

**INSURANCE REGULATORY COMMISSION OF SRI LANKA**

**GUIDELINES TO INSURERS AND BROKERS WHO OBTAIN LEADS FROM LICENSED FINANCE COMPANIES, LICENSED FINANCE LEASING COMPANIES AND LICENSED BANKS UNDER A REFERRAL MODEL**

**Section 1: Authority to obtain leads from Licensed Banks, Licensed Finance Companies and Licensed Finance Leasing Companies (Hereinafter referred to as BFI's)**

- a) Insurers and insurance brokers may obtain leads from BFI's under a "Referral Model".
- A "Referral Model" referred to herein, is an arrangement whereby insurers/insurance brokers obtain certain specified information regarding a BFI's customers (who may be potential purchasers of an insurance product) through the said BFI (subject to the laws that regulates BFI's, including laws governing customer privacy) and the said insurer/broker uses its own employees/agents to market and sell such insurance products to the said customers.
- b) Insurers and insurance brokers may place staff members/insurance agents at the premises of a BFI to market and sell such products to the said customers.

**Section 2: Agreement in relation to providing leads**

- a) An insurer/insurance broker shall enter into a written Agreement with a BFI to obtain leads (hereinafter referred to as "the Agreement"), in which specific details of the Referral Model and operating procedures, as well as the rights and obligations of both parties are defined, and shall, *inter alia*, include the provisions listed in Annexure II to these guidelines.
- b) The execution of the Agreement to obtain leads must be approved by the Board of Directors of the insurer/ insurance broker.

**Section 3: Advertising and conduct of business activities**

- a) Promotional materials (brochures, newsletters, leaflets, pamphlets, product illustrations and such other sales and marketing material) prepared by insurers for the purpose of promoting insurance products or the conduct of business activities with a BFI must provide information that is accurate, made in good faith and without any misrepresentation or deception. Such promotional material shall carry a clear statement that the customer has a choice with regard to the insurance policy they purchase.
- b) An insurer / insurance broker, who obtain leads from a BFI, shall ensure that the activities relating thereto shall be conducted and performed by their employees/ insurance agents in an honest and an orderly manner and without causing any inconvenience or harassment to the customers and the employees of BFI.
- c) Insurers, insurance brokers and BFI's shall have the right to enter in to other Agreements with parties, if they so desire.

#### **Section 4: Non Compliance**

The Commission may direct an insurer/insurance broker to suspend any and/or all activity under an Agreement, pending compliance by the insurer/insurance broker of any requirements stipulated by the Commission within such period of time, as may be determined by the Commission.

#### **Section 5: Procedures in handling claims and complaints**

- a) The insurer /insurance broker shall be responsible for the resolution of any complaint arising from any transaction that involves the sale of any insurance product under the agreement.
- b) Information with regard to a consumer protection framework, which shall specifically include processes and procedures for handling complaints arising from transactions including, after-sale claims, shall be given by every insurer /insurance broker to the customers and the BFI's.

#### **Section 6: Underwriting and claims decisions**

The underwriting and claims decisions must be vested with the insurer and the BFI should not be allowed to influence such decisions of the insurer.

#### **Section 7: Remuneration**

Maximum fee shall be subject to the cumulative agency commission payable as follows:

- ❖ For life insurance, the maximum fee payable, on a referral, to a BFI during the life time of the policy shall be not more than 100% of the total commission payable to an insurance agent for a similar long-term insurance policy;
- ❖ For general insurance, the maximum fee payable, on a referral, to a BFI shall be not more than 100% of the commission payable to an insurance agent for a similar general insurance policy.

Parties are permitted to enter into profit share/volume based incentive structures based on commercial viability.

#### **Section 8: Effectivity**

These Guidelines shall come in to force with immediate effect. Insurers and insurance brokers must comply with these Guidelines when entering into any new agreement, and/or when renewing any existing agreement, in relation to obtaining leads from a BFI.

Insurers, insurance brokers and BFI's must also ensure that these Guidelines are incorporated into all existing agreements, on or before 1<sup>st</sup> January 2019.

#### **Section 9: Reporting Requirements**

In addition to the other reporting requirements under the Regulation of Insurance Industry Act, No. 43 of 2000, all insurers /insurance brokers obtaining leads from a BFI shall provide the Commission with a Summary Report on an annual basis, giving the details of such engagement, as per Annexure I to these guidelines, before 30<sup>th</sup> of April of the following year.

**ANNEXURE I**

(NAME OF INSURER/INSURANCE BROKER)

SUMMARY REPORT OF OBTAINING LEADS FROM A LICENSED FINANCE COMPANY/ LICENSED FINANCE LEASING COMPANY/ LICENSED BANK FOR THE YEAR ENDED .....

