

**02<sup>nd</sup> October 2025**

## **GUIDELINES ON MARKET CONDUCT OF THE INSURERS**

### **1. Introduction**

- 1.1. In terms of Section 3 of the Regulation of Insurance Industry Act, No. 43 of 2000 (the RII Act), the object and responsibility of the Insurance Regulatory Commission of Sri Lanka (IRCSL) shall be to ensure that insurance business in Sri Lanka is carried on with integrity and in a professional and prudent manner with a view to safeguarding the interests of the policyholders and potential policyholders.
- 1.2. In pursuance of the said objects, the requirements and responsibilities recommended in ICP 19 (Conduct of Business) and the Market Conduct Framework and Policy outcomes promulgated by the International Association of Insurance Supervisors (IAIS), IRCSL is required to ensure that both policyholders and insurers understand their rights and responsibilities and that a culture of fair treatment of policyholders and responsible practice exists in the insurance market of Sri Lanka. As such, this guideline reflects the minimum standards expected from the insurers as the market conduct.
- 1.3. For this guideline, market conduct can be described as “the manner in which an insurer designs its products and services and manages its relationship with policyholders and the insuring public”. Therefore, market conduct refers to all strategies, policies, activities, systems, practices and measures that are instituted and performed by insurers and the intermediaries in the ordinary course of business to ensure that all policyholders are treated fairly, both before a contract is entered into and through to the point at which all obligations under a contract have been satisfied.
- 1.4. These guidelines are issued for the purpose of assisting the insurers in developing their strategies, policies, activities, systems, practices and measures in adherence to minimum standards on market conduct as stipulated in these guidelines with the ultimate motive of strengthening the policyholder confidence in the insurance market.
- 1.5. These guidelines are supplementary to, and shall not be construed as replacing, the requirements stipulated in the RII Act and the subordinate legislations issued by IRCSL.

### **2. Scope and Purpose of the Guidelines**

- 2.1 The purpose of this guideline is to establish minimum standards for the market conduct of the insurers within the scope of,
  - a) Organizational Culture
  - b) Advertising, Marketing, Sales and Distribution Channels
  - c) Product Designing
  - d) Policyholder Services (pre and post-services)
  - e) Underwriting
  - f) Confidentiality, Security of policyholder Information and Disclosure (in line with Personal Data Protection Act, No. 9 of 2022 (PDPA))
  - g) Claims Handling
  - h) Complaint Handling and Dispute Resolution

### 3. Definitions

- 3.1 **Advice** shall mean the provision of personalized professional recommendations on a product or service (complaints, claims etc.) in relation to the disclosed needs of the policyholder beyond the provision of product information.
- 3.2 **Policyholder** means a person to whom a contract of insurance is issued by an insurer i.e. a person to whom a good or service is provided by an insurer or intermediary (i.e. the person who for the time being is the legal holder of the policy for securing the contract with the insurer).
- 3.3 **Insurance Business means,**
  - (a) **Long Term Insurance Business**, that is to say, the business of entering into or maintaining contracts of assurance on human lives, such contracts including contracts whereby the payment of money is assured on death or on the happening of any contingency dependent on human life, and contracts which are subject to payment of premia for a term dependent on human life; and
  - (b) **General Insurance Business** which means all insurance business which do not fall within the definition of "long term insurance business".
- 3.4 **Insurer** means a person registered to carry on insurance business in Sri Lanka under the provisions of the RII Act, and includes a company deemed to be registered under sub-section (2) of section 113.
- 3.5 **Key information or key facts** means any information which is likely to influence a policyholder's decision or other action with regard to a product or service (Please refer Direction 6 of 2024).
- 3.6 **Policy Servicing** means the provision of relevant information to policyholders throughout the life of the policy, including information on the insurer and the updating of records and the sending of updates and notices regarding the policy on an ongoing basis to the policyholder.

### 4. Minimum Standards for Market Conduct

The minimum standards for market conduct aim to ensure fair treatment of policyholders and ethical business conduct by the insurers within the industry. These minimum standards of market conduct shall continue throughout the life cycle of insurance product which begins with the product design and continues until all obligations under the contract of insurance are fulfilled and insurers are ultimately responsible for the good conduct throughout the cycle. However, when there are several parties involved in the design, marketing, distribution and policy servicing of insurance products, the good conduct with regard to each service is a shared responsibility of the parties involved.

