



THE REGULATION OF INSURANCE INDUSTRY ACT, NO. 43 OF 2000 - DIRECTION

25.04.2025

No. 01 of 2025

Direction on Needs Assessment and Customer Onboarding Process for Long-Term Insurance Business

1. Introduction

This "Direction on Needs Assessment and Customer Onboarding Process for Long Term Insurance Business", is issued in accordance with Section 03 read with 96 A of the Regulation of Insurance Industry Act, No. 43 of 2000 (the RII Act). The Insurance Regulatory Commission of Sri Lanka (IRC SL) aims to establish a framework that promotes need-based sales of insurance products by setting standards for customer onboarding and accurate assessment of customer needs of long-term insurance companies.

2. Purpose

2.1 The purpose of this Direction is to

- strengthen consumer confidence by establishing standards for identification and assessment of customer needs and customer onboarding process.
- ensure the suitability of insurance products, enhance customer satisfaction and retention, and foster trust and long-term engagement within the insurance sector.
- to foster professional standards and enhance public confidence in the insurance industry by promoting ethical and responsible conduct among insurance agents/advisors and sales personnel.

3. Scope and Applicability

This Direction shall be complied with by all Long-term Insurance Companies.

4. Requirements

4.1 Customer needs assessment and onboarding process

4.1.1 Long Term Insurance Companies shall:

- establish a manual of procedures detailing the comprehensive evaluation of customers' insurance needs and onboarding procedure to be used by insurance agents, sales personnel and brokers. The said manual shall be reviewed and approved by the Principal Officer and the Specified Officer annually.

- B. the said procedure manual shall include, but not limited to the following:
- 1) conducting the needs assessment of prospective policyholders
 - 2) develop a detailed questionnaire to assess the protection needs, financial capability and creditworthiness of prospective policyholders. This questionnaire will include the following, but not limited to:
 - I. personal information
 - II. expected benefits from insurance
 - III. protection period
 - IV. financial needs
 - (a) protection against adversities (life, healthcare, property, liabilities etc.)
 - (b) current as well as future financial commitments/obligations
 - (c) savings
 - (d) wealth accumulation through investments and future income
 - V. financial analysis
 - (a) monthly income from all sources
 - (b) all expenses including, but not limited to, living expenses, mortgage payment, other regular payment for loan, family expenses, etc.
 - (c) amount willing to pay for the insurance throughout the entire term of the insurance policy / allocation for future premium payments
 - VI. recommendations for agents/sales personnel, brokers and applicants, if required.
 - 3) Carrying out a thorough assessments to ensure that the recommended insurance products align with customers' financial situations and risk profiles.
 - 4) providing guidance on insurance literacy to customers during the needs assessment, helping them understand available insurance options, their benefits, and implications for informed decision-making
 - 5) maintaining the confidentiality of customer data as required by the Personal Data Protection Laws.
- C. develop a mechanism to verify income via obtaining a declaration from customer with regard to income.
- D. develop a training schedule for insurance agents and sales personnel covering the following; but is not limited to,
- I. needs assessment and how to tailor the needs assessment processes to the unique circumstances of individual applicants, and to offer products that meet those needs
 - II. product knowledge
 - III. emerging trends in business
 - IV. marketing practices/ sales skills
 - V. market developments
 - VI. customer relations
 - VII. conduct before, during, and after the point of sale
- E. conduct training programs covering the areas mentioned in section 4.1.1.B, D and maintain records.

- F. establish a mechanism to measure the effectiveness of agents and sales personnel (customer feedback recording and regular performance review) and provide necessary training for those who are identified as 'under-performers'.
- G. conduct reviews annually to measure compliance with sales practices, track customer complaints, monitor policy cancellations/lapses, etc. and take corrective measures, where necessary.
- H. establish a mechanism to identify agents and sales personnel with a higher rate of policy cancellation/lapses and develop a training program to improve their business conduct.
- I. conduct a verification of the risks proposed by prospective policyholders, and policyholder's understanding of the benefits, terms and conditions through a standardized checklist which covers the minimum criteria as outlined in **Annex I** during the underwriting process, follow up call, welcome call or through any other applicable means and record calls/information in a retrievable/ accessible manner.
- J. securely store these recordings/information and make them available for inspection during onsite audits conducted by IRCSL.
- K. utilize these recordings/information to identify training needs for agents and sales personnel, and to investigate and address cases of policy cancellations or lapses, providing further insights to enhance business practices and overall customer satisfaction.
- L. establish a mechanism to verify the information disclosed by the proposer
- M. validate each policy proposal to ensure compliance with established underwriting guidelines and ensure that all mandatory documents are obtained before approval.
- N. review and approve the terms, conditions, and pricing of proposed policies by thoroughly considering the customer's risk profile.
- O. ensure strict adherence to regulatory requirements and internal standards throughout the policy approval process.
- P. regularly update underwriting guidelines to reflect emerging risks, market trends, and any changes in regulations.
- Q. provide timely feedback and clarification to agents and sales personnel regarding underwriting decisions, including the reasons for approvals, rejections, or modifications of policies.
- R. offer support to improve agents' and sales personnel's understanding of underwriting criteria and requirements, contributing to more accurate and compliant customer onboarding.
- S. develop a mechanism to monitor policy cancellations and lapses, evaluating negative trends that may indicate potential issues or deficiencies in underwriting processes.
- T. implement corrective actions for any identified discrepancies or gaps, particularly focusing on preventing the misrepresentation or exaggeration of policy benefits.

4.2 Principles of Conduct

4.2.1 Insurance Companies shall:

- A. Develop Principles of Conduct/code of conduct for their insurance agents, advisors, and sales personnel, ensuring that all marketing and sales activities align with professionalism, ethical behavior, and integrity while supporting the fair treatment of customers.

- B. Make the Principles of Conduct / Code of Conduct as part of the contract for service of insurance agents/advisors and sales personnel to uphold transparency and accountability in insurance business practices.
- C. The said Principles of Conduct/code of conduct shall be reviewed and approved by the Principal Officer and the Specified Officer once every three (03) years.

5. Effective Date

Long Term Insurance Companies are required to comply with this Direction with effect from 1st October 2025



Director General

Signed for and on behalf of the Commission

Annexure I

Minimum criteria to be covered in the standardized checklist referred to in Sec. 4.1.1 I.

No	Minimum criteria
1	Understanding of the policy:
	Policy term/period
	Maturity date
	Coverage & benefits
	Additional covers
	Terms, conditions, exclusions
	Beneficiaries/ nominees
	Obligations of the policyholder
2	Details on premium payment and other associated costs:
	Premium paying period
	Premium value
	Premium due date
	Authorized Premium payment methods/options
	Premium payment frequency, i.e., monthly, quarterly, annually, etc.
	Additional fees and charges apart from the premium
	Consequences of not paying premium on due date
	How to get the payment confirmation when paying premium via insurance agents, other authorized payment methods and Importance of retaining payment receipts.
3	Details on:
	Cooling off period/ free-look period
	Waiting period
	Policy surrender
	Paid Up Value
	Grace period
	Claims handling procedure
	Complaints/grievances handling procedure
	Contact details of the Insurance Company
4	Importance of notifying the changes in contact details such as telephone numbers, addresses, email and change of occupation
5	Consequences of non-disclosure of information (such as financial, pre-existing conditions, occupation, existing insurance policies, etc.)
6	Allow policyholders to raise any queries regarding their policy