Class of Insurance Business:

1. Name of the licensed finance company/ licensed finance leasing company/ licensed bank	2. Date of execution of the Agreement	3. Location of a BFI where insurance sales persons/ insurance agents are placed, if any	4. Number of sales persons/ insurance agents located at each place of a BFI	5. If the answer to 3 is "not applicable", the details of arrangement	6. GWP generated from one BFI (Rs.)					7. Fee for obtaining leads (Rs.)									
					Life	Fire	Motor	Marine	Misc	Life	Fire	Motor	Marine	Misc					

The above information is true and correct to the best of our knowledge and we have complied with guidelines issued by the Insurance Regulatory Commission of Sri Lanka to insurers and brokers who obtain leads from licensed finance companies, licensed finance leasing companies and licensed banks under a referral model. We further confirm that no client of the BFI was compelled to use our services.

Principal Officer of the insurer/insurance broker:

Director of the insurer/insurance broker:

Date:

## ANNEXURE II

**The written Agreement to be entered into between an insurer/insurance broker and a BFI, as stipulated in clause 2 of the Guidelines, shall, *inter alia*, have the following provisions:**

1. That the areas in which agents or staff members of an insurer/insurance broker operates in the premises of a BFI are clearly demarcated and kept separate from areas in the premises of a BFI in which their finance products/ bank products are sold;
2. That the BFI shall refrain from receiving commissions or fees for its own business and the insurer or the broker, as the case may be, shall not pay commissions or fees for a BFI's own business;
3. That the BFI shall refrain from issuing any paper or making any statement which does not clearly state the role of such BFI as a party to this Agreement;
4. That the customer's right to choose an insurer/ insurance broker of their choice, and/or to choose an insurance product of their choice and/or to refuse any insurance product that is bundled or tiered with any financial products or services provided by a BFI, shall be recognized and respected at all times by a BFI regardless of any arrangement that the BFI has in place. This right shall be communicated to the client in verbal discussions and shall also be carried in promotional material and on insurance forms;
5. That the BFI shall be obliged to honor the customer's right to choose an insurer/ insurance broker of their choice at all times and the referral to the insurer/insurance broker should always be with the express consent of the customer;
6. That the BFI shall refrain from making any ambiguous statements such as "*in association with..*", "*by arrangement with ..*" or similar expressions that can mislead the public into assuming that the BFI is acting in the capacity of an insurer/ broker;
7. That the BFI shall refrain from exercising undue influence on its customers to place insurance business with a particular insurer/insurance broker;
8. Insurers/ Insurance Brokers who are parties to this Agreement shall agree to cooperate with an authorized officer of the Commission to oversee compliance with the obligations set out in the Agreement;
9. That the BFI shall be responsible for all acts of omission and commission of its staff members;
10. That the BFI shall hold insurers and insurance brokers, as the case may be, legally harmless in disputes between a customers and such person directly or indirectly arising out of actions of the staff members of a BFI;
11. That the BFI shall support the insurer/insurance broker in resolving any policyholder disputes.

12. That the insurer/insurance broker shall ensure that the staff members/agents of such insurer/insurance broker–

- (i) identify themselves as representatives of such insurer/broker by an identity card/business card issued by such person and the insurer or the broker of whom such person is an insurance agent/staff member;
- (ii) do not force a customer to enter into an insurance contract;
- (iii) give adequate pre-sales and post-sales advice to the prospective insured in respect of an insurance product and disseminate the requisite information in respect of insurance products offered for sale and take into account the needs of the customer while recommending a specific insurance plan;
- (iv) do not make to a customer any misrepresentation on policy benefits and returns available under the policy;
- (v) indicate the premium to be charged by the insurer for the insurance product offered for sale and any conditions relating to same;
- (vi) explain to the customer the nature of information required in the proposal form, and also the importance of disclosure of material information in the proposal form and documents required;
- (vii) obtain the requisite documents at the time of filing the proposal form with the insurer or the broker, as the case may be, and other documents subsequently asked for by the insurer or the broker for completion of the proposal;
- (viii) bring to the notice of the insurer or the broker, as the case may be, any adverse habits or income inconsistency of the customer along with every proposal submitted and any material fact that may adversely affect the underwriting decision of the insurer as regards acceptance of the proposal, by making all reasonable enquiries about the customer;
- (ix) inform the customer promptly about the acceptance or rejection of the proposal by the insurer;
- (x) extend all possible assistance and cooperation to an insured in completion of all formalities and documentation in the event assistance is sought by an insured in relation to a claim;
- (xi) do not demand or receive a share of proceeds from the beneficiary under an insurance contract;
- (xii) do not interfere with any proposal introduced by any other staff member or an insurance agent; and
- (xiii) do not force a policyholder to terminate an existing insurance policy.