#### A) Organizational Culture

The Board of Directors (Board) of the insurer shall approve the market conduct strategy, policies and procedures and delegate the implementation of the same including but not limited to following activities within the organization to respective Senior Management personnel. However, the Board is ultimately responsible for ensuring overall effective implementation of all such activities and the Board shall require the Senior Management to conduct an annual review on progress of each activity listed below and report the Board annually on the same.

- a) formulate and implement an approved market conduct strategy, policies and procedures to establish a culture of fair treatment of policyholders throughout the conduct of business activities. This initiative to be effected by 02<sup>nd</sup> April 2026.
- b) ensure such policies and procedures support the objective of fair treatment of policyholders, as stipulated in the Guidelines on Principles on fair treatment of policyholders dated 26<sup>th</sup> January 2018, and embedded in the culture as an integral part of the business covering the areas of Strategy, Leadership, Decision Making, Internal Controls, Performance Management and Remuneration &

rewarding strategy and regulatory compliance issued by IRCSL.

- c) assess the effectiveness and progress of market conduct strategy by including it in the scope of work and strategic plan of the organization to ensure fair treatment of policyholders and develop appropriate tools to monitor and report the compliance with approved market conduct strategy.
- d) communicate, where applicable, to all employees that fair treatment of policyholders is a priority and make available approved policies, procedures, controls, systems, etc. pertaining to the market conduct strategy to all employees in a central and easily accessible location.
- e) implement mechanisms and controls to ensure that any deviation from set policies and procedures, which will jeopardize the interest of policyholders can be promptly identified and remedied within the organization to avoid potential situations of conflict of interest.
- f) establish objectives and Key Performance Indicators (KPIs), against which the performance of an insurer and its staff will be tracked on good market conduct and fair treatment.
- g) ensure the fair treatment of policyholders, their privacy, confidentiality of consumer data and information and ensure relevant provisions of PDPA are complied with in this regard.
- h) identify, measure and assess all possible threats to responsible business conduct and fair treatment within the business environment and the organization as a whole and implement measures to mitigate the impacts of such threats i.e. appropriate risk management strategy in respect of fair treatment of policyholder.
- i) enter into formal agency contract with respect to engagement of agents in their insurance business and execute formal contract with the for provision of any service by a any third party (e.g. outsource of claims handling procedure), in order to ensure that the policies, procedures and processes of such parties align with these guidelines and fair treatment of policyholders by such agents or third parties. In such situations, the insurer shall perform due diligence before entering such contracts and monitor ongoing performance as the insurer has the ultimate responsibility for the actions or omissions of their agents and third parties.
- j) ensure that the staff of the insurer shall not engage in any fraudulent, deceptive or manipulative practices, which may result in a financial loss to the policyholder and as a result, particular staff realizes a financial benefit.

## **B) Advertising, Marketing, Sales and Distribution Channels**

Material Information on insurance products shall be disseminated to policyholders in an efficient and timely manner throughout the life cycle/tenure of the policy to enable the policyholders to make informed decisions on their own interest. Sales and Marketing materials shall not be false, incorrect or misleading, and shall be written in plain language, so as to be easily understandable by the insuring public.

### **(1) Advertising and Marketing Material**

- a) Insurers shall comply with Direction No. 03 of 2024 dated 14<sup>th</sup> May 2024 on Advertisements issued by insurers, insurance brokers and insurance agents. However, without prejudice to the application of the said Direction, the insurers shall ensure adherence to these guidelines.
- b) Insurers shall formulate policies, and a documented procedure required to review and approve advertisements/promotional materials internally against the requirements stipulated in the above Direction No. 03 of 2024, prior to submitting them to IRCSL for approval and/or publication of the same.
- c) Insurers shall, in their own motion, withdraw any advertisement published immediately upon becoming aware of the fact that the advertisement so published contains information, which is false, incorrect or misleading.
- d) Insurers shall immediately withdraw or correct any advertisement with a notice of such correction of any published advertisement upon required to do so by IRCSL.

