiling of Rupess fifty thousand per scheme.

(C) on reinsurance business:-

(i) as per market practices prevalent from time to time.

The settlement of accounts by insurers in respect of remuneration of brokers shall be done on a monthly basis and it must be ensured that there is no cross settlement of outstanding balances. The commission structure for tariff lines of policies remains unaffected following detariff.

Maintenance of Books of Accounts, Records, etc.

Every insurance broker shall prepare for every accounting year:-

i) a balance sheet or a statement of affairs as at the end of each accounting period;

ii) a profit and loss account for that period;

iii) a statement of cash/fund flow;

iv) additional statements on insurance broking business as may be required by the Authority.

The accounting year shall be a period of 12 months (or less where a business is started after 1st April) commencing on the first day of the April of an year and ending on the 31st day of March of the year following, and the accounts shall be maintained on accrual basis.

All the books of account, statements, document, etc., shall be maintained at the head office of the insurance broker or such other branch office as may be designated by him and notified to the Authority, and shall be available on all working days to such officers of the Authority, authorised in this behalf by it for an inspection.

All the books and documents, statements, contract notes etc., maintained by the insurance broker shall be retained for a period of atleast ten years from the end of the year to which they relate.

Submission of Audited Financial Statements and Auditors Report

Every insurance broker shall submit to the Authority, a copy of the audited financial statements as stated above alongwith the auditor's report thereon within ninety days from the close of the accounting year alongwith the remarks or observations of the auditors, if any, on the conduct of the business, state of accounts, etc., and a suitable explanation on such observations shall be appended to such accounts filed with the Authority.

Within ninety days from the date of the Auditor's report, the insurance broker must take steps to rectify any deficiencies, made out in the auditor's report and inform the Authority accordingly.

Submission of half-yearly results

Every insurance broker shall before 31st October and 30th April each year furnish to the Authority a half-yearly un-audited financial statement containing details of performance, financial position, etc., alongwith a declaration confirming the fulfillment of requirements of capital in accordance with the provisions of Regulation 10 and deposit requirements in accordance with the provisions of Regulation 22.

Internal control and systems

Every insurance broker shall ensure that a proper system of internal audit is practised in business and that his internal controls and systems are adequate for the size, nature and complexity of his business.

Disclosures to the Authority

An insurance broker shall disclose to the Authority, as and when required by it, in any event not later than thirty days of a requisition, the following information, namely:-

(i) his responsibilities with regard to the placement of an insurance contract;

(ii) any change in the information or particulars previously furnished, which have a bearing on the license granted to it;

(iii) the names of the clients whose insurance portfolio he manages or has managed;

(iv) any other requirement specified by the Authority from time to time.

Brokers Calendar

Payment of License fee at the time of obtaining the Licence — Regulation No.18 & Schedule II(1)(A).	Within 15 (Fifteen) days of receipt of I.R.D.A. communication intimating grant of License under Regulation No.11
Licence Fee is payable annually — Regulation No.18 & Schedule II(2)	Before the commencement of the second year of I.R.D.A. Licence period - for example, if the Licence is for 3 years from 1.6.2004 to 31.5.2007, Licence fee is payable before 15th May of 2005, of 2006, of 2007 and so on.
Renewal of Licence: Regulation No.13(1) — Application for renewal to reach I.R.D.A.	30 (thirty) days prior to expiry of Licence. for example, if the Licence is for 3 years from 1.6.2004 to 31.5.2007, application for renewal to reach I.R.D.A. before 30.4.2007.

Regulation No.13(2) — training requirements to be complied for renewal	Insurance Broker should have completed at-least 25 hours of theoretical & practical training before seeking renewal.
Regulation No. 24 — professional indemnity insurance cover to be obtained & maintained	As soon as the I.R.D.A. Licence is obtained and to be maintained throughout the licence period. in some cases, I.R.D.A. allows fifteen months from the commencement of original license to obtain P.I. cover
Regulation No. 25(2) — submission of audited financial statements viz. B/Sheet, P & L A/c., Cash/ Fund Flow Statement, etc.	Within 90 days from close of financial year, i.e. before 30th June of the following financial year
Regulation No. 25(3) — rectification of deficiencies made out in Auditor's Report to be furnished to I.R.D.A.	Within 90 days from the date of the Auditor's Report, i.e. if the Auditor's Report is dated 15th June, rectification to be done & informed to IRDA before 15th September
Regulation No. 26 — submission of half-yearly unaudited financial statements to I.R.D.A.	Before 31st october for half-year from April to September; and before 30th April for half-year from october to March.
Disclosure to I.R.D.A. under Regulation No. 28	Within 30 days of I.R.D.A. requisition; this includes monthly returns on business placed
Regulation No. 35(d):time frame for commencement of insurance broking business	Within six months of being granted a license by I.R.D.A.
Regulation No.38(2) :I.R.D.A. show cause notice to be replied	Within 21 (twenty-one) days of receipt of show cause notice by Insurance Broker

All members are requested to adhere to the IRDA. Regulations regarding "principal officer" as per Regulation no. 9(f) as well as IRDA Circular ref.irda/bro/36/aug-04 dated 18th August, 2004, chiefly the following aspects :-

1. Principal officer should have minimum prescribed qualification and should have passed brokers' examination conducted by a body recognised by the I.R.D.A.;

2. Principal officer's post is a full-time post and cannot be kept vacant;
3. Any change in the position of the principal officer should be brought to the notice of the IRDA, without loss of time, giving reasons for the change, enclosing a copy of appointment order of new principal officer within the ambit of IRDA Regulations, etc.

Documentation & Procedural requirements for obtaining Broker License - 24th May, 2007 - Notice IRDA

Submission of Completed Application

1. Submission of relevant information as required in the FORM A format available on the IRDA website [www.irdaindia.org].
2. The declaration forming part of the application format should be signed by two directors.

Documents/Requirements

1. Remittance of requisite fee as per category of insurance broker applied by demand draft payable at Hyderabad, as prescribed under Schedule II of IRDA (Insurance Brokers) Regulations, 2002.
2. Printed copy of Memorandum and Articles of Association issued by Registrar of Companies. The main objects of the Memorandum and Articles of Association should be as per Regulation 9(2) (H) of the IRDA's (Insurance Brokers) Regulations, 2002.
3. Steps should be undertaken by the applicant to ensure compliance of the training requirements as specified in Regulation 9 (2) (F). Training requirement as specified under Section 9 (2) (F) of the IRDA (Insurance Brokers) Regulations, 2002 is a requirement to be complied with before any application could be considered for grant of licence.
4. One Principal Officer has to be there in a broking company fulfilling the requirements as per Regulation 9.
5. Information on whether any person associated with the applicant company in his capacity as Directors/ Shareholder/Promoter/ Key Management Personnel or Employees is holding any insurance

agency or insurance surveyor's license. If yes, the complete details thereof. As per the Regulations, no agent or surveyor can work as a broker. The applicant should take steps to cancel the agencies and submit documentary proof of the same to the Authority.

6. Detailed CV's of all the Directors highlighting their past and present activities.
7. Detailed CV's and attested copies of testimonials of the educational qualifications of the Principal Officer and Key Management Personnel.
8. Principal Officer to submit an affidavit, duly notarized certifying to the effect that that the applicant (directors, principal officer, key management personnel and employees of the company) are not suffering from any of the disqualifications specified under Sub-Section 42 D of the Insurance Act, 1938.
9. List of all shareholders (current as well as proposed) of the applicant company.
10. Photocopy of the asset register of the firm, duly certified by CA.
11. List of employees who will be responsible for soliciting and procuring insurance business alongwith their qualifications.
12. Details of statutory auditors and Principal Bankers along with the Bank Account Number of applicant.
13. If shareholder is firm/firms, confirm whether it/they is/are Non-Banking Finance Companies. If yes, submit a No Objection Certificate from Reserve Bank of India regarding their promoting and investing in Applicant Company. If not, submit a certificate to that effect from the statutory auditors.
14. If shareholder is firm/firms, furnish the Board Resolution passed by it/them in promoting and investing in Applicant Company.
15. If shareholder is firm/firms, submit the Audited Annual Report, Balance Sheet for the last three years along with certified copies of Income Tax returns.
16. In case of individual promoters, submit certified copies of income tax returns along with copies of balance sheet filed duly certified

by the auditors for the last 3 years along with net worth certificates certified by CA.

17. Balance sheet of the applicant company.
18. Explain in detail the existing activities undertaken by the applicant company.
19. Clarification on how the applicant company proposes to deal with its existing customers/ business/ liabilities once it enters the field of insurance broking.
20. The company must have the words `Insurance Broker` or 'Insurance Broking' in its name so as to reflect its line of activity i.e. insurance broking.
21. Details of infrastructure along with supporting evidence thereof like ownership/lease agreement papers with regard to office space/ equipment/ trained man power, etc. for the registered office and the future planning for opening branch offices at various locations in the country and the estimated time frame with photographs of premises.
22. Projections of administrative expenses, salaries and wages and other expenses, draw the revenue account, the profit and loss account and the balance sheet for the projected 3 years.
23. Organization chart giving a complete picture of the company's activities like IT, underwriting, risk assessment, claims settlement, marketing, accounts, back office, etc.
24. List of experienced personnel inducted from general and life insurance background with good knowledge and experience of working in the areas of risk assessment, underwriting and claims management etc. Submit detailed CV, copies of educational qualifications along with their appointment/joining letters of the people, so selected, to the Authority.
25. Bring on record any other information which is relevant to the nature of services rendered by the applicant for the growth and promotion of insurance business.

Personal Presentation

The applicant after fulfilling the given requirements is required to appear before the Authority for a presentation of business plans in connection with the application.

The above list of documents/requirements is indicative only and not exhaustive. The additional documents will be advised based on the category of license applied, pattern of shareholding, any other compliance matter required as per IRDA (Insurance Brokers) Regulations, 2002 and views of the Authority.

11 ORGANIZATION OF BROKERS OFFICE

In today's scenario, businesses face increasingly complex risks and workplace challenges. All the parts of an organization - sales, customer service, human resources, technology, legal and finance - are intricately linked and dependent upon one another for smooth, profitable operation. Internal and external forces constantly threaten the delicate balance. Today insurance brokers are relying more than ever on external service providers to develop and manage applications that will accentuate their businesses.

Structure of Broker's organization

The structure of broker's organization depends on the level of complexity and types and size of operations performed by the broker.

A broker may limit his organization to direct insurance in the domestic market or he may extend his activities to reinsurance broking besides direct insurance and he may operate internationally as well.

When a broker limits his operation of business to direct insurance in domestic market only, the organizational structure may be as follows:

CEO

Manager Accounts and Administration

Manager (General Insurance)	Manager (Life and Pension)
Supervisor [Personal and business lines]	Supervisor
Clerical staff	Clerical staff

In General Insurance, personal lines include private motor car insurance, personal accident insurance, medical insurance etc.

Business line includes insurance of property such as factories, godowns , offices, shops; business interruption insurance; insurance of cargo in transit by sea, air and land conveyance, liability insurance (employer's liability, director's liability, product liability, professional liability, professional liability etc.) Insurance of group of persons (group personal accident insurance, group medical insurance, etc.) insurance of pecuniary interest (fidelity guarantee).

The structure of the organisation of a large broker whose operations extend to foreign market,may be more elaborate and complex.

Broadly, there may be specialization in two areas of broking, that is – (i). Reinsurance broking, and (ii). Direct insurance broking.

There may be geographical areawise segmentation for servicing different geographical areas or different type of market such as retail and wholesale. Brokers may operate both in retail and wholesale market. Retail Market is where the Brokers deal directly with the client and not with other brokers. Wholesale market describes the placing of business for other brokers. Wholesale Broker deals with other brokers, who conclusively act as retail broker.

Further there is specialist for each class of insurance business for example, marine, fire, aviation etc. Retail Broker deals directly with the client.

Information Need of Broker's Office

The Broker's Office would need detailed information on the following matters:

- Financial Standing of Insurance/Reinsurance Companies in the Market.
- Details of Coverages available in the market with premium rates and other terms and conditions.
- Underwriting skills and attitudes of different underwriters in the market.
- Efficiency of different insurers/ reinsurers in documentation, claims processing, settlement of claims, submission and settlement of accounts.
- Risk Profile of each client.
- Risk profile of each region where the broker operates.

This information would be necessary for the broker's business as well as to produce all the information/data which are required to be submitted to the IRDA from time to time.

Accounting system of Broker's office

It starts with daily recording of transaction (credits and debits) in the form of journal. Journal should be supplemented with proper evidence and documents. Following records may be maintained:

- Invoices
- Cash receipt and cash payment journal
- Daily journal recording all credits and debits
- Client Ledger recording all transactions of each client
- IRDA Monthly Returns
- Insurer's ledger for each individual account which enables the broker to determine the amount due or owed
- General Ledger
- Register of all assets and liabilities of the business
- Profit and Loss Account
- Balance Sheet

The Primary objectives of maintaining records and accounts are common to all business organizations. They may be stated as follows:

- To ascertain the financial position of business.
- To know the growth of business financially-whether the business is gaining profit or incurring loss.
- To judge the financial affairs of the business-cash outflow and inflow, income and expenditure.
- To determine financial soundness and solvency status.
- To collect what is due.
- To pay what is payable.
- To know the periodical financial results so that necessary steps for increasing financial efficiency may be taken.