## **(2) Quotations and Proposals**

- a) Insurers shall comply with Circular No. 01 of 2022 dated 26<sup>th</sup> January 2022 on Prohibition of providing different quotations (reduction in premium) to same policyholder for the same insurance cover and Direction No. 01 of 2023 dated 19<sup>th</sup> June 2023 on condition of average read with Clarification on Direction No. 01 of 2023.
- b) Insurers shall include the following information, at the minimum, in the quotation, when providing an insurance quotation to a policyholder:
  - a) name of the insurer as it appears in its Certificate of Incorporation and contact details
  - b) name and contact details of the insurance broker or the insurance agent, if applicable
  - c) name of the insurance cover/policy
  - d) type of insurance cover (individual/ group etc.)
  - e) scope of coverage or type/s of insurance risk to be covered including any rider covers applicable to the cover
  - f) sum assured, amount payable as premium, payment frequency, any grace period allowed for premium payments and currency of the quotation
  - g) breakdown of premium components (e.g. risk premium, administrative fees, tax component, etc.) the major benefits and exclusions.
  - h) policy term
  - i) validity period of the quotation
  - j) other relevant key information that is necessary to the policyholder to take an informed decision for the purchase
  - k) signature/e-signature (as applicable) of an authorized officer with designation

## **(3) Qualifications and Training of Sales Staff/ Insurance Agents**

- (a) Insurers shall comply with Direction No. 01 of 2022 dated 26<sup>th</sup> January 2022 on Restriction on providing codes and restriction on changing codes, Insurance Agents Qualification Rules (as amended) issued by IRCSL, Insurance Agents (other than individuals) Qualifications Rules issued by IRCSL and Direction No. 02 of 2024 dated 8<sup>th</sup> February 2024 on Directions to insurers and brokers on qualifications of insurance agents (verification of educational qualifications of insurance agents).
- (b) Without prejudice to the above requirements, insurers shall ensure that insurance agents, who are contracted by the insurer to negotiate with policyholders and solicit business, possess necessary educational and professional qualifications and are fit & proper for the assigned tasks.
- (c) Insurers shall ensure that their sales staff employed by them possess the same minimum educational qualifications and other requirements made applicable to the insurance agents by IRCSL in the Insurance Agent Qualification Rules, 2002 as subsequently amendments.
- (d) Insurers shall carry out training to the insurance agents who are contracted by them, at the on boarding prior to permitting them to solicit business, and on ongoing basis focusing on detailed knowledge of the products, market and industry trends, ethical conduct, insurance laws & regulatory requirements, global best practices in insurance, etc. with a view to establishing and maintaining a culture of fair treatment of policyholder and such training shall be similar to or higher than the standard of training provided to the insurance agents and in accordance with continuous professional development (CPD) requirements, which shall be decided and documented by the insurer.
- (e) Insurers shall maintain relevant documents of the training programmes for their sales staff and insurance agents. Such documents of the training shall include the participants, date, content and the illustrative material used in support of the training and such records shall be made available for inspection to IRCSL upon request.
- (f) Insurers shall have product specific training standards and materials designed to provide sales staff and insurance agents with adequate knowledge of the investment-linked products prior to soliciting

the sale of such products.

- (g) Insurers shall implement effective systems to ensure that the insurance brokers and insurance agents acting on their behalf, comply with the policies and procedures of the insurer and the provisions of the RII Act and its subordinate legislations in soliciting business and engaging with the policyholders.
- (h) Insurers shall ensure and encourage that their employees including sales staff and insurance agents maintain high standards of ethics, professionalism and integrity when dealing with the policyholders and handling policyholders' suggestions, concerns, claims, complaints and providing any advice to policyholders. The same shall be,
  - a) Clear delivery of information to policyholder - insurers shall take reasonable steps to ensure that the policyholder is provided with appropriate information relating to a product, so that the policyholder will be able to take an informed decision on purchasing the product offered. Such information shall be provided to the policyholders prior to the point of sale and at the point of sale in order to enable the execution of an informed decision by the prospective policyholder.
  - b) Insurers shall make sure that the advice so provided is communicated accurately in plain language that is easily understandable by the policyholder.
  - c) Insurers shall have an Insurance Product Information Document (IPID) for each insurance policy in compliance with the Direction issued by IRCSL on issuing an insurance product information document.
  - d) Insurers shall maintain an official website and update its content in a timely manner ensuring adequate disclosure and transparency of its business activities, products and services.
  - e) Insurers shall disclose or provide all the relevant information and documents at any stage of a contract, in a complete, clear, concise, accurate, not misleading and timely manner in the language preferred by the policyholder (Sinhala, Tamil or English) and explain salient features of such information to the policyholder.
  - f) Insurers shall implement appropriate measures to evaluate the policyholder's capacity to consistently pay premiums throughout the policy term.
  - g) Insurers shall establish an appropriate monitoring framework (IPID) and ensure that regular periodic reviews of policyholders' files are carried out by the Internal Audit/Compliance Department to confirm compliance with the requirements set out in these guidelines.
  - h) Insurers, based on the findings of the periodic reviews, shall take corrective actions to resolve the issues identified, if any.
- (i) Insurers shall introduce a standardized format (product IPID - information booklet/ fact book) for disclosure of key product features and important terms and conditions, which will aid comparability across competing products to allow the policyholders to take a more informed decision.
- (j) Insurers shall provide clarifications if policyholders have any query regarding the information provided or disclosed.
- (k) Insurers shall disclose information sufficiently to enable policyholders to understand the characteristics of the product and facilitate making an informed decision. Before an insurance contract is concluded, the insurers, shall ensure that its sales staff and insurance agents make the policyholders aware on matters, which include but not limited to:
  - a) General provisions of the insurance contract
  - b) Obligation to disclose material facts
  - c) Obligations to be complied with when a contract is concluded and during its lifetime, as well as the consequences of non-compliance
  - d) Obligation to monitor cover
  - e) Right to cancel
  - f) Right to claim benefits
  - g) Obligations on the policyholder in the event of a claim; and
  - h) Right to complain
- (l) Insurers shall take into account the specificities of the medium used, and use appropriate tools in

conducting insurance business through mobile networks and fixed-line operators (Please refer Direction 5 of 2024) to ensure that policyholders receive timely, clear and adequate information that helps their understanding of the terms on which the business is conducted. The insurers shall ensure compliance with the Direction No. 05 of 2024 dated 22<sup>nd</sup> August 2024 on Sale of insurance products to policyholders of mobile network operators (MNOs) and Fixed-Line Operators (FLOs) through the usage of data and platform of MNOs and FLOs.

- (m) Insurers which offer insurance products through mobile networks operators and fixed- line operators shall disclose relevant business and contact information such as:
- a) Name, contact details and the address of the insurance company.
  - b) Key features of the product to be sold.
  - c) Procedures for the submission of claims and a description of the claims handling procedures.
  - d) Contact information of the authority or organization dealing with dispute resolution and/or consumer complaints.
  - e) Insurers shall comply with the provisions of the Guidelines on linked long-term business dated 1<sup>st</sup> May 2007 with regard to disclosure of information on account statements.
  - f) The post-sales documents shall not contain any information or material that is false, incorrect and likely to mislead the policyholders. The method of presentation of the information shall not disguise, diminish or obscure material information. The information provided in these documents shall be accurate, clear and updated.
  - g) Updates on post-sale information shall be provided to the policyholders at regular intervals to keep them informed of the performance of the obligations under insurance contract and any approved/agreed changes in the terms and conditions during the tenure of the insurance contract with the consent of policyholder.

#### **(4) Policyholder Education and Awareness creation**

The insurers shall take all endeavors to provide insurance education and awareness programmes, either on its own or in partnership with industry associations or in collaboration with the IRC SL/ agencies promoting insurance literacy.

- a) Insurance education tools may include but are not limited to printed brochures, flyers, booklets, posters, videos, presentations, key messages, etc.
- b) Insurers shall educate policyholders on policy exclusions; terms & conditions related to its insurance products.

#### **C) Product Designing**

When developing/ designing insurance products, insurers shall include the use of adequate information to assess the needs of different policyholder groups. The product development process provides for a thorough assessment of the main characteristics of a new product and of the related disclosure documents by every appropriate department of the Insurer.

- (a) When Insurers design an insurance product, they shall comply with the following:
- a) Direction No. 01 of 2025 dated 25<sup>th</sup> April 2025 on Needs Assessment and Customer Onboarding Process for Long-Term Insurance Business
  - b) Circular No. 01 of 2021 dated 23<sup>rd</sup> March 2021 on Clearance of insurance products prior to launch
  - c) Guidelines on Policy framework for General Insurance Products dated 10<sup>th</sup> April 2023
  - d) Guidelines on Policy framework for Long-Term Insurance Products dated 09<sup>th</sup> August 2024
  - e) Circular No. 43 dated 02<sup>nd</sup> July 2020 on issuing insurance policies in three languages
  - f) Guidelines on Principles on fair treatment of policyholders dated 26<sup>th</sup> January 2018
  - g) Direction No. 05 of 2024 on dated 22<sup>nd</sup> August 2024 on Sale of insurance products to policyholders of mobile network operators (MNOs) and Fixed-Line Operators (FLOs) through the