ANNEXURE 1

Top Ten Global Insurance Companies by Revenues, 2006[1]

Rank	Company	Revenues[2] ($ millions)	Country	Industry
1	ING Group	158,274	Netherlands	Life/health
2	AXA	139,738	France	Life/health
3	Allianz	125,346	Germany	Property/casualty
4	American International Group	113,194	U.S.	Property/casualty
5	Assicurazioni Generali	101,811	Italy	Life/health
6	Berkshire Hathaway	98,539	U.S.	Property/casualty
7	Aviva	83,487	U.K.	Life/health
8	Prudential	66,134	U.K.	Life/health
9	Zurich Financial Services	65,000	Switzerland	Property/casualty
10	State Farm Insurance Cos.	60,528	U.S.	Property/casualty
Source: Fortune				

(1) Based on an analysis of companies in the Global Fortune 500. Includes stock and mutual companies.

(2) Revenues include premium and annuity income, investment income and capital gains or losses, but exclude deposits; includes consolidated subsidiaries, excludes excise taxes.

Top Ten Global Property/Casualty Insurance Companies by Revenues, 2006[1]

Rank	Company	Revenues[2] ($ millions)	Country
1	Allianz	125,346	Germany
2	American International Group	113,194	U.S.
3	Berkshire Hathaway	98,539	U.S.
4	Zurich Financial Services	65,000	Switzerland
5	State Farm Insurance Cos.	60,528	U.S.
6	Munich Re Group	58,183	Germany
7	Millea Holdings	36,067	Japan
8	Allstate	35,796	U.S.
9	Swiss Reinsurance	32,118	Switzerland
10	Hartford Financial Services	26,500	U.S.
Source: Fortune			

(1) Based on an analysis of companies in the Global Fortune 500. Includes stock and mutual companies.

(2) Revenues include premium and annuity income, investment income and capital gains or losses, but exclude deposits; includes consolidated subsidiaries, excludes excise taxes.

Top Ten Global Life/Health Insurance Companies by Revenues, 2006[1]

Rank	Company	Revenues[2] ($ millions)	Country
1	ING Group	158,274	Netherlands
2	AXA	139,738	France
3	Assicurazioni Generali	101,811	Italy
4	Aviva	83,487	U.K.
5	Prudential	66,134	U.K.
6	Nippon Life Insurance	56,624	Japan
7	CNP Assurances	55,584	France
8	MetLife	53,275	U.S.
9	Aegon	45,939	Netherlands
10	Dai-ichi Mutual Life Insurance	40,146	Japan
Source: Fortune			

(1) Based on an analysis of companies in the Global Fortune 500. Includes stock and mutual companies.

(2) Revenues include premium and annuity income, investment income and capital gains or losses, but exclude deposits; includes consolidated subsidiaries, excludes excise taxes.

Top Ten Global Reinsurers by Net Reinsurance Premiums Written, 2006

Rank	Company	Net Reinsurance Premiums Written ($ millions)	Country
1	Munich Re	25,432.7	Germany
2	Swiss Re[1]	23,841.1	Switzerland
3	Berkshire Hathaway Re	11,576.0	U.S.
4	Hannover Re	9,353.5	Germany
5	Lloyd's	8,445.3	U.K.
6	SCOR[2]	4,885.2	France
7	Reinsurance Group of America Inc.	4,343.0	U.S.
8	Everest Re	3,875.7	Bermuda
9	PartnerRe	3,689.5	Bermuda
10	Transatlantic Holdings Inc.	3,633.4	U.S.
Source: Standard & Poors in 2007 Global reinsurance premium written totalled $ 168.0 billion, up 9.8 percent from $ 153.1 billion in 2006, according to Standard & Poors.			

(1) Does not reflect full year premiums for GE Insurance Solutions Corp., acquired June 2006.

(2) Based on a pro forma consolidation of SCOR and Revios, acquired in 2006.

Top Ten Global Insurance Brokers by Revenues, 2006

Rank	Company	Brokerage Revenues[1] ($ millions)	Country
1	Marsh & McLennan Cos. Inc.	10,474.0	U.S.
2	Aon Corp.	6,709.0	U.S.
3	Willis Group Holdings Ltd.	2,341.0	U.K.
4	Arthur J. Gallagher & Co.	1,437.8	U.S.
5	Wells Fargo Insurance Services Inc.	1,008.7	U.S.
6	Brown & Brown Inc.	864.7	U.S.
7	Jardine Lloyd Thompson Group plc	847.0	U.K.
8	BB&T Insurance Services Inc.	842.3	U.S.
9	Hilb Rogal & Hobbs Co.	696.0	U.S.
10	Lockton Cos. L.L.C.	657.2	U.S.
Source: Business Insurance, July 16, 2007			

(1) Gross revenues generated by insurance brokerage, consulting and related services.

The 15 most costly World Insurance Losses, 2006 [1]

Rank	Date	Location	Event	Insured loss in 2006 ($ millions)
1	Apr. 13	U.S.	Tornado, storms with winds up to 240 km/h, hail	1,850
2	Apr. 6	U.S.	42 tornadoes with winds up to 274 km/h, hail	1,282
3	Sep. 15	Japan, Sea of Japan	Typhoon Shanshan/No. 13 with winds up to 126 km/h	1,024
4	Mar. 11	U.S.	Tornadoes with winds up to 202 km/h; floods	920
5	Aug. 23	U.S.	Storms, tornadoes, hail, floods	560
6	Apr. 2	U.S.	Thunderstorms, tornadoes, hail; damage to buildings	500
7	Aug. 1	India	Floods caused by monsoon rains	407
8	Jun. 25	U.S.	Thunderstorms, heavy rain, floods, landslides	401
9	Apr. 23	U.S.	Hail and tornadoes	355
10	Mar. 20	Australia, South Pacific Ocean	Tropical cyclone Larry with winds up to 290 km/h	335
11	May 1	U.S.	Hail, thunderstorms with winds up to 110 km/h	315
12	Feb. 7	Austria, Germany	Heavy snowfall	290
13	Aug. 27	Caribbean Sea, U.S., Cuba et al.	Tropical storm Ernesto with winds up to 113 km/h	245
14	Dec. 14	U.S.	Heavy storms, snow, power outages	220
15	Jan. 22	Brazil	System breakdown at iron works	NA
Source: Swiss Re, sigma, No. 2/2007; ISO, insured losses for natural catastrophes in the United States.				

(1) Property and business interruption losses, excluding life and liability losses.

Note: Loss data shown here may differ from figures shown elsewhere for the same event due to revisions in loss estimates.

NA = Data not available.

The Ten most costly World Insurance Losses, 1970-2006 [1]

Rank	Date	Country	Event	Insured loss in 2006 [2] ($ millions)
1	Aug. 25, 2005	U.S., Gulf of Mexico, Bahamas, North Atlantic	Hurricane Katrina; floods, dams burst, damage to oil rigs	66,311
2	Aug. 23, 1992	U.S., Bahamas	Hurricane Andrew; flooding	22,987
3	Sep. 11, 2001	U.S.	Terrorist attacks on WTC, Pentagon and other buildings	21,379
4	Jan. 17, 1994	U.S.	Northridge earthquake (magnitude 6.6)	19,040
5	Sep. 2, 2004	U.S., Caribbean: Barbados, et al.	Hurricane Ivan; damage to oil rigs	13,651
6	Oct. 19, 2005	U.S., Mexico, Jamaica, Haiti, et al.	Hurricane Wilma; torrential rain and floods	12,953
7	Sep. 20, 2005	U.S., Gulf of Mexico, Cuba	Hurricane Rita; floods, damage to oil rigs	10,382
8	Aug. 11, 2004	U.S., Cuba, Jamaica, et al.	Hurricane Charley	8,590
9	Sep. 27, 1991	Japan	Typhoon Mireille/No. 19	8,357
10	Sep. 15, 1989	U.S., Puerto Rico, et al.	Hurricane Hugo	7,434
Source: Swiss Re, sigma, No. 2/2007				

(1) Property and business interruption losses, excluding life and liability losses. Includes flood losses in the United States insured via the National Flood Insurance Program.

(2) Adjusted to 2006 dollars by Swiss Re.

Note: Loss data shown here may differ from figures shown elsewhere for the same event due to differences in the date of publication, the geographical area covered and other criteria used by organizations collecting the data.

The Ten Worst Earthquakes in terms of Victims[1]

Rank	Victims	Date	Event/Magnitude[2]	Place
1	255,000	1976	Earthquake (M 7.5)	China
2	220,000	2004	Earthquake (Mw 9.0), tsunami in Indian Ocean	Indonesia, Thailand, et al
3	73,300	2005	Earthquake (Mw 7.6); aftershocks, landslides, floods	Pakistan, India, et al
4	66,000	1970	Earthquake (M 7.7); rock slides	Peru
5	50,000	1990	Earthquake (M 7.7); landslides	Iran
6	26,271	2003	Earthquake (M 6.5)	Iran
7	25,000	1978	Earthquake (M 7.7) in Tabas	Iran
8	25,000	1988	Earthquake (M 6.9)	Armenia, ex "USSR"
9	22,084	1976	Earthquake (M 7.5)	Guatemala
10	19,118	1999	Earthquake (M 7.0)	Turkey
Source: Swiss Re, sigma, No. 2/2006.				

(1) Based on Swiss Re list of deadliest catastrophes, 1970-2005.

(2) M is general magnitude that indicates the strength of an earthquake at its epicentre. Mw measures the total energy released by an earthquake and is proportional to the size of the fracture surface and the displacement. The Richter magnitude ML is the maximum amplitude of the ground motion signal recorded on a standarized seismograph.

ANNEXURE 2

Total insurance growth, penetration and density by region

	Premiums in USD (mn) 2006	Real growth 2006	Share of world market (in %) 2006	Premiums in % of GDP 2006	Premiums per capita (in USD) 2006
America	1,329,729	2.7	35.71	7.61	1,486.3
North America	1,258,301	2.2	33.79	8.67	3,804.0
Latin America and Caribbean	71,428	11.6	1.92	2.42	126.7
Europe	1,484,881	7.5	39.88	8.27	1,745.7
Western Europe	1,428,806	7.3	38.37	9.04	2,829.5
Central and Eastern Europe	56,075	11.4	1.51	2.73	171.6
Asia	800,819	3.8	21.51	6.63	205.0
Japan and newly industrialised Asian economies	643,621	0.9	17.29	10.74	3,033.0
South and East Asia	138,297	20.8	3.71	2.95	40.9
Middle East and Central Asia	18,901	5.6	0.51	1.37	62.5
Africa	49,667	17.5	1.33	4.77	53.6
Oceania	58,316	2.2	1.57	6.70	1,787.3
World	**3,723,412**	**5.0**	**100.00**	**7.52**	**554.8**
Industrialised countries	3,390,180	4.0	91.05	9.18	3,362.2
Emerging markets	333,231	16.3	8.95	2.69	59.8
OECD	3,338,160	3.9	89.65	8.81	2,765.1
G7	2,731,315	4.1	73.36	9.49	3,734.3
EU, 15 countries	1,357,328	7.6	36.45	9.32	3,305.1
NAFTA	1,273,373	2.4	34.20	8.29	2,899.9
ASEAN	32,977	1.3	0.89	2.98	62.8

Source: Swiss Re, Economic Research & Consulting, sigma No. 4/2007

ANNEXURE 3

Life insurance growth, penetration and density by region

	Premiums in USD (mn) 2006	Real growth (2006)	Share of world market in % (2006)	Premiums in % of GDP (2006)	Premiums per capita in USD (2006)
America	601,784	4.2	27.24	3.44	672.6
North America	572,860	3.8	25.93	3.95	1,731.8
Latin America and Caribbean	28,923	14.1	1.31	0.98	51.3
Europe	940,586	12.4	42.57	5.30	1,119.6
Western Europe	927,431	12.3	41.98	5.95	1,862.9
Central and Eastern Europe	13,154	19.2	0.60	0.64	40.3
Asia	602,266	3.6	27.26	5.00	154.6
Japan and newly industrialised Asian economies	500,871	0.6	22.67	8.38	2,368.4
South and East Asia	96,627	23.6	4.37	2.06	28.6
Middle East and Central Asia	4,769	5.3	0.22	0.34	15.8
Africa	35,468	21.6	1.61	3.40	38.3
Oceania	29,214	6.1	1.32	3.36	896.3
World	**2,209,317**	**7.7**	**100.00**	**4.48**	**330.6**
Industrialised countries	2,033,051	6.6	92.02	5.53	2,026.0
Emerging markets	176,266	21.1	7.98	1.42	31.6
OECD	1,976,063	6.6	89.44	5.24	1,645.0
G7	1,609,706	6.8	72.86	5.66	2,225.7
EU, 15 countries	887,928	12.8	40.19	6.20	2,197.8
NAFTA	579,674	4.0	26.24	3.78	1,320.1
ASEAN	20,299	2.5	0.92	1.96	41.4