usage of data and platform of MNOs and FLOs

- (b) Insurers shall have board-approved procedures to assess the product risks and identify target policyholders based on risk appetite, policyholder needs and product development objective. Assessments of compliance with procedures and market conduct principles shall be carried out and documented at the end of the developmental stages of a product.
- (c) Product design shall be focused on the policyholders' needs and relevance to the requirements of the market.
- (d) Offer products and services which are in accordance with the fair and equitable terms and conditions and perform contractual obligations to the policyholders as advertised and agreed.
- (e) Insurers shall have the essential financial, product and industry knowledge, and shall be aware of;
  - a) market trends, macro-economic conditions, and future developments which can influence the insurance industry;
  - b) the importance of communicating information with respect to the insurance products and its services to the policyholders;
  - c) the requirement to disclose to the prospective policyholders and requisite stakeholders relating to any relationships or situations that may compromise the impartiality of the advice; and all relevant legal and regulatory requirements relating to policyholder protection and the conduct of business.
- (f) Insurers shall design and develop products that can be offered to vulnerable persons or groups in society, such as the elderly, persons with disabilities, and those in the estate sector, etc., ensuring that the products are affordable and contribute to increasing inclusiveness and penetration of insurance in Sri Lanka.
- (g) Insurers shall develop proper mechanisms to monitor the post-launch performance of each product on a periodic basis and to obtain policyholder feedback on product viability for taking appropriate actions to enhance or modify the products launched.

#### **D) Policyholder Servicing**

Policy servicing includes the provision of relevant information to customers throughout the life of the policy.

- (a) Insurers shall engage in policy servicing appropriately, until all contractual obligations under the terms and conditions of the insurance policy have been fulfilled.
- (b) Insurers shall carry on its business activities with the due skill, care and diligence with a view to ensuring that the policyholders are adequately informed of and provided with complete information pertaining to the nature and effect of all provisions in the insurance policies designed, marketed and issued. Policyholders shall be treated with due skill, care and diligence before a contract is entered into and through to the point at which all obligations under the contract have been satisfied.
- (c) Insurers shall formulate transparent and detailed service standard timelines with a view to delivering information required by the policyholders, completing the contracts, paying/collecting premiums, processing and paying claims, handling complaints, etc. Such service standards shall also be implemented for their insurance brokers and insurance agents. Information on the insurer's service standards shall be readily available to policyholders in an easily understandable and accessible format.
- (d) Insurers shall submit a copy of the policy document to the policyholder in an agreed format (hard/soft version) within Fourteen (14) days after entering into the insurance contract.
- (e) Insurers shall comply with Direction No. 02 issued on 29<sup>th</sup> November 2013, as amended by Direction No. 02A dated 16<sup>th</sup> March 2016, Direction No. 02 B dated 8<sup>th</sup> August 2016 and Direction No. 02 (Amended) dated 13<sup>th</sup> March 2020 on Delivery of policy documents.

- (f) Insurers shall comply with Circular No. 43 of 2020 dated 2<sup>nd</sup> July 2020 on issuing insurance policies in three languages with respect to the language and font size of policy contents.
- (g) Insurers shall ensure that the policyholders understand the consequences of their choice of beneficiaries, and the administrative implications pertaining to changing a beneficiary and the selection of beneficiaries under the age of eighteen (18) years.
- (h) Insurers, upon request by the policyholder, shall disclose information to policyholders on any contractual changes during the tenure of the contracts/policy period and any relevant information based on the type of insurance policy.
- (i) Insurers shall conduct bi-annual internal audits to ensure that employees and insurance agents adhere to the requirements laid down by internal policies and procedures.
- (j) Insurers shall conduct periodic reviews of policyholder profiles, products and risk appetite, as the policies become due for renewal. Findings and recommendations derived via such assessments shall be documented and maintained by the insurers for future improvements in policy servicing.
- (k) Insurers shall send out renewal notices with an adequate amount of advanced notice and shall acknowledge the policyholders for receipt of payment of premium in accordance with the insurer's procedures and retain a record of transactions.
- (l) Insurers shall make reasonable attempts to locate missing policyholders or beneficiaries to minimize the number of unclaimed benefits.
- (m) Insurers shall be ultimately responsible for servicing policies throughout their life cycle and ensuring that intermediaries have appropriate policies and processes in place in respect of the policy servicing activities that they perform on behalf of the insurer.
- (n) Insurers shall take appropriate action(s) as may be required, to correct any misstatement of the policyholder's account due to fraud or an error.
- (o) Insurers shall inform their policyholders that periodic reviews of their profiles and portfolios will be conducted as part of its after-sales services, with a view to improving the policy servicing and avoiding policy lapses.
- (p) Insurers shall develop and implement appropriate policyholder feedback obtaining procedures to verify whether the expected servicing quality has been delivered to the policyholder.