Source: Swiss Re, Economic Research & Consulting, sigma No. 4/2007

ANNEXURE 4

Non-life insurance growth, penetration and density by region

	Premiums in USD (mn) 2006	Real growth (2006)	Share of world market in % (2006)	Premiums in % of GDP (2006)	Premiums per capita in USD (2006)
America	727,945	1.5	48.08	4.17	813.6
North America	685,440	1.0	45.27	4.72	2,072.2
Latin America and Caribbean	42,505	10.0	2.81	1.44	75.4
Europe	544,295	0.5	35.95	2.97	626.0
Western Europe	501,374	-0.2	33.11	3.09	966.6
Central and Eastern Europe	42,920	9.2	2.83	2.09	131.4
Asia	198,553	4.4	13.11	1.63	50.4
Japan and newly industrialised Asian economies	142,750	1.8	9.43	2.35	664.6
South and East Asia	41,670	14.5	2.75	0.89	12.3
Middle East and Central Asia	14,133	5.7	0.93	1.02	46.8
Africa	14,200	6.2	0.94	1.36	15.3
Oceania	29,102	-1.5	1.92	3.34	891.0
World	**1,514,094**	**1.5**	**100.00**	**3.04**	**224.2**
Industrialised countries	1,357,129	0.6	89.63	3.65	1,336.2
Emerging markets	156,965	10.8	10.37	1.27	28.2
OECD	1,362,097	0.6	89.96	3.57	1,120.1
G7	1,121,609	0.4	74.08	3.84	1,508.6
EU, 15 countries	469,400	-0.3	31.00	3.12	1,107.4
NAFTA	693,698	1.0	45.82	4.52	1,579.8
ASEAN	12,678	-0.6	0.84	1.01	21.4
Source: Swiss Re, Economic Research & Consulting, sigma No. 4/2007					

ANNEXURE 5

THE GAZETTE OF INDIA

EXTRAORDINARY

PART III– Section 4

PUBLISHED BY AUTHORITY

No.230] NEW DELHI, THURSDAY, OCTOBER 17, 2002/ ASVINA 25, 1924

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY

NOTIFICATION

New Delhi, the 16th October, 2002

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (INSURANCE BROKERS) REGULATIONS, 2002

F. No, IRDA/Reg/10/ 2002 — In exercise of the powers conferred by Section 114A of the Insurance Act, 1938 (4 of 1938) read with Sections 14 and 26 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999) the Authority in consultation with the Insurance Advisory Committee, hereby makes the following regulations, namely:-

1. **Short title and commencement —**

   (1) These regulations may be called the Insurance Regulatory and Development Authority (Insurance Brokers) Regulations, 2002.

   (2) They shall come into force on the date of their publication in the Official Gazette.

2. **Definitions** — (1) Unless the context otherwise requires, —

   (a) "Act" means the Insurance Act, 1938 (4 of 1938);

   (b) "Advisory Committee" means the Advisory Committee constituted under Section 25 of the Insurance Regulatory and Development Authority Act (41 of 1999);

   (c) "Authority" means the Insurance Regulatory and Development Authority established under sub-section (1) of Section 3 of Insurance Regulatory and Development Authority Act, 1999 (41 of 1999);

(d) “composite broker” means an insurance broker who for the time-being licensed by the Authority to act as such, for a remuneration, arranges insurance for his clients with insurance companies and/or reinsurance for his client/s;

(e) “direct broker” means an insurance broker who for the time-being licensed by the Authority to act as such, for a remuneration carries out the functions as specified under regulation 3 either in the field of life insurance or general insurance or both on behalf of his clients;

(f) “enquiry officer” means an officer of the Authority, or any other person having experience in insurance business, who is appointed by the Authority under regulation 37, to hold an enquiry against an insurance broker;

(g) “form” means the forms specified under these regulations;

(h) “inspecting authority” means one or more of its officers appointed by the Authority to discharge the functions stated in regulation 29;

(i) “insurance broker” means a person for the time-being licensed by the Authority under regulation 11, who for a remuneration arranges insurance contracts with insurance companies and/or reinsurance companies on behalf of his clients.

Explanation: The term “insurance broker” wherever it appears in these regulations shall be deemed to mean a direct broker, a reinsurance broker or a composite broker, as the case may be, unless expressly stated to the contrary;

(j) “person” means:-

(i) an individual; or

(ii) a firm; or

(iii) a company formed under the Companies Act, 1956 (1 of 1956); or

(iv) a co-operative society registered under the Co-operative Societies Act, 1912 or under any law for the registration of co-operative societies; or

(v) any other person recognized by the Authority to act as an insurance broker;

(k) “principal officer” means:-

(i) proprietor, in the case of a proprietary concern; or

(ii) a partner, in the case of a partnership firm; or

(iii) a director, who is responsible for the activities of the insurance broking in the case of a body corporate;

(iv) or the chief executive officer appointed exclusively to carryout the functions of an insurance broker;

(l) “regulations” means Insurance Regulatory and Development Authority (Insurance Brokers) Regulations, 2002;

(m) “reinsurance broker” means an insurance broker who, for a remuneration, arranges reinsurance for direct insurers with insurance and reinsurance companies.

(2) Words and expressions used and not defined in these regulations but defined in the Insurance Act, 1938 (4 of 1938), or the Life Insurance Corporation Act, 1956 (31 of 1956) or the General Insurance Business (Nationalisation) Act, 1972 (57 of 1972), or Insurance Regulatory and Development Authority Act, 1999 (41 of 1999) shall have the meanings respectively assigned to them in those Acts or the rules and regulations made thereunder, as the case may be.

3. **Functions of a direct broker** — The functions of a direct broker shall include any one or more of the following:

(a) obtaining detailed information of the client’s business and risk management philosophy;

(b) familiarising himself with the client’s business and underwriting information so that this can be explained to an insurer and others;

(c) rendering advice on appropriate insurance cover and terms;

(d) maintaining detailed knowledge of available insurance markets, as may be applicable;

(e) submitting quotation received from insurer/s for consideration of a client;

(f) providing requisite underwriting information as required by an insurer in assessing the risk to decide pricing terms and conditions for cover;

(g) acting promptly on instructions from a client and providing him written acknowledgements and progress reports;

(h) assisting clients in paying premium under Section 64VB of Insurance Act, 1938 (4 of 1938);

(i) providing services related to insurance consultancy and risk management;

(j) assisting in the negotiation of the claims; and

(k) maintaining proper records of claims.

4. **Functions of a re-insurance broker** — The functions of a re-insurance broker shall include any one or more of the following:

(a) familiarising himself with the client's business and risk retention philosophy;

(b) maintaining clear records of the insurer's business to assist the reinsurer(s) or others;

(c) rendering advice based on technical data on the reinsurance covers available in the international insurance and the reinsurance markets;

(d) maintaining a database of available reinsurance markets, including solvency ratings of individual reinsurers;

(e) rendering consultancy and risk management services for reinsurance;

(f) selecting and recommending a reinsurer or a group of reinsurers;

(g) negotiating with a reinsurer on the client's behalf;

(h) assisting in case of commutation of reinsurance contracts placed with them;

(i) acting promptly on instructions from a client and providing it written acknowledgements and progress reports;

(j) collecting and remitting premiums and claims within such time as agreed upon;

(k) assisting in the negotiation and settlement of claims;

(l) maintaining proper records of claims; and

(m) exercising due care and diligence at the time of selection of reinsurers and international insurance brokers having regard to their respective security rating and establishing respective responsibilities at the time of engaging their services.

5. **Functions of composite broker** — A composite broker shall carry out any one or more of the functions mentioned in regulations 3 and 4.

6. **Application for grant of licence** — (1) An application by a person for grant of a license as an insurance broker shall be made in Form A to the Authority.

(2) The application under sub-regulation (1) shall be made for any one or more of the following categories, namely:

(a) direct broker;

(b) reinsurance broker;

(c) composite broker;

alongwith the requisite fees as specified in regulation 18.

7. **Application to conform to the requirements** — An application, not complete in all respects and not conforming to the instructions specified in the Form A and these regulations, shall be rejected.

Provided that, before rejecting any such application, the applicant shall be given a reasonable opportunity to complete the application in all respects and rectify the errors, if any.

8. **Furnishing of information, clarification and personal representation** — (1) The Authority may require an applicant to furnish any further information or clarification for the purpose of disposal of the application, and, thereafter, in regard to any other matter as may be deemed necessary by the Authority.

(2) The applicant or its principal officer shall, if so required, appear before the Authority for a personal representation in connection with an application.

9. **Consideration of application** — (1) The Authority while considering an application for grant of a license shall take into account, all matters relevant to the carrying out of the functions by the insurance broker.

(2) Without prejudice to the above, the Authority in particular, shall take into account the following, namely:-

(A) whether the applicant is not suffering from any of the disqualifications specified under sub-section (5) of section 42 D of the Act;

(B) whether the applicant has the necessary infrastructure, such as, adequate office space, equipment and trained manpower to effectively discharge his activities;

(C) whether the applicant has in his employment a minimum of two persons who have the necessary qualifications specified in clause (F) below and experience to conduct the business of insurance broker;

(D) whether any person, directly or indirectly connected with the applicant, has been refused in the past the grant of a licence by the Authority;

Explanation : — For the purposes of this sub-clause, the expression "directly or indirectly connected" means a relative in the case of an individual, and in the case of a firm or a company or a body corporate, an associate, a subsidiary, an interconnected undertaking or a group company of the applicant . It is hereby clarified that these terms shall have the same meanings as ascribed to them in the Companies Act, 1956 (1 of 1956) or MRTP Act, 1969 (54 of 1969), as the case may be.

(E) whether the applicant fulfils the capital requirements as specified in regulation 10 and deposit requirements as specified in regulation 22;

(F) whether the principal officer of the applicant −

(i) possesses the minimum qualification of:

(a) Bachelors/Masters degree in Arts, Science, or Social Sciences or Commerce or its equivalent from any institution/university recognized by any State Government or the Central Government; or

(b) Bachelor's degree in engineering or its equivalent from any institution/university recognized by any State Government or the Central Government; or

(c) Bachelor's degree in law or its equivalent from any institution/University recognized by any State Government or the Central Government; or

(d) Masters in Business Administration or its equivalent from any institution/university recognized by any State Government or the Central Government; or

(e) Associate/Fellow of the Insurance Institute of India, Mumbai; or

(f) Associate/Fellow of the Institute of Risk Management, Mumbai; or

(g) any post graduate qualification of the Institute of Insurance and Risk Management, Hyderabad; or

(h) Associate/Fellow of the Institute of Chartered Accountants of India, New Delhi; or

(i) Associate/Fellow of the Institute of Cost and Works Accountants of India, Kolkata; or

(j) Associate/Fellow of the Institute of Company Secretaries of India, New Delhi; or

(k) Associate/Fellow of the Actuarial Society of India; or

(l) Certified Associateship of the Indian Institute of Bankers, Mumbai; or

(m) any other qualification specified from time to time by the Authority under these regulations; and

(ii) the principal officer of the applicant has received at least one hundred hours of theoretical and practical training from an institution recognized by the Authority from time to time.

Provided that where the principal officer of the applicant:

(a) has been carrying on reinsurance related activity or insurance consultancy for a continuous period of seven years, preceding the year in which such an application is made; or

(b) has for a period of, not less than seven years prior to the application made to the Authority has been a principal underwriter or has held the position of a Manager in any one of the nationalised insurance companies in India; or

(c) is an Associate/Fellow of the Insurance Institute of India, Mumbai; or Associate/ Fellow of the Institute of Risk Management, Mumbai; or Associate/ Fellow of the Actuarial Society of India; or any post graduate qualification of the Institute of Insurance and Risk Management, Hyderabad;

The theoretical and practical training from an institution recognised by the Authority from time to time according to a syllabus approved by the Authority shall be fifty hours.

(iii) has passed an examination, at the end of the period of training mentioned in the proviso above, conducted by the National Insurance Academy, Pune or any other examining body recognized by the Authority.

(G) whether the principal officer has not violated the code of conduct as specified in Schedule III to these regulations;

(H) that the applicant is not engaged in any other business other than the main objects of the applicant; and

(I) the Authority is of the opinion that the grant of license will be in the interest of policyholders.

Exception: In the case of applications made to the Authority immediately following the notification of these regulations, the requirements under sub-regulation (2)(C) shall stand modified to the extent that instead of two qualified persons mentioned in the requirement be scaled down to one person, who should have qualified himself at the latest by the time of the grant of a licence under these regulations. This exception may be available only to applications made to the authority upto 31st March, 2003.

(3) Any employee responsible for soliciting and procuring insurance business on behalf on an insurance broker shall also have to fulfill the requirements mentioned in sub-regulations (1) and (2) above and a list of such employees need to be provided to the Authority and acknowledged by it.

10. Requirements of Capital — (1) Any applicant seeking to become an insurance broker under these regulations should satisfy the following conditions:

(i) it shall have a minimum amount of capital as mentioned below:

Category	Minimum amount (Rupees)
(a) Direct broker	fifty lakhs
(b) Reinsurance broker	two hundred lakhs
(c) Composite broker	two hundred and fifty lakhs

(ii) the capital in the case of a company limited by shares and a cooperative society shall be in the form of equity shares;

(iii) the capital in the case of other applicants shall be brought in cash;

(iv) the applicant shall exclusively carry on the business of an insurance broker as licensed under these regulations.

(2) No part of the capital of an applicant shall be held by a non-Indian interest beyond 26% at any time. For the purposes of these regulations, the calculations of non-Indian interest shall be made in the same manner as specified in Insurance Regulatory And Development Authority (Registration of Indian Insurance Companies) Regulations, 2000 for an insurer.

11. Procedure for licensing — The Authority on being satisfied that the applicant fulfills all the conditions specified for the grant of licence, shall grant a licence in Form B and send an intimation thereof to the applicant mentioning the category for which the Authority has granted the licence. The licence shall be issued subject to the insurance broker adhering to the conditions and the code of conduct as specified by the Authority from time to time.

12. **Validity of licence** — A licence once issued shall be valid for a period of three years from the date of its issue, unless the same is suspended or cancelled pursuant to these regulations.

13. **Renewal of licence** — (1) An insurance broker may, within thirty days before the expiry of the licence, make an application in Form A to the Authority for renewal of license.

    Provided however that if the application reaches the Authority later than that period but before the actual expiry of the current licence, an additional fee of rupees one hundred only shall be payable by the applicant to the Authority.

    Provided further that the Authority may for sufficient reasons offered in writing by the applicant for a delay not covered by the previous proviso, accept an application for renewal after the date of the expiry of the licence on a payment of an additional fee of seven hundred and fifty rupees only by the applicant.

    (2) An insurance broker before seeking a renewal of licence, shall have completed, atleast twenty five hours of theoretical and practical training, imparted by an institution recognized by the Authority from time to time.

    (3) The application for a renewal, under sub-regulation (1) shall be dealt with in the same manner as is specified under regulation 9.

    (4) The Authority, on being satisfied that the applicant fulfills all the conditions specified for a renewal of the licence, shall renew the licence in Form B for a period of three years and send an intimation to that effect to the applicant.

    (5) An insurance broker licensed under these regulations for a specified category may also apply for the grant of a license by the Authority for any other category by fulfilling the requirements of these regulations. However, such application shall be made only after a lapse of one year from the grant of a license in the first instance.

14. **Procedure where a licence is not granted —** (1) Where an application for grant of a licence under regulation 6 or of a renewal thereof under regulation 13, does not satisfy the conditions set out in regulation 9, the Authority may refuse to grant the license.

    Provided that no application shall be rejected unless the applicant has been given a reasonable opportunity of being heard.

(2) The refusal to grant a licence shall be communicated by the Authority within thirty days of such refusal to the applicant stating therein the grounds on which the application has been rejected.

(3) Any applicant, if aggrieved by the decision of the Authority, may apply within a period of thirty days from the date of receipt of such intimation, to the Chairman of the Authority for a reconsideration of its decision.

(4) The Chairman of the Authority shall consider such an application and communicate his decision thereon to the applicant in writing within six weeks of the receipt thereof.

15. Effect of refusal to grant licence — Any applicant, whose application for grant of a licence under regulation 6 or of a renewal thereof under regulation 13 has been refused by the Authority, shall, on and from the date of the receipt of the communication under regulation 13(2) cease to act as an insurance broker. He, however, shall continue to be liable to provide services in respect of contracts already entered into through him. Such a service shall continue only upto the period of expiry of those current contracts, details of which shall be disclosed to the Authority on receipt of the communication under regulation 13.

16. Issue of a duplicate licence — (1) In the event of a licence being lost or destroyed or mutilated, an insurance broker shall submit to the Authority an application alongwith a fee of rupees one thousand requesting for the issue of a duplicate license and with a declaration giving full details regarding the issue of the license and its loss or destruction or mutilation.

(2) The Authority, after satisfying itself that the original license has been lost, destroyed or mutilated, shall issue a duplicate license in Form B with an endorsement thereon that it is a duplicate one.

17. Action against a person acting as an insurance broker without a valid licence — (1) Notwithstanding and without prejudice to initiation of any criminal proceedings against any person, who acts as an insurance broker without holding a valid license issued under these regulations, the Authority may invoke against such a person penal action under the Act.

(2) Where the person falling under sub-regulation (1), is a company or firm or body corporate, without prejudice to any

other proceedings which may be taken by the Authority against the company or firm or body corporate, every director, manager, secretary or other officer of the company or body corporate, and every partner of the firm, who is knowingly a party to such a contravention shall also be liable to be proceeded against.

18. Payment of fees and the consequences of failure to pay fees —

(1) Every applicant eligible for the grant of a license shall pay such fees in such a manner and within such a period as specified in Schedule II.

(2) Where an insurance broker fails to pay the annual fees payable under sub-regulation (1), the Authority may suspend the license, whereupon the insurance broker shall cease to carry on business for the period during which the suspension subsists.

19. Remuneration:- (1) No insurance broker shall be paid or contract to be paid by way of remuneration (including royalty or license fees or administration charges or such other compensation), an amount exceeding:

(A) on direct general insurance business ─

(i) on tariff products:

(a) 10 percent of the premium on that part of the business which is compulsory under any statute or any law in force;

(b) 12½ percent of the premium on others.

(ii) on non-tariff products:

17½ percent of the premium on direct business.

(B) on direct life insurance business ─

(i) individual insurance

(a) 30 percent of first year's premium

(b) 5 percent of each renewal premium

(ii) annuity

(a) immediate annuity or a deferred annuity in consideration of a single premium, or where only one premium is payable on the policy:

2 percent of premium

(b) deferred annuity in consideration of more than one premium:

(i) 7½ percent of first year's premium

(ii) 2 percent of each renewal premium

(iii) group insurance and pension schemes:

(a) one year renewable group term insurance, gratuity, superannuation, group savings linked insurance —

7½ percent of risk premium

Note: Under group insurance schemes there will be no remuneration for the savings component.

(b) single premium -

2 percent of risk premium

(c) annual contributions, at new business procurement stage -

5 percent of non risk premium with a ceiling of Rupees three lakhs per scheme.

(d) single premium new business procurement stage -

0.5 percent with a ceiling of Rupees five lakhs per scheme.

(e) remuneration for subsequent servicing -

(i) one year renewable group term assurance -

2 percent of risk premium with a ceiling of Rs. 50, 000/- per scheme.

(C) on reinsurance business–

(1) As per market practices prevalent from time to time.

Explanation: For purposes of the procurement of business, an insurer shall not pay an agency commission, allow a special discount, and pay a remuneration to brokers for the same insurance contract.

(2) The settlement of accounts by insurers in respect of remuneration of brokers shall be done on a monthly basis and it must be ensured that there is no cross settlement of outstanding balances.

20. **Ceiling on business from single client** – (1) The business of the insurance broker shall be carried in such a manner that, not more than 50 percent of the premium (quantum, receipts, etc. as the case may be) in the first year of business, 40 percent of the premium in the second year of business, and 30 percent of the premium from the third year of business onwards shall emanate from any one client.

Note: For the purposes of this regulation, the term "client" shall include, in the case of a firm or a company, an associate or a subsidiary or a group concern under the same management.

(2) The decision of the Authority as to whether a company, a business or an organisation is under the same management shall be final.

21. **Code of conduct** — Every insurance broker shall abide by the Code of Conduct as specified in Schedule III.

22. **Deposit requirements** — (1) Every insurance broker shall before the commencement of his business, deposit and keep deposited with any scheduled bank a sum equivalent to 20% of the initial capital in fixed deposit, which shall not be released to him unless the prior permission of the Authority is obtained.

Provided that the Authority may impose a separate limit of deposit, in any case not exceeding Rupees one hundred lakhs, for a person covered by regulation 2(1)(j)(v).

(2) Every insurance broker shall furnish to the Authority as and when called upon to do so a statement certified by the Bank in which such fixed deposit is kept.

23. **Segregation of insurance money** — (1) The provisions of Section 64VB of the Act shall continue to determine the question of assumption of risk by an insurer.

(2) In the case of reinsurance contracts, it may be agreed between the parties specifically or as part of international market practices that the licensed reinsurance broker or composite broker can collect the premium and remit to the reinsurer and/

or collect the claims due from the reinsurer to be passed on to the insured. In these circumstances the money collected by the licensed insurance broker shall be dealt with in the following manner:

(a) he shall act as the trustee of the insurance money that he is required to handle in order to discharge his function as a reinsurance broker and for the purposes of this regulation it shall be deemed that a payment made to the reinsurance broker shall be considered as payment made to the reinsurer;

(b) ensure that ‘insurance money’ is held in an ‘Insurance Bank Account’ with one or more of the Scheduled Banks or with such other institutions as may be approved by the Authority;

(c) give written notice to, and receive written confirmation from, a bank, or other institution that he is not entitled to combine the account with any other account, or to exercise any right of set-off, charge or lien against money in that account;

(d) ensure that all monies received from or on behalf of an insured is paid into the ‘Insurance Bank Account’ which remains in the ‘Insurance Bank Account’ to remain in deposit until it is transferred on to the reinsurer or to the direct insurer.

(e) ensure that any refund of premium which may become due to a direct insurer on account of the cancellation of a policy or alteration in its terms and conditions or otherwise shall be paid by the reinsurer directly to the direct insurer.

(f) Interest on recovery/payment received shall be for the benefit of the direct insurer or reinsurer;

(g) only remove from the ‘Insurance Bank Account’ charges, fees or commission earned and interest received from any funds comprising the account;

(h) take immediate steps to restore the required position if at any time he becomes aware of any deficiency in the required “segregated amount”.

24. Professional indemnity insurance — (1) Every insurance broker shall take out and maintain and continue to maintain a professional indemnity insurance cover throughout the validity of the period of the license granted to him by the Authority.

Provided that the Authority shall in suitable cases allow a newly licensed insurance broker to produce such a guarantee within fifteen months from the date of issue of original license.

(2) The insurance cover must indemnify an insurance broker against

- (a) any error or omission or negligence on his part or on the part of his employees and directors;
- (b) any loss of money or other property for which the broker is legally liable in consequence of any financial or fraudulent act or omission;
- (c) any loss of documents and costs and expenses incurred in replacing or restoring such documents;
- (d) dishonest or fraudulent acts or omissions by brokers' employees or former employees.

(3) The indemnity cover — (a) shall be on a yearly basis for the entire period of license;

- (b) shall not contain any terms to the effect that payments of claims depend upon the insurance broker having first met the liability;
- (c) shall indemnify in respect of all claims made during the period of the insurance regardless of the time at which the event giving rise to the claim may have occurred.

  Provided that an indemnity insurance cover not fully conforming to the above requirements shall be permitted by the Authority in special cases for reasons to be recorded by it in writing.

(4) Limit of indemnity for any one claim and in the aggregate for the year in the case of insurance brokers shall be as follows:

Category of insurance broker	Limit of indemnity
(a) Direct broker	three times remuneration received at the end of every financial year subject to a minimum limit of rupees fifty lakhs.
(b) Reinsurance broker	three times remuneration received at the end of every financial year subject to a minimum limit of rupees two crores and fifty lakhs.
(c) Composite broker	three times remuneration received at the end of every financial year subject to a minimum limit of rupees five crores

(5) The un-insured excess in respect of each claim shall not exceed five percent of the capital employed by the insurance broker in the business.

(6) The insurance policy shall be obtained from any registered insurer in India who has agreed to —

(a) provide the insurance broker with an annual certificate containing the name and address, including the license number of the insurance broker, the policy number, the limit of indemnity, the excess and the name of the insurer as evidence that the cover meets the requirements of the Authority;

(b) send a duplicate certificate to the Authority at the time the certificate is issued to the insurance broker; and

(c) inform the insurer immediately of any case of voidance, non-renewal or cancellation of cover mid-term.

(7) Every insurance broker shall —

(a) inform immediately the Authority should any cover be cancelled or voided or if any policy is not renewed;

(b) inform immediately the insurer in writing of any claim made by or against it;

(c) advise immediately the insurer of all circumstances or occurrences that may give rise to a claim under the policy; and

(d) advise the Authority as soon as an insurer has notified that it intends to decline indemnity in respect of a claim under the policy.

25. Maintenance of books of account, records, etc. — (1) Every insurance broker shall prepare for every accounting year :-

(i) a balance sheet or a statement of affairs as at the end of each accounting period;

(ii) a profit and loss account for that period;

(iii) a statement of cash/fund flow;

(iv) additional statements on insurance broking business as may be required by the Authority.

Note: For purposes of this regulation, the accounting year shall be a period of 12 months (or less where a business is started after 1st April) commencing on the first day of the April of an year and ending on the 31st day of March of the year following, and the accounts shall be maintained on accrual basis.

(2) Every insurance broker shall submit to the Authority, a copy of the audited financial statements as stated in sub-regulation (1) alongwith the auditor's report thereon within ninety days from the close of the accounting year alongwith the remarks or observations of the auditors, if any, on the conduct of the business, state of accounts, etc., and a suitable explanation on such observations shall be appended to such accounts filed with the Authority.

(3) Every insurance broker shall, within ninety days from the date of the Auditor's report take steps to rectify any deficiencies, made out in the auditor's report and inform the Authority accordingly.

(4) All the books of account, statements, document, etc., shall be maintained at the head office of the insurance broker or such other branch office as may be designated by him and notified to the Authority, and shall be available on all working days to such officers of the Authority, authorised in this behalf by it for an inspection.