## **E) Underwriting**

- (a) Insurers shall recommend and sell insurance products suitable for the requirements and the risk profile of the policyholder. Accordingly, the sale of insurance products should be based on 'what is best suited for the policyholder', given their needs, financial capability, risk profile and specific circumstances of the policyholder.
- (b) Insurers shall formulate a board-approved procedure for underwriting practices.
- (c) The assessment of 'right fit' shall be considered as an integral part of assessing the suitability of a product or service for a particular policyholder.
- (d) Insurers shall gather and record adequate information from their policyholders to help assess the insurance needs prior to recommending and offering a product.
- (e) Policyholders shall be informed of the contractual duty to provide true, fair and complete disclosure, facilitating the insurer to offer the most suitable product to the policyholders.
- (f) The assessment of suitability of insurance products offered shall incorporate details such as;
  - a) Financial objectives, priorities and needs of the policyholder
  - b) Financial capacity, both current and expected, in terms of personal traits such as income, age, health condition, habits, dependents, etc.
- (g) Insurers shall not permit rebating, commission cutting or inducements.
- (h) Insurers shall not engage in unfair business practices to the detriment of policyholders.
- (i) Insurers shall not act in bad faith or negligently in providing insurance products and services to financial consumers.



- (j) Insurers' underwriting practices shall not be unfairly discriminatory.
- (k) Application or proposal forms shall be properly, accurately and fully completed, including any required signatures, and file documentation adequately supports decisions made.
- (l) Insurers shall not engage in activities that constitute unfair methods of competition.

## **F) Confidentiality, Security of Policyholders' Information and Disclosures**

Insurers shall ensure that policyholders shall be assured of the security of their personal information and that such information is safely maintained. Policyholders have a legitimate expectation that their personal information is kept confidential at all times by the insurers.

- (a) Insurers shall comply with the provisions of Personal Data Protection Act, No. 09 of 2022 and any subsequent data protection requirements imposed on controllers and processors by the Data Protection Authority, in controlling and/or processing data of the policyholders before and after on boarding.
- (b) Insurers shall implement necessary policies and procedures to protect the confidentiality and security of personal data against breach of any unauthorized access, unlawful processing and anticipated threats or hazards to the security or integrity of such data.
- (c) Such policies and procedures shall ensure that information collected cannot be used for unfair personal, monetary or other gains by the insurer or by its staff, agents, related parties, affiliates or third parties.
- (d) Insurers shall develop and implement suitable data retention and disposal policies and procedures considering the obligations under the Personal Data Protection Act.
- (e) Insurers shall ensure that the information submitted by the policyholders during the course of business, or in any other affairs related to the insurance policy, is not disclosed to any third party, unless mandated by a court of law or the policyholder has expressly consented to the disclosure. However, if such information is "personal data" in terms of the Personal Data Protection Act, No. 9 of 2022, the processing of such data shall be subject to the conditions for lawful processing and conditions for processing special categories of personal data and related other provisions of the said Act.
- (f) Insurers shall confirm the availability of essential internal systems and controls to facilitate secure storage, transmission, processing, retrieval and destruction of policyholder information, upon request by IRCSL, since the insurer is ultimately responsible for safeguarding the policyholders' information. Such confirmation shall include measures taken to prevent/mitigate online data breaches and cyber threats to personal data in the custody of the insurers.
- (g) Insurers shall have been entered into legally binding agreements with relevant parties to ensure that adequate policies, procedures and systems are in place for the protection and confidentiality of policyholder information by the third party and that policyholders' information is kept confidential in instances where services concerning the transmission, verification, data processing and storage of policyholders' information are outsourced. Periodic reviews of these confidentiality agreements shall be conducted (preferably within two years) to ensure that the above requirement is maintained.
- (h) Insurers shall ensure that their staff is properly trained in maintaining the security, confidentiality and integrity of policyholders' records and information.

## **G) Claims Handling**

- a) Insurers shall handle policyholders' claims in an independent, effective, transparent, fair and prompt manner.
- b) Insurers shall possess a documented claims handling procedures, and institute a detailed process

for the timely, transparent and fair settlement of all claims in line with the Direction No. 06 issued on 26<sup>th</sup> March 2015 as amended by Direction No. 06A dated 21<sup>st</sup> August 2015 on Settlement of insurance claims issued by IRCSL.