(5) All the books and documents, statements, contract notes etc., referred to in this regulation and maintained by the insurance broker shall be retained for a period of atleast ten years from the end of the year to which they relate.

26. Submission of half-yearly results — (1) Every insurance broker shall before 31st October and 30th April each year furnish to the Authority a half-yearly un- audited financial statement containing details of performance, financial position, etc., alongwith a declaration confirming the fulfillment of requirements of capital in accordance with the provisions of regulation 10 and deposit requirements in accordance with the provisions of regulation 22.

(2) Failure to comply with the regulation of sub-regulation (1) will lead to an action, in accordance with the provisions of Regulation 34 being taken against the insurance broker.

27. Internal control and systems — Every insurance broker shall ensure that a proper system of internal audit is practised in business and that his internal controls and systems are adequate for the size, nature and complexity of his business.

28. Disclosures to the Authority — (1) An insurance broker shall disclose to the Authority, as and when required by it, in any event not later than thirty days of a requisition, the following information, namely —

(i) his responsibilities with regard to the placement of an insurance contract;

(ii) any change in the information or particulars previously furnished, which have a bearing on the license granted to it;

(iii) the names of the clients whose insurance portfolio he manages or has managed;

(iv) any other requirement specified by the Authority from time to time.

Provided that in case of a person specified in Regulation 2(1)(j)(v) the Authority may call for and obtain such information as it deems fit.

29. Authority's right to inspect — (1) The Authority may appoint one or more of its officers as an "inspecting authority" to undertake inspection of the premises of the insurance broker to ascertain and see how the business is carried on, and also to inspect the books of account, records and documents of the insurance broker for any of the purposes specified in sub-regulation (2).

(2) The purposes referred to in sub-regulation (1) may be as follows, namely:-

(i) to ensure that the books of account are being maintained in the manner required;

(ii) to ensure that the provisions of the Act, rules, regulations are being complied with;

(iii) to investigate the complaints received from any insured, any insurer, other insurance brokers or any other person on any matter having a bearing on the activities of the insurance broker; and

(iv) to investigate the affairs of the insurance broker suo motu in the, interest of proper development of insurance business or in policy holders' interest.

30. Notice before inspection — (1) Before undertaking an inspection under regulation 29, the Authority shall give a notice of ten days to an insurance broker for that purpose.

(2) Notwithstanding anything contained in sub-regulation (1), where the Authority is satisfied that in the interests of the policyholders no such notice shall be given, it may, for reasons recorded in writing, direct that the inspection of the affairs of the insurance broker be taken up without such notice.

(3) The insurance broker shall allow the inspecting authority to have full access to the premises occupied by such insurance broker or by any other person on his behalf and also extend all facilities for examining books, records, documents and computer data in the possession of the insurance broker.

(4) The inspecting authority, in the course of inspection, shall be entitled to examine or record statements of any principal officer or employee of the insurance broker and have the powers to seize or make copies of documents/records.

(5) It shall be the duty of every such person to give to the inspecting authority all assistance in connection with the inspection which the insurance broker may reasonably be expected to give.

(6) Failure to comply with the requirements of the Authority in this regard or failure to cooperate with the inspecting officers shall result in suspension of licence.

31. Submission of report to the Authority — The inspecting authority shall submit an inspection report to the Authority within 90 days of the completion of the inspection.

32. Communication of findings, etc.— (1) The Authority shall, after consideration of the inspection report, communicate its findings to the insurance broker and give him a reasonable opportunity of being heard before any action is taken by the Authority on the findings of the inspecting authority.

(2) On receipt of the explanation, if any, from the insurance broker, the Authority may direct the insurance broker to take such measures as the Authority may deem fit.

33. Appointment of investigator — (1) The Authority may appoint a chartered accountant or an actuary or any qualified and experienced individual in the field of insurance to investigate the books of account or the affairs of the insurance broker.

Provided that the person so appointed shall have the same powers of the inspecting authority as are mentioned in regulation 29 and the obligations of the insurance broker in Regulation 29 shall be applicable to the investigation under this regulation.

Explanation - For the purposes of this regulation the expression "chartered accountant" shall have the same meaning as given in Section 226 of the Companies Act, 1956 (1 of 1956), and the expression 'actuary' shall mean a member of the Actuarial Society of India.

(2) The expenses and costs of such an investigation shall be recovered by the Authority from the insurance broker whose affairs had been caused to be investigated.

34. Cancellation or suspension of licence with notice —

(1) The licence of an insurance broker may be cancelled or suspended after due notice and after giving him a reasonable opportunity of being heard if he —

(a) violates the provisions of the Insurance Act,1938 (4 of 1938), Insurance Regulatory And Development Authority Act, 1999 (41 of 1999) or rules or regulations, made thereunder;

(b) fails to furnish any information relating to his activities as an insurance broker as required by the Authority;

(c) furnishes wrong or false information; or conceals or fails to disclose material facts in the application submitted for obtaining a license;

(d) does not submit periodical returns as required by the Authority;

(e) does not co-operate with any inspection or enquiry conducted by the Authority;

(f) fails to resolve the complaints of the policy holders or fails to give a satisfactory reply to the Authority in this behalf;

(g) indulges in rebates or inducements in cash or kind to a client or any of the client's directors or other employees or any person acting as an introducer;

(h) is found guilty of misconduct or his conduct is not in accordance with the Code of Conduct specified in Schedule III;

(i) fails to maintain the capital requirements in accordance with the provisions of regulation 10;

(j) fails to pay the fees or the reimbursement of expenses under these regulations;

(k) violates the conditions of license;

(l) does not carry out his obligations as specified in the regulations;

(m) if the principal officer does not acquire practical training and pass the examination within the stipulated period as specified in Regulation 9.

(2) In the circumstances where the Authority feels that the establishment of an insurance broker is only to divert funds within a group of companies or their associates, it can after due enquiries made by it cancel the licence granted to the insurance broker.

35. Cancellation or suspension of licence without notice — The licence of an insurance broker may be cancelled or suspended without notice, if he —

(a) violates any one or more of the requirements under the code of conduct specified in Schedule III;

(b) is found guilty of fraud, or is convicted of a criminal offence;

(c) commits such defaults, which require immediate action in the opinion of the Authority, provided that the Authority has communicated the reasons for the cancellation in writing;

(d) the insurance broker has not commenced the business within six months of being granted a licence.

36. **Manner of making order of cancellation/suspension with notice** — The licence of an insurance broker shall not be cancelled unless an enquiry has been held in accordance with the procedure specified in Regulation 37.

37. **Manner of holding enquiry before suspension or cancellation** — (1) For the purpose of holding an enquiry under Regulation 36, the Authority may appoint an enquiry officer;

(2) the enquiry officer shall issue to the insurance broker a notice at the registered office or the principal place of business of the insurance broker, as the case may be, calling for such information as he considers necessary for the conduct of an enquiry;

(3) the insurance broker may, within fifteen days from the date of receipt of such a notice, furnish to the enquiry officer a reply together with copies of documentary or other evidence relied on by him or sought by the enquiry officer;

(4) the enquiry officer shall, give a reasonable opportunity of hearing to the insurance broker to enable him to make submissions in support of his reply made under sub-regulation (3);

(5) the insurance broker may either appear in person or through any person duly authorised by him to present its case;

(6) if it is considered necessary, the enquiry officer may require the Authority to present its case through one of its officers; and

(7) the enquiry officer shall, after taking into account all relevant facts and submissions made by the insurance broker, submit a report to the Authority within 90 days of the completion of the enquiry proceedings.

38. **Show-cause notice and order** — (1) On receipt of the report from the enquiry officer, the Authority shall consider it and issue

a show-cause notice to the insurance broker if the contents of the report warrant a suspension or cancellation of the licence granted to him.

Provided that no such notice is required, in case the provisions of Regulation 35 are attracted.

(2) The insurance broker shall within twenty-one days of the date of receipt of the show cause notice send a reply to the Authority.

(3) The Authority after considering the reply to the show cause notice shall, as soon as possible, but not later than thirty days from the receipt of the reply, pass such an order as it deems fit.

Provided, however, where the insurance broker on serving of the notice under this regulation fails to furnish any reply within the stated period, the Authority may after the expiry of such time proceed to decide the case *ex parte.*

(4) The Authority shall send a copy of the order made under clause (3) to the insurance broker.

39. Publication of order of suspension or cancellation — The order of cancellation or suspension of the license made under sub-regulation (3) of Regulation 38, shall be published in one of the daily newspapers in the English language and one newspaper in the regional language as the Authority may consider fit.

40. Effect of cancellation or suspension of licence— (1) On and from the date of suspension or cancellation of the license, the insurance broker, shall cease to act as an insurance broker.

(2) An insurance broker however shall continue to service the contracts already concluded through him for a period of six months within which suitable arrangements shall be made by him for having the contracts attended to by another licensed insurance broker.

(3) The Authority in such an event may pass such an order as it thinks fit for the disposal of the deposit of the insurance broker made under Regulation 22.

41. General — (1) From the date of commencement of these regulations no person can function as a broker or an insurance intermediary unless a licence has been granted to him by the Authority under these regulations.

(2) Any disputes arising between an insurance broker and an insurer or any other person either in the course of his engagement as an insurance broker or otherwise may be referred to the Authority by the person so affected; and on receipt of the complaint or representation, the Authority may examine the complaint and if found necessary proceed to conduct an enquiry or an inspection or an investigation in terms of these regulations.

SCHEDULE I

FORM A

[See Regulations 6 and 13]

Insurance Regulatory And Development Authority
(Insurance Brokers) Regulations, 2002

APPLICATION FOR GRANT OF LICENSE/RENEWAL OF LICENSE

NAME OF THE APPLICANT	:	______________________________
ADDRESS	:	______________________________
		______________________________
		______________________________
CATEGORY APPLIED FOR	:	INSURANCE BROKER - ____________ (Mention category)
CONTACT ADDRESS	:	______________________________
TELEPHONE NO.	:	______________________________
FAX NO.	:	______________________________
E-MAIL	:	______________________________

Instructions for filling up the form:

1. It is important that before this application form is filled in, the regulations made by the Authority are studied carefully.
2. Applicants must submit a duly completed application form together with all appropriate, supporting documents to the Authority.
3. Application for license will be considered only if it is complete in all respects.
4. Applicants should sign the applications themselves.
5. Information which needs to be supplied in more details may be given on separate sheets which should be attached to the application form.
6. If the applicant is not a proprietary concern, firm or a company, the information called for in this Form shall be supplied by adapting the requirements suitably.

PARTICULARS OF THE APPLICANT

1.1 Name of the Applicant :________________________________

1.2 (A) Address - Principal Place of business/Registered Office.

____

____

____

Pin code:________________ Telephone No.: ____________

E-mail: _________________ Fax No.: _________________

(B) Address for Correspondence:

____

____

____

Pin code:________________ Telephone No.: ____________

E-mail: _________________ Fax No.: _________________

C) Addresses of Branch Offices

____

____

____

D) Name and Designation of the Principal Officer

2. ORGANISATION - STRUCTURE

2.1 Status of the Applicant:

(e.g. limited company - Private/Public, partnership, proprietary, others. If listed, names of Stock Exchanges and latest share price to be given)

2.2. Date and Place of Incorporation:

Day Month Year Place

2.3 Scope of business as described in the Memorandum of Association

(To be given in brief along with copy of Memorandum and Articles of Association or Partnership Deed).

2.4 List of major shareholders (holding 5% and above of applicant directly or along with associates - applicable only to limited companies)

Share holding as on:______________

Name of shareholder	No. of Shares held	% age of total paid up capital of the company

2.5 Particulars of all Directors/Partners/Proprietor:-

Name	Qualification	Experience in Insurance Broking services and related areas	Share in applicant firm /company	Directorship in other companies

2.6 Name and activities of associate companies/concerns

Name of Company/ Firm	Address	Type of activity handled	Nature of Interest of Promoter/ Director	Nature and interest of applicant company

Whether any one or more persons of the associate companies/ concerns are interested in the applicant's business.

2.7 Name and Address of the Principal bankers of the applicant

2.8 Name and address of the statutory auditors

3. BUSINESS INFORMATION

3.1 Three years business plan document with projected volume of activities and income (including anticipated) for which license sought is to be specifically given.

3.2 Organisation Chart separately showing functional responsibilities to be enclosed.

3.3 Particulars of Key Management Personnel

Name	Qualification	Experience with particular reference to Insurance Broking/insurance consulting activities	Date of appointment	Functional areas

3.4 Details of infrastructure like office space, equipment and manpower available with the applicant.

3.5 Details of experience in insurance broking/insurance consulting/risk management and other services:

(History, major events and present activities (Experience outside India may also be indicated):

3.6 Business handled during the last three years and list of reinsurers with whom more than ten percent of the total reinsurance premium handled, was placed.