- c) Insurers shall comply with the Guidelines on Policy framework for General Insurance Products dated 10<sup>th</sup> April 2023 and Guidelines on Policy framework for Long- Term Insurance Products dated 09<sup>th</sup> August 2024 in disclosing the procedure relating to claims management.
- d) Insurers shall inform its policyholders, via their website, regarding the processes, procedures and established timeframes for settlement of claims as detailed in its Claim Policy.
- e) Insurers shall make relevant policies and procedures on claims handling, publicly available as a good practice.
- f) Insurers shall ensure that the staff of the Claims Department are competent and adequately skilled to process claims in an efficient and effective manner, and, in this regard, provide training to promptly address policyholders' requests for claims payments.
- g) Insurers shall communicate promptly to the policyholder regarding the requirement to submit any additional information necessary for processing a claim and send reminder notices, if the need arises.
- h) Insurers shall provide information to the claimants regarding the status of their claims in a timely manner, upon receiving a request from the claimant.
- i) Insurers shall not discriminate between insured with differing qualifying events covered under the policy or among insured with similar qualifying events covered under the policy.
- j) Insurers shall inform the policyholder in writing of the identity of the registered loss adjuster/s and the scope of work where the insurer engages the services of a registered loss adjuster to assist in the processing of the claim.
- k) Insurers shall ensure that they engage Loss Adjusters who are fair in its assessment of insurance claims and loss adjustment, and provide requisite details and rationale, so that both the insurer and policyholder can be assured that the latter was treated fairly.
- l) Insurers shall inform the claimant in writing (in simple language) and provide illustrations where applicable to the claimant in instances where claims have been impacted by any terms & conditions of the policy.
- m) Insurers shall inform the claimant in writing of the decision made on the claim, where the claims are denied in whole or in part, reasons for denying a claim, within the stipulated timeframes.
- n) Insurers shall explain the terms & conditions applicable for the offer of settlement if any, within the stipulated timeframes.
- o) Insurers shall allow the claimant a reasonable period to accept or reject the offer of claim settlement and such a time period shall be stated in the Claims Settlement Procedure.
- p) Insurers shall settle and discharge the claim promptly where the claimant agrees to accept the offer.

## **H) Complaint Handling and Dispute Resolution**

Complaints are indicators or expressions of customer dissatisfaction with a service or product, and these should be handled promptly. A grievance is a feeling of resentment or dissatisfaction expressed in writing with the administration, claims practices or provision of services by the insurer which is believed to be wrong or unfair and might escalate into a complaint.

- a) Insurers shall establish written policies and procedures for the effective and transparent handling of complaints in a fair manner via a simple and equitable process and institute a process for the timely, transparent and fair settlement of all complaints in compliance with the Guideline on Complaints Handling by Insurers and Brokers issued on 1<sup>st</sup> October 2016.
- b) Complaints handling procedures shall follow a balanced and impartial approach, bearing in mind the legitimate interests of all parties involved, and shall avoid being overly complicated.

- c) Insurers shall avoid conflicts of interest when handling complaints of policyholders. An officer shall not be involved in the processing of a complaint if such an officer is a party to or a direct supervisor to the relevant officer or has an interest in the complaint or complainant.
- d) Insurers shall provide the complainant with the name and contact number of the individual appointed to be the point of contact as it relates to the complaint until it is resolved or duly advise the consumer if the complaint cannot be resolved.
- e) Insurers shall provide information to the complainant regarding the status of their complaint in a timely manner, upon receiving a request from the complainant.
- f) The assessment of each complaint shall be properly documented and a record of the details of the complaint, the insurer's response and any action taken as a result, shall be made available to IRCSL on request.
- g) Insurers shall address situations where the complainant may be dissatisfied and advise them regarding the available mechanism of dispute resolution
  - a) make a complaint to the Principal Officer of the insurer
  - b) make a complaint to the Insurance Ombudsman or the IRCSL, if the policyholder is not satisfied with the resolution of his/her complaint by the insurer
  - c) Arbitration (optional) or;
  - d) seek redress in the Courts of Sri Lanka
- h) The use of Alternate Dispute Resolution (ADR) mechanisms shall be at the option of policyholder, and such shall be disclosed on the website of the insurer, insurance policy documents and advertising materials available to policyholders, as applicable.
- i) Insurers shall make relevant policies and procedures on complaint handling and dispute resolution, publicly available as a good practice.

## **5. Compliance and Enforcement**

- 5.1 Insurers shall have a proper mechanism to comply with the requirements of conduct of business procedures stipulated under these guidelines.
- 5.2 Insurers shall have effective internal controls to ensure that their policyholder protection policies, procedures and systems are implemented throughout the conduct of business in compliance with these guidelines. Strategies, policies and procedures dealing with the fair treatment of customers should be made available to IRCSL upon request.
- 5.3 The Board of Directors of the insurer shall be responsible for:
  - a) approving and adopting policies and procedures on conduct of business and overseeing and reviewing such policies and procedures in compliance with the provisions of these guidelines.
  - b) ensuring that an appropriate structure with procedures, systems and resources are in place for effective implementation of conduct of business policies including internal controls and codes of conduct for employees and agents/ third parties appointed by the insurer. For this purpose, the Board shall ensure that an appropriate monitoring mechanism is in place to assure compliance with these guidelines.
  - c) appointing a dedicated independent officer from Key Management Personnel to oversee the conduct of business function in line with these guidelines and report to the Board periodically.
  - d) ensuring that the Key Management Personnel monitors, evaluates the conduct of business activities, reports to the Board annually and corresponds with the IRCSL.
- 5.4 The responsibilities of the Key Management Personnel of the insurer shall include but not limited to:
  - a) Implementation of suitable mechanisms to co-ordinate and collaborate among other internal business units to ensure that the conduct of business policies and procedures are in compliance with these guidelines.
  - b) monitoring, evaluating and reporting on conduct of business activities.
  - c) overseeing and supervising the operations of any agent and/or third party who is providing insurance services to ensure policyholder protection in line with this guideline.

- d) ensuring deployment of staff who have sufficient knowledge and expertise in establishing a culture of fair treatment throughout the conduct of business activities.
  - e) ensuring the provision of relevant training for employees, agents and third parties appointed by the insurer engaged with policyholders on matters related to these guidelines.
- 5.5 In accordance with section 03 of the RII Act, this Guideline is being issued to facilitate insurers to comply with the market conduct objectives, as well as best practices on market conduct with a view to safeguarding the interests of the policyholders and potential policyholders.
- 5.6 Insurers shall;
- a) review these guidelines, conduct a gap analysis of the present policies and procedures against the provisions of the guideline.
  - b) develop an action plan to address the gaps in relation to the market conduct outcomes, within a period of six (06) months from the date of issuance.
  - c) the action plan shall be approved by the Board of the insurers and submitted to the IRCSL within a period of fourteen (14) days after the expiry of the period of six (06) months stated above (in sec. 5.6 (b)).
  - d) ensure compliance with the provisions of the guidelines within a period of twelve (12) months from the date of issuance of the guideline.
  - e) submit a certificate compliance (as per annex. 01), signed by the Principal Officer, to the IRCSL within a period of fourteen (14) days after the expiry of twelve (12) months confirming the compliance with the guideline.
- 5.7 Compliance with this Guideline will be checked by IRCSL when it performs on-site and off-site inspections of insurers and also when it investigates complaints sent to the IRCSL.

## **6. Effective Date**

This Guideline comes into effect from 01<sup>st</sup> October 2026.

**CERTIFICATE OF COMPLIANCE**  
**Guidelines on Market Conduct**

From	To
Principal Officer  [Name & address of the Insurer]	Director General  Insurance Regulatory Commission of Sri Lanka  Level 11, East Tower World Trade Centre  Colombo 1

I, the undersigned, being the Principal Officer of .....  
[name of the insurer], hereby certify and confirm that the following areas related to the conduct of insurance business are in compliance with the provisions of the Guidelines on Market Conduct of the Insurers dated....., issued by the IRCSL :

- a) Organizational Culture
- b) Advertising, Marketing, Sales and Distribution Channels
- c) Product Designing
- d) Policyholder Services
- e) Underwriting
- f) Confidentiality, Security of Policyholders' Information and Disclosures
- g) Claims Handling
- h) Complaint Handling and Dispute Resolution

(Name  
(Sig.)  
Principal Officer

Date (DD/MM/YYYY)  
Rubber stamp

Note

Please forward this compliance report to [mdcr@ircsl.gov.lk](mailto:mdcr@ircsl.gov.lk) , within a period of fourteen (14) days after the expiry of twelve (12) months from the date of issuance of the guideline.