Sl. No.	Name	Premium handled		Services Rendered
		Amt.	Percentage of total premium handled by broker	

3.7 Any other information considered relevant to the nature of services rendered by the applicant.

4. FINANCIAL INFORMATION

4.1 Capital Structure (Rs. in lakhs)

Capital Structure	Year prior to the preceding year of current year	Preceding year	Current year
a) Authorised Capital and Issue Capital			
b) Paid-up capital			
c) Free reserves (excluding re- valuation reserves)			
d) Total (b) + (c)			
Note:- 1. In case of partnership or proprietary concerns, please indicate capital minus drawings and/or loans to partners/ owners. 2. In case of partnership or proprietary concerns, please indicate the financial position, means and net worth of the partners.			

4.2 Deployment of Resources (Rs. in lakhs)

Particulars	Year prior to the preceding year of current year	Preceding year	Current year
a) Fixed Assets			
b) Plant & Machinery			
c) Office Equipment			
d) Quoted Investments			
e) Unquoted Investments			
e) Details of Liquid Assets			
f) Others			

(Details of Investments, Loans & Advances made to Associate Companies/Firms where Promoters/Directors have an interest is to be separately given).

4.3 Major Sources of Income: (Rs. in lakhs)

Particulars	Year prior to the preceding year of current year	Preceding year	Remuneration received as % of premium
a) Direct Insurance remuneration			
b) Reinsurance remuneration			
c) Advisory fees			
d) Insurance consultancy			
e) Investment Income			
f) Others			

- As remuneration received by the insurance broker may vary from risk to risk, please indicate range within which remuneration has been received.

4.4 Income and Profit Before Tax (PBT) (Rs. lakhs)

Particulars Income Profit Before Tax	Year prior to the preceding year of current year	Preceding year	Current year

4.5 Dividend (Rs. In lakhs)

Particulars	Year prior to the preceding year of current year	Preceding year	Current year
Amount			
Percentage			

Note: Please enclose three years audited annual accounts. Where unaudited reports are submitted, give reasons. If minimum capital requirement has been met after last audited annual accounts, audited statement of accounts for the period ending on a later date should also be submitted.

5. OTHER INFORMATION, IF ANY

5.1 Details of all settled and pending disputes:

Nature of dispute	Name of the party	Pending/settled

5.2 Details, if any of any economic offences by the applicant/ proprietor or any of the Partners/ Directors, or Key Managerial Personnel in the last three years.

DECLARATION

THIS DECLARATION IS TO BE SIGNED BY TWO OF THE DIRECTORS, TWO OF THE PARTNERS OR THE SOLE PROPRIETOR AS THE CASE MAY BE.

I/We hereby apply for license.

I/We have gone through the Insurance Regulatory and Development Authority (Insurance Brokers) Regulations, 2002 and am/are satisfied that I/We am/are eligible to apply for the insurance broker's licence.

I/We state that I/We have truthfully and fully answered the questions above and provided all the information which might reasonably be considered relevant for the purposes of my/our license.

I/We declare that the information supplied in the application form is complete and correct.

I/We undertake that I/We shall not allow or offer to allow, either directly or indirectly, as an inducement to any person, any rebate of the whole or part of the remuneration earned by me/us during the license period.

I/We undertake to service the run-off business on the books at the time of cancellation or non renewal of license.

I/We declare that I/We do not possess an insurance agent licence under Section 42 of the Act.

For and on behalf of

____________________________	____________________________
(Signature and Name of Applicant {Block Letters})	(Signature and Name of Applicant {Block Letters})

Director/Partner or Sole Proprietor Director/Partner

Place:

Date:

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY

(Insurance Brokers) Regulations, 2002

FORM B

[see Regulations 11 & 16]

LICENSE

1. In exercise of the powers conferred by sub-section (1) of Section 42D of the Insurance Act, 1938 (4 of 1938) the Authority hereby grants a license to

   ____

   to act as ____________________________________ broker

   (Mention details of category)

   under that Act.
2. License Code for the insurance broker is

   ____
3. This license shall be valid from ____________ to ___________
4. This license is subject to the Act, Insurance Regulatory and Development Authority Act, 1999 (4 of 1999) and Insurance Regulatory and Development Authority (Insurance Brokers) Regulations, 2002 and shall not be construed to be in compliance with or in conformity to any other Act, rules or regulations.

Place :

By Order

Date :

For and on behalf of
Insurance Regulatory and Development Authority

SCHEDULE II

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (Insurance Brokers) Regulations, 2002

[see Regulation 18]

FEES

Registration Fees:

1. (a) Every insurance broker at the time of being licensed shall pay licence fees as set out below :

Category of Insurance broker	Amount of licence fee payable
Direct broker	Rs.25,000
Reinsurance broker	Rs.75,000
Composite broker	Rs.1,25,000

   (b) The license fee as prescribed above shall be paid within 15 days from the date of receipt of intimation under Regulation 11.

2. Every insurance broker at the time of renewal of license shall pay license fees as set out below:

Category of insurance broker	Amount of license fee payable per annum
Direct broker	A sum calculated at the rate of 0.50% of remuneration earned in the preceding financial year subject to minimum of Rs. 25,000 and maximum of Rs.100,000 on every renewal.
Reinsurance broker	A sum calculated at the rate of 0.50% of remuneration earned in the preceding financial year subject to minimum of Rs. 75,000 and maximum of Rs. 300,000 on every renewal.
Composite broker	A sum calculated at the rate of 0.50% of remuneration earned in the preceding financial year subject to minimum of Rs. 125,000 and maximum of Rs. 500,000 on every renewal.

3. The license fee shall be paid before the expiry of 15 days of the license granted under Regulation 11.

4. The fees shall be payable by an Account Payee draft in favour of "The Insurance Regulatory and Development Authority" payable at Hyderabad.

SCHEDULE III

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY

(Insurance Brokers) Regulations, 2002

CODE OF CONDUCT

[see Regulation 21]

1. Every insurance broker shall follow recognized standards of professional conduct and discharge his functions in the interest of the policyholders.

2. Conduct in matters relating to clients relationship — Every insurance broker shall:

(a) conduct its dealings with clients with utmost good faith and integrity at all times;

(b) act with care and diligence;

(c) ensure that the client understands his relationship with the broker and on whose behalf the broker is acting;

(d) treat all information supplied by the prospective clients as completely confidential to themselves and to the insurer(s) to which the business is being offered;

(e) take appropriate steps to maintain the security of confidential documents in their possession;

(f) hold specific authority of client to develop terms;

(g) understand the type of client it is dealing with and the extent of the client's awareness of risk and insurance;

(h) obtain written mandate from client to represent the client to the insurer and communicate the grant of a cover to the client after effecting insurance;

(i) obtain written mandate from client to represent the client to the insurer/reinsurer; and confirm cover to the insurer after effecting reinsurance, and submit relevant reinsurance acceptance and placement slips;

(j) avoid conflict of interest.

3. Conduct in matters relating to Sales practices — Every insurance broker shall: —

(a) confirm that it is a member of the Insurance Brokers Association of India or such a body of brokers as approved by the Authority which has a memorandum of understanding with the Authority;

(b) confirm that he does not employ agents or canvassers to bring in business;

(c) identify itself and explain as soon as possible the degree of choice in the products that are on offer;

(d) ensure that the client understands the type of service it can offer;

(e) ensure that the policy proposed is suitable to the needs of the prospective client;

(f) give advice only on those matters in which it is knowledgeable and seek or recommend other specialist for advice when necessary;

(g) not make inaccurate or unfair criticisms of any insurer or any member of the Insurance Brokers Association of India or member of such body of brokers as approved by the Authority;

(h) explain why a policy or policies are proposed and provide comparisons in terms of price, cover or service where there is a choice of products;

(i) state the period of cover for which the quotation remains valid if the proposed cover is not effected immediately;

(j) explain when and how the premium is payable and how such premium is to be collected, where another party is financing all or part of the premium, full details shall be given to the client including any obligations that the client may owe to that party; and

(k) explain the procedures to follow in the event of a loss.

4. **Conduct in relation to furnishing of information** — Every insurance broker shall:

   (a) ensure that the consequences of non-disclosure and inaccuracies are pointed out to the prospective client;

   (b) avoid influencing the prospective client and make it clear that all the answers or statements given are the latter's - own responsibility. Ask the client to carefully check details of information given in the documents and request the client to make true, fair and complete disclosure where it believes that the client has not done so and in case further disclosure is not forthcoming it should consider declining to act further;

   (c) explain to the client the importance of disclosing all subsequent changes that might affect the insurance throughout the duration of the policy; and

   (d) disclose on behalf of its client all material facts within its knowledge and give a fair presentation of the risk.

5. **Conduct in relation to explanation of insurance contract** — Every insurance broker shall:

   (a) provide the list of insurer(s) participating under the insurance contract and advise any subsequent changes thereafter;

   (b) explain all the essential provisions of the cover afforded by the policy recommended by him so that, as far as possible, the prospective client understands what is being purchased;

   (c) quote terms exactly as provided by insurer;

   (d) draw attention to any warranty imposed under the policy, major or unusual restrictions, exclusions under the policy and explain how the contract may be cancelled;

   (e) provide the client with prompt written confirmation that insurance has been effected. If the final policy wording is not included with this confirmation, the same shall be forwarded as soon as possible;

   (f) notify changes to the terms and conditions of any insurance contract and give reasonable notice before any changes take effect;

   (g) advise its clients of any insurance proposed on their behalf which will be effected with an insurer outside India, where permitted, and, if appropriate, of the possible risks involved; and

6. **Conduct in relation to renewal of policies** — Every insurance broker shall:-

   (a) ensure that its client is aware of the expiry date of the insurance even if it chooses not to offer further cover to the client;

   (b) ensure that renewal notices contain a warning about the duty of disclosure including the necessity to advise changes affecting the policy, which have occurred since the policy inception or the last renewal date;

   (c) ensure that renewal notices contain a requirement for keeping a record (including copies of letters) of all information supplied to the insurer for the purpose of renewal of the contract;

   (d) ensure that the client receives the insurer's renewal invitation well in time before the expiry date.

7. **Conduct in relation to claim by client** — Every insurance broker shall: —

   (a) explain to its clients their obligation to notify claims promptly and to disclose all material facts and advise subsequent developments as soon as possible;

   (b) request the client to make true, fair and complete disclosure where it believes that the client has not done so. If further disclosure is not forthcoming it shall consider declining to act further for the client;

   (c) give prompt advice to the client of any requirements concerning the claim;

   (d) forward any information received from the client regarding a claim or an incident that may give rise to a claim without delay, and in any event within three working days;

   (e) advise the client without delay of the insurer's decision or otherwise of a claim; and give all reasonable assistance to the client in pursuing his claim.

   Provided that the insurance broker shall not take up recovery assignment on a policy contract which has not been serviced through him or should not work as a claims consultant for a policy which has not been serviced through him.

8. **Conduct in relation to receipt of complaints** — Every insurance broker shall:-

   (a) ensure that letters of instruction, policies and renewal documents contain details of complaints handling procedures;

   (b) accept complaints either by phone or in writing;

   (c) acknowledge a complaint within fourteen days from the receipt of correspondence, advise the member of staff who will be dealing with the complaint and the timetable for dealing with it;

   (d) ensure that response letters are sent and inform the complainant of what he may do if he is unhappy with the response;

   (e) ensure that complaints are dealt with at a suitably senior level;

   (f) have in place a system for recording and monitoring complaints.

9. **Conduct in relation to documentation** — Every insurance broker shall:-

   (a) ensure that any documents issued comply with all statutory or regulatory requirements from time to time in force;

   (b) send policy documentation without avoidable delay;

   (c) make available, with policy documentation, advice that the documentation shall be read carefully and retained by the client;

   (d) not withhold documentation from its clients without their consent, unless adequate and justifiable reasons are disclosed in writing and without delay to the client. Where documentation is withheld, the client must still receive full details of the insurance contract;

   (e) acknowledge receipt of all monies received in connection with an insurance policy;

   (f) ensure that they reply is sent promptly or use its best endeavours to obtain a prompt reply to all correspondence;

(g) ensure that all written terms and conditions are fair in substance and set out, clearly and in plain language, client's rights and responsibilities; and

(h) subject to the payment of any monies owed to it, make available to any new insurance broker instructed by the client all documentation to which the client is entitled and which is necessary for the new insurance broker to act on behalf of the client.

10. **Conduct in matters relating to advertising** — Every insurance broker shall conform to the relevant provisions of the Insurance Regulatory and Development Authority (Insurance Advertisements and Disclosure) Regulations, 2000, and :

(a) ensure that statements made are not misleading or extravagant;

(b) where appropriate, distinguish between contractual benefits which the insurance policy is bound to provide and non-contractual benefits which may be provided;

(c) ensure that advertisements shall not be restricted to the policies of one insurer, except where the reasons for such restriction are fully explained with the prior approval of that insurer;

(d) ensure that advertisements contain nothing which is in breach of the law nor omit anything which the law requires;

(e) ensure that advertisement does not encourage or condone defiance or breach of the law;

(f) ensure that advertisements contain nothing which is likely, in the light of generally prevailing standards of decency and propriety, to cause grave or widespread offence or to cause disharmony;

(g) ensure that advertisements are not so framed as to abuse the trust of clients or exploit their lack of experience or knowledge;

(h) ensure that all descriptions, claims and comparisons, which relate to matters of objectively ascertainable fact shall be capable of substantiation.

11. Conduct in matters relating receipt of remuneration — Every insurance broker shall:-

(a) disclose whether in addition to the remuneration prescribed under these regulations, he proposes to charge the client, and if so in what manner;

(b) advise the client in writing of the insurance premium and any fees or charges separately and the purpose of any related services;

(c) if requested by a client, disclose the amount of remuneration or other remuneration it receives as a result of effecting insurance for that client. This will include any payment received as a result of securing on behalf of the client any service additional to the arrangement of the contract of insurance; and

(d) advise its clients, prior to effecting the insurance, of their intention to make any deductions from the amount of claim collected for a client, where this is a recognized practice for the type of insurance concerned.

12. Conduct in relation to matters relating to training — Every insurance broker shall:

(a) that its staff are aware of and adhere to the standards expected of them by this code;

(b) ensure that staff are competent, suitable and have been given adequate training;

(c) ensure that there is a system in place to monitor the quality of advice given by its staff;

(d) ensure that members of staff are aware of legal requirements including the law of agency affecting their activities; and only handle classes of business in which they are competent;

(e) draw the attention of the client to Section 41 of the Act, which prohibits rebating and sharing of commission.

13. Every insurance broker shall display in every office where it is carrying on business and to which the public have access a notice to the effect that a copy of the code of conduct is available upon request and that if a member of the public wishes to make a complaint or requires the assistance of the Authority in resolving a dispute, he may write to the Authority.

14. An insurance broker as defined in these regulations shall not act as an insurance agent of any insurer under Section 42 of the Act.

15. Every insurance broker shall abide by the provisions of the Insurance Act, 1938 (4 of 1938), Insurance Regulatory And Development Authority Act 1999(41 of 1999), rules and regulations made there under which may be applicable and relevant to the activities carried on by them as insurance brokers.

N. RANGACHARY
Chairman

ANNEXURE 6

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (INSURANCE BROKERS) (AMENDMENT) REGULATIONS, 2007

NOTIFICATION F. NO. IRDA/REG/4/41/2007, DATED 2nd November, 2007

In exercise of the powers conferred by Section 42 and Section 114A of the Insurance Act, 1938 (4 of 1938), the Authority, in consultation with the Insurance Advisory Committee, hereby makes the following regulations to amend the Insurance Regulatory and Development Authority (Insurance Brokers) Regulations, 2002, namely:-

1. (1) These regulations may be called the Insurance Regulatory and Development Authority (Insurance Brokers) (Amendment) Regulations, 2007.

   (2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Insurance Regulatory and Development Authority (Insurance Brokers) Regulations, 2002 -

   1. Sub-regulation (1) of Regulation 18 shall be substituted by -

   (1) Every applicant shall at the time of making an application for grant of license pay such fees and in such manner as specified in Schedule II.

   2. In Regulation 18 after Sub-regulation (1) the following shall be inserted:

   (1A) Every insurance broker shall pay the annual fees in such manner and within such a period as specified in Schedule II. In addition to the annual fees, every broker shall at the time of making an application for renewal of license pay such renewal fees and in such manner as specified in Schedule II.

3. In sub-regulation (2) of Regulation 18 the words “Sub-regulation (1)” shall be substituted by the words “Sub-regulation (1A)”.

4. **Substitution of new Schedule for Schedule II:**

For existing Schedule II, the following Schedule II shall be substituted namely:

"Schedule II

Insurance Regulatory and Development Authority (Insurance Brokers) Regulations, 2002
[see Regulation 18]
FEES

1(a) Every insurance broker shall at the time of application for license, pay a non-refundable application fees as set out below:

Category of Insurance broker	Amount of application fee payable (Rs.)
Direct broker	20,000
Reinsurance broker	25,000
Composite broker	40,000

2. Every Insurance broker shall pay annual license fees as set out below:

Category of insurance broker	Amount of licence fee payable per annum
Direct broker	A sum calculated at the rate of 0.50 per cent of remuneration earned in the preceding financial year subject to minimum of Rs. 25,000 and maximum of Rs. 1,00,000.
Reinsurance broker	A sum calculated at the rate of 0.50 per cent of remuneration earned in the preceding financial year subject to minimum of Rs. 75,000 and maximum of Rs. 3,00,000.
Composite broker	A sum calculated at the rate of 0.50 per cent of remuneration earned in the preceding financial year subject to minimum of Rs. 1,25,000 and maximum of Rs. 5,00,000.

3. The license fee shall be paid before the expiry of 15 days from the finalization of annual audited accounts of the broker or till the 30th of September whichever is earlier.

4. Every Broker shall pay a renewal fee of Rs. 1,000 (Rupees one thousand only) alongwith application for renewal of the license.

5. The fees shall be payable by an Account Payee draft in favour of "The Insurance Regulatory and Development Authority" payable at Hyderabad."

ANNEXURE 7

List of Insurance Ombudsmen [As on 22nd November, 2007]

S. No.	Office of the Ombudsman	Contact Details	Areas of Jurisdiction
1	**AHMEDABAD**	Insurance Ombudsman Office of the Insurance Ombudsman 2nd floor, Ambica House Nr. C.U. Shah College 5, Navyug Colony, Ashram Road, **AHMEDABAD – 380 014** Tel.: 079- 27546150 Fax: 079-27546142 E-mail:insombahd@rediffmail.com	Gujarat , UT of Dadra & Nagar Haveli, Daman and Diu
2	**BHOPAL**	Insurance Ombudsman Office of the Insurance Ombudsman Janak Vihar Complex, 2nd floor Malviya Nagar, **BHOPAL** Tel.: 0755-2769201/02 Fax: 0755-2769203 E-mail: bimalokpalbhopal@ airtelbroadband.in	Madhya Pradesh & Chhattisgarh
3	**BHUBANESHWAR**	Insurance Ombudsman Office of the Insurance Ombudsman 62, Forest Park **BHUBANESHWAR – 751 009** Tel.: 0674-2535220 Fax: 0674-2531607 E-mail: ioobbsr@dataone.in	Orissa
4	**CHANDIGARH**	Insurance Ombudsman Office of the Insurance Ombudsman S.C.O. No.101, 102 & 103 2nd floor, Batra Building, Sector 17-D, **CHANDIGARH – 160 017** Tel.: 0172-2706196 Fax: 0172-2708274 E-mail: ombchd@yahoo.co.in	Punjab, Haryana, Himachal Pradesh, Jammu & Kashmir, UT of Chandigarh

5	**CHENNAI**	Insurance Ombudsman Office of the Insurance Ombudsman Fatima Akhtar Court , 4th floor, 453 (old 312) Anna Salai, Teynampet, **CHENNAI – 600 018** Tel.: 044-24333678 Fax: 044-24333664 E-mail: insombud@md4.vsnl.net.in	Tamil Nadu, UT–Pondicherry Town and Karaikal (which are part of UT of Pondicherry)
6	**NEW DELHI**	Insurance Ombudsman Office of the Insurance Ombudsman 2/2 A, Universal Insurance Bldg. Asaf Ali Road **NEW DELHI – 110 002** Tel.: 011-23239611 Fax: 011-23230858 E-mail: iobdelraj@rediffmail.com	Delhi & Rajashthan
7	**GUWAHATI**	Insurance Ombudsman Office of the Insurance Ombudsman Jeevan Nivesh, 5th floor, Nr. Panbazar Overbridge, S.S. Road **GUWAHATI – 781 001** Tel. : 0361-2131307 Fax: 0361-2732937 E-mail: omb_ghy@sify.com	Assam, Meghalaya, Manipur, Mizoram, Arunachal Pradesh, Nagaland and Tripura
8	**HYDERABAD**	Insurance Ombudsman Office of the Insurance Ombudsman 6-2-46, 1st floor, Moin Court Lane Opp. Saleem Function Palace, A.C.Guards, Lakdi-Ka-Pool **HYDERABAD – 500 004** Tel.: 040-23325325 Fax: 040-23376599 E-mail: hyd2_insombud@sancharnet.in	Andhra Pradesh, Karnataka and UT of Yanam – a part of the UT of Pondicherry
9	**ERNAKULAM**	Insurance Ombudsman Office of the Insurance Ombudsman 2nd Floor, CC 27/2603, Pulinat Building, Opp. Cochin Shipyard, M.G. Road, **ERNAKULAM – 682 015** Tel.: 0484-2358734 Fax: 0484-2359336 E-mail: iokochi@asianetglobal.com	Kerala , UT of (a) Lakshadweep, (b) Mahe – a part of UT of Pondicherry

10	**KOLKATA**	Insurance Ombudsman Office of the Insurance Ombudsman North British Bldg. 29, N.S. Road, 3rd floor, **KOLKATA – 700 001** Tel.: 033-22134869 Fax: 033-22134868 E-mail: iombkol@vsnl.net	West Bengal, Bihar, Jharkhand and UT of Andeman & Nicobar Islands, Sikkim
11	**LUCKNOW**	Insurance Ombudsman Office of the Insurance Ombudsman Jeevan Bhawan, Phase 2, 6th floor, Nawal Kishore Road, Hazratganj, **LUCKNOW – 226 001** Tel.: 0522-2201188 Fax: 0522-2231310 E-mail: ioblko@sancharnet.in	Uttar Pradesh and Uttaranchal
12	**MUMBAI**	Insurance Ombudsman Office of the Insurance Ombudsman, Jeevan Seva Annexe, 3rd floor, S.V. Road, Santacruz (W), **MUMBAI – 400 054** PBX: 022-26106928 Fax: 022-26106052 E-mail: ombudsman@vsnl.net	Maharashtra, Goa

Note: Address and contact number of Governing Body of Insurance Council:

Secretary General
Governing Body of Insurance Council
Jeevan Seva Annexe,
3rd Floor, S.V. Road,
Santacruz (W),
Mumbai - 400 054
Tel. No.: 022 - 2610 6889, 26106245
Fax No.: 022 - 26106949, 2610 6052
E-mail ID: inscoun@vsnl.net

ANNEXURE 8

Guidelines for Practice in Corporate Form of Practice

As per the existing Code of Ethics, a member in practice is permitted generally to be a 'Director Simplicitor' in any company and as such he is not required to obtain any specific permission in this regard irrespective of whether he and/or his relatives hold substantial interest in that company. However, a member in practice shall not hold the position of Managing Director or Whole-time Director of a Body Corporate if he and/or his relatives hold substantial interest in such concern. In the alternative, a member in practice can occupy such positions by surrendering his Certificate of Practice (CoP). Where substantial interest is not so held, a member in practice can hold these positions only after obtaining specific and prior approval of the Council in which case the member will be regarded as being in part-time practice and therefore, can neither do attest function nor he can train articled/audit assistants.

To empower the members to face the emerging challenges in the service sector as well as to equip them for the opportunities in the non-audit service area, the Council at its 261st meeting held from 1st to 3rd August, 2006 reviewed the aforesaid position and in the interest of the profession, decided to allow members in practice to render Management Consultancy and Other Services in Corporate form, subject to the guidelines to be issued by the Institute in this regard.

The Council decided to allow members in practice to hold the office of Managing Director, Whole-time Director or Manager of a body corporate within the meaning of the Companies Act, 1956 provided that the body corporate is engaged exclusively in rendering Management Consultancy and Other Services permitted by the Council in pursuant to Section 2(2)(iv) of the Chartered Accountants Act, 1949 and complies with the condition(s) as specified by the Council from time to time in this regard.

The members can retain full time Certificate of Practice besides being the Managing Director, Whole-time Director or Manager of such Management Consultancy Company. There will be no restriction on the quantum of the equity holding of the members, either individually and/or along with the relatives, in such Company. Such members shall be regarded as being in full-time practice and therefore can continue to do attest function either in individual capacity or in Proprietorship/

Partnership firm in which capacity they practice and wherein they are also entitled to train articled/audit assistants.

The name of the Management Consultancy Company is required to be approved by the Institute and such Company has to be registered with the Institute. The guidelines alongwith the prescribed application forms for approval of name and registration, provisions of ethical compliance and other details have been issued and the same will come into force w.e.f 1.10.2006.

By abundant caution, it may be clarified that no audit practice can be done in Corporate Form. The consultancy practice hitherto done in Individual or Firm Status alone is now intended to be permitted in Corporate Form also.

The guidelines for Corporate Form of Practice are as follows:

GUIDELINES FOR PRACTICE IN CORPORATE FORM

Definition:

(i) **Managing Director, Whole-time Director and Manager -**

The term "Managing Director", "Whole-time Director" and "Manager" shall have the same meaning as defined/ understood in the Companies Act, 1956. For this purpose, the member in practice who is a Managing Director, Whole-time Director or Manager shall be full-time practitioner/ proprietor/partner in a Chartered Accountants firm.

(ii) **Act** – Act means The Chartered Accountants Act, 1949.

(iii) **Regulations** – Regulations means the Chartered Accountants Regulations, 1988.

(iv) **Code of Ethics** – Code of Ethics means the Code of Ethics issued by the Institute and decisions of the Council in this regard.

(v) **Institute** – Institute means the Institute of Chartered Accountants of India.

(vi) **Council** – Council means the Central Council of the Institute.

(vii) **Member** – Member means a Member in Practice. Member in Practice means a 'Member in Practice' as defined in the Chartered Accountants Act, 1949 and its Regulations.

(viii) **Management Consultancy & Other Services** – Management Consultancy & Other Services or MCS means `Management Consultancy & Other Services' permitted by the Council in pursuance to Section 2(2)(iv) of the Chartered Accountants Act, 1949. The definition of the expression "Management Consultancy and other Services" as appears at pages 8-10 of the Code of Ethics, 2005 edition is as under:

The expression "Management Consultancy and other Services" shall not include the function of statutory or periodical audit, tax (both direct taxes and indirect taxes) representation or advice concerning tax matters or acting as liquidator, trustee, executor, administrator, arbitrator or receiver, but shall include the following:

(i) Financial management planning and financial policy determination.

(ii) Capital structure planning and advice regarding raising finance.

(iii) Working capital management.

(iv) Preparing project reports and feasibility studies.

(v) Preparing cash budget, cash flow statements, profitability statements, statements of sources and application of funds etc.

(vi) Budgeting including capital budgets and revenue budgets.

(vii) Inventory management, material handling and storage.

(viii) Market research and demand studies.

(ix) Price-fixation and other management decision-making.

(x) Management accounting systems, cost control and value analysis.

(xi) Control methods and management information and reporting.

(xii) Personnel recruitment and selection.

(xiii) Setting up executive incentive plans, wage incentive plans etc.

(xiv) Management and operational audits.

(xv) Valuation of shares and business and advice regarding amalgamation, merger and acquisition.

(xvi) Business Policy, corporate planning, organisation development, growth and diversification.

(xvii) Organisation structure and behaviour, development of human resources including design and conduct of training programmes, work study, job-description, job evaluation and evaluation of work loads.

(xviii) Systems analysis and design, and computer related services including selection of hardware and development of software in all areas of services which can otherwise be rendered by a Chartered Accountant in practice and also to carry out any other professional services relating to EDP.

(xix) Acting as advisor or consultant to an issue, including such matters as:-

(a) Drafting of prospectus and memorandum containing salient features of prospectus. Drafting and filing of listing agreement and completing formalities with Stock Exchanges, Registrar of Companies and SEBI.

(b) Preparation of publicity budget, advice regarding arrangements for selection of (i) ad-media, (ii) centres for holding conferences of brokers, investors, etc., (iii) bankers to issue, (iv) collection centres, (v) brokers to issue, (vi) underwriters and the underwriting arrangement, distribution of publicity and issue material including application form, prospectus and brochure and deciding on the quantum of issue material (In doing so, the relevant provisions of the Code of Ethics must be kept in mind).

(c) Advice regarding selection of various agencies connected with issue, namely Registrars to Issue, printers and advertising agencies.

(d) Advice on the post issue activities, e.g., follow-up steps, which include listing of instruments and despatch of certificates and refunds, with the various agencies connected with the work.

Explanation: For removal of doubts, it is hereby clarified that the activities of broking, underwriting and portfolio management are not permitted.

(xx) Investment counseling in respect of securities [as defined in the Securities Contracts (Regulation) Act, 1956 and other financial instruments.] (In doing so, the relevant provisions of the Code of Ethics must be kept in mind).

(xxi) Acting as registrar to an issue and for transfer of shares/ other securities. (In doing so, the relevant provisions of the Code of Ethics must be kept in mind).

(xxii) Quality Audit.

(xxiii) Environment Audit.

(xxiv) Energy Audit.

(xxv) Acting as Recovery Consultant in the Banking Sector.

(xxvi) Insurance Financial Advisory Services under the Insurance Regulatory & Development Authority Act, 1999, including Insurance Brokerage.

(ix) Management Consultancy Company – Management Consultancy Company means a Company, which complies with the Guidelines for Practice in Corporate Form issued by the Institute.

(x) Relative – Relative means "Relative" as defined in Appendix (9) of the Chartered Accountants Regulations, 1988, 2002 edition.

3. Name of the Management Consultancy Company:

(i) The Management Consultancy Company shall have a distinct name which shall be approved by the Institute. The prescribed format of application for approval of name for Management Consultancy Company is at Form 'G' (enclosed).

(ii) Standards prescribed in Regulations 190 of the Chartered Accountants Regulations, 1988 shall be applicable to the name of the Management Consultancy Company. However, even if a name is provided and subsequently it is found that the same is undesirable then, the said name can be withdrawn at any time by the Institute. The provisions in respect of name of companies as prescribed in the Companies Act, 1956 shall be applicable in letter and spirit.

(iii) The name of Management Consultancy Company may indicate the area of 'Management Consultancy & Other Services' permitted by the Council from time to time.

(iv) The Management Consultancy Company shall neither be permitted to advertise nor to use logo.

4. Registration:

After approval of the name under Guideline 3 and incorporation under the Companies Act, 1956, the Management Consultancy Company is required to be registered with the Institute in a prescribed Form 'H' (enclosed).

5. Ethical Compliance:

(i) Once the Management Consultancy Company is Registered with the Institute as per the Guidelines, it will be necessary for such a Company to comply with the following requirements: -

a) If the individual practitioner/sole-proprietorship firm/partnership firm is the statutory auditor of an entity then the Management Consultancy Company should not accept the internal audit or book-keeping or such other professional assignments, which are prohibited for the statutory auditor firm.

b) The Notification No. 1-CA(7)/60/2002 dated 8th March, 2002 (enclosed) in respect of ceiling on Non-audit fees is applicable in relation to a Management Consultancy Company.

c) The Management Consultancy Company shall comply with clauses (6) & (7) of Part-I of the First Schedule to the Chartered Accountants Act, 1949 and such other directives as may be issued by the Institute from time to time.

(ii) The Management Consultancy Company shall give an undertaking that it shall comply with clauses (6) & (7) of Part-I of the First Schedule to the Chartered Accountants Act, 1949 and such other directives as may be issued by the Institute from time to time.

6. Object of Management Consultancy Company:

The Management Consultancy Company shall engage itself only in Management Consultancy & Other Services. The Management Consultancy Company shall give an undertaking that it shall render only Management Consultancy & Other Services prescribed by the Council pursuant to powers under Section 2 (2)(iv) of the Chartered Accountants Act, 1949.

The Object Clause should restrict itself only to the Management Consultancy & Other Services permitted by the Council in pursuance to Section 2(2)(iv) of the Chartered Accountants Act, 1949.

7. Violation of Act:

In case of alleged violation of the provisions of the Act, Regulations framed thereunder, guidelines/directions laid down by the Council from time to time and Code of Ethics issued by the Council, the individual practitioner/sole-proprietorship firm/ partnership firm in general and the Managing Director/ Whole-time Director/ Manager of such company in particular, would be answerable.

8. Applicability of Companies Act, 1956 and other laws:

All the provisions of the Companies Act, 1956 and other laws that are applicable to a Company formed under the Companies Act, 1956 shall be applicable to the Management Consultancy Company. The Guidelines are in addition to the provisions contained in the Companies Act, 1956.

9. Benefits available to members if the Guidelines framed are complied with:

i) The member can retain full time Certificate of Practice besides being the Managing Director/ Whole-time Director/ Manager of Management Consultancy Company.

ii) The member will be entitled to train articled/audit assistant(s).

iii) There will be no restrictions on the quantum of the equity holding of the member, either individually and/or along with his relatives, in such a company.

10. Transitory Provisions:

i) Any member who wishes to become Managing Director/ Whole-time Director/ Manager of an existing Company, which is rendering Management Consultancy & Other Services, and wishes to take other benefit contained in the Guidelines, shall comply with the Guidelines for Practice in Corporate Form.

ii) The Company is required to take approval of name and then apply for registration with the Institute.

iii) If the Institute has reservation over the name of an existing Company that wishes to come under the provisions of this Guidelines, the Company shall be required to apply for change in name.

iv) The Company is also required to change its object clause, if the same contains objects other than those provided in the Guidelines.

FORM G

APPLICATION FOR APPROVAL OF NAME FOR PROPOSED MANAGEMENT CONSULTANCY COMPANY

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

[See Guideline 3 of Guidelines for Practice in Corporate Form]

1. Proposed name of the Company (in order of preference)
   1. ____________________
   2. ____________________
   3. ____________________

2. Name of the Members/firm along with name of partners forming proposed Management Consultancy Company

   Firm Name/Member Name   Firm Regn. No./M.No.

3. Address of the Registered Office of the proposed Management Consultancy Company

   ____

   ____

   ____

   ______________________________Pin ______________

   Tel.: ____________________

   Fax: ____________________

   E-mail: ____________________

   Website Address: ____________________

4. Ownership pattern of the Company

5. Name of the member proposing to become Managing Director/ Whole-time Director/ Manager

Name of the Member	Membership No.
1. ____________________	____________________
2. ____________________	____________________
3. ____________________	____________________

Place: ………………………..

Date: ………………………..

Name(s) with Membership No(s). and signature(s) of duly authorized Partner(s)/Proprietor(s) of the firms

FORM H

DECLARATION FOR REGISTRATION OF MANAGEMENT CONSULTANCY COMPANY

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
[See Guideline 4 of Guidelines for Practice in Corporate Form]

1. Name of the Management Consultancy Company
2. Address of the
   (i) Registered Office
   (ii) Branch Office
3. Ownership pattern of the Company
4. Name of the member(s) proposing to become Managing Director/ Whole-time Director/ Manager

	Name of the Member	Membership No.
1.	______________________	______________________
2.	______________________	______________________
3.	______________________	______________________

5. Number and Date of Incorporation Certificate
   (Please enclose Incorporation Certificate issued by the ROC)

I/We hereby declare that the Management Consultancy Company shall render Management Consultancy & Other Services which are prescribed by the Council of the Institute from time to time pursuant to powers under Section 2(2)(iv) of the Chartered Accountants Act, 1949. This Company has been constituted in compliance with the Guidelines for Practice in Corporate Form issued by the Institute.

I/We hereby declare that I/We shall comply with Clauses (6) & (7) of Part I of the First Schedule to the Chartered Accountants Act, 1949 and such other directions as may be issued by the Institute from time to time in this regard.

Place: ……………………

Date: ……………………

Signatures of two authorised Directors of the body corporate and the Managing Director/ Working Director/ Manager of that body corporate together with membership no. under a common seal.
(Enclose a copy of Board Resolution)

Notification No. 1-CA(7)/60/2002 **8th March, 2002**

1-CA(7)/60/2002: In exercise of the powers conferred by clause (ii) of Part II of the Second Schedule to the Chartered Accountants Act, 1949, the Council of the Institute of Chartered Accountants of India hereby specifies that a member of the Institute in practice shall be deemed to be guilty of professional misconduct, if he accepts the appointment as statutory auditor of Public Sector Undertaking(s)/ Government Company(ies)/ Listed Company(ies) and other Public Company(ies) having turnover of Rs. 50 crores or more in a year and accepts any other work(s) or assignment(s) or service(s) in regard to the same Undertaking(s)/ Company(ies) on a remuneration which in total exceeds the fee payable for carrying out the statutory audit of the same Undertaking/company.

Provided that in case appointing authority(ies)/regulatory body(ies) specify(ies) more stringent condition(s)/restriction(s), the same shall apply instead of the conditions/restrictions specified in this Notification.

Explanation:

1. The above restrictions shall apply in respect of fees for other work(s) or service(s) or assignment(s) payable to the statutory auditors and their associate concern(s) put together.

2. For the above purpose,

   (i) the term “other work(s)” or “service(s)” or “assignment(s)” shall include Management Consultancy and all other professional services permitted by the Council pursuant to Section 2(2)(iv) of the Chartered Accountants Act, 1949 but shall not include:

      (i) audit under any other statute;

      (ii) certification work required to be done by the statutory auditors; and

      (iii) any representation before an authority;

   (ii) the term “associate concern” means any corporate body or partnership firm which renders the Management Consultancy and all other professional services permitted by the Council wherein the proprietor and/or partner(s) of the statutory auditor firm and/or their “relative(s)” is/are Director/s or partner/s and/or jointly or severally hold “substantial interest” in the said corporate body or partnership;

(iii) the terms “relative” and “substantial interest” shall have the same meaning as are assigned under Appendix (10) [now Appendix (9)] to the Chartered Accountants Regulations, 1988.

3. In regard to taking up other work(s) or service(s) or assignment(s) of the undertaking/company referred to above, it shall be open to such associate concern or corporate body to render such work(s) or service(s) or assignment(s) so long as aggregate remuneration for such other work(s) or service(s) or assignment(s) payable to the statutory auditor/s together with fees payable to its associate concern(s) or corporate body(ies) do/does not exceed the aggregate of fee payable for carrying out the statutory audit.

4. This notification is applicable for any appointment(s) on or after 1st April, 2002.

ANNEXURE 9

Useful websites

Institute of Actuaries of India	www.actuariesindia.org
Institute of Insurance & Risk Management	www.iirmworld.org.in
Institute of Insurance Surveyor & Adjustors	www.iisaindia.com
Insurance Information Institute	www.iii.org
Insurance Institute of India	www.insuranceinstituteofindia.com
Insurance Regulatory & Development Authority	www.irdaindia.org
International Association of Insurance Supervisors	www.iaisweb.org
National Insurance Academy	www.niapune.com
Tariff Advisory Committee	www.tac.org.in
International Insurance Fact book	www.internationalinsurance.org