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# ARYAVART BANK

Head Office

Gomti Nagar - Lucknow (UP)

## POLICY ON INSURANCE BUSINESS SOLICITATION AND SERVICING-2023



**Edited by : Department of Marketing (Head Office)**

# Aryavart Bank

Head Office :Gomti Nagar, Lucknow

## Policy on Insurance Business Solicitation and Servicing

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## 1. GUIDELINES, PURPOSE AND REFERENCE:

Insurance Regulatory and Development Authority of India (IRDAI) has released new guidelines governing corporate agency model of Insurance distribution in India through notification dated 20th August, 2015 (Circular No. IRDAI/Reg/12/102/2015) named IRDAI (Registration of Corporate Agents) Regulations, 2002 ("2002 Guidelines") dated 16th October, 2002 and has come in force from 1st April, 2016. Under the new guidelines, every Corporate Agent needs to apply for a new license to IRDAI, along with a Board-approved policy governing insurance distribution business of the corporate agent. In line with the requirements, a detailed policy is placed in the ensuing paragraph.

### Key highlights of the new guidelines are as under:

Theme	New guidelines
Business Model	<ul style="list-style-type: none"><li>• Upto a maximum of 3 partners across each of Life, Health &amp; General Insurance</li><li>• Any change in arrangement with Insurance partners to be only done after approval from IRDAI and with suitable arrangements for servicing existing policyholders.</li><li>• Commercial GI restricted to total sum insured not exceeding Rs. 5 crore per risk</li></ul>
Registration	<ul style="list-style-type: none"><li>• To replace erstwhile IRDA (Licensing of Corporate Agent) Regulations, 2002 with effect from 1st April'16.</li><li>• No regulatory NOC required for agents licensed under 2002 guidelines.</li><li>• Board approved policy addressing the manner of adopting the philosophy of Open Architecture and Implementation of the same to be filled with IRDAI at the time of registration.</li></ul>
Customer disclosure	<ul style="list-style-type: none"><li>• In case of multiple tie-ups, Agent to disclose to the customers - list of Insurers, scope of coverage, policy term, premium payable, premium terms &amp; scale of commission (if asked by the customer).</li></ul>
Reporting and Record-Keeping	<ul style="list-style-type: none"><li>• Agents whose primary business is not insurance are to maintain segment wise reporting, which shall capture revenues received for insurance business and other income from insurers. .</li><li>• Agent to maintain records of policies sold (policy-wise and specified persons-wise), KYC, proposal Form, List of Customers and SPs, Complaint register and Correspondence with IRDAI.</li></ul>
Compliance	<ul style="list-style-type: none"><li>• Agents to appoint a Principal Officer and manage the Specified Persons (SPs) certification with IRDAI.</li><li>• Agent shall maintain arms-length relationship in financial matters at all times between their insurance distribution business and other businesses.</li><li>• Principal Officer &amp; CFO to file with IRDAI a certification confirming there is no forced selling to any customer, on half yearly basis.</li><li>• Agents to disclose to IRDAI any proceedings initiated against it by other regulatory or government bodies not later than 30 days.</li><li>• No director/partner of the agent or the chief executive or the principal officer or a specified person shall hold similar position with another agent.</li></ul>



## 2. Approach and short listing of Partners:

With the objective of increasing insurance penetration, reducing cost of insurance and offering increased choice to customers, the extant guidelines of IRDAI permit corporate agents to implement an Open Architecture model by partnering with a maximum of three insurance partners in each insurance segment i.e. Life, Non-Life & Health. Considering the potential benefits to the Bank customers, overall business strategy and business opportunity, it is recommended that the Bank should adopt an **Open Architecture** model for distributing insurance products (Life, Non-Life & Health) by tying-up with multiple insurance companies, which is in line with the regulatory requirement.

The Bank therefore, proposes to partner with three Insurance companies in each of the segments. A company should be engaged on only one category.

Insurance Segments	No. of Companies
Life	Three
Non-Life	Three
Health	Three

The partners will be evaluated on various criteria as under:

Criteria	Parameters to be considered
Market Dynamics	<ul style="list-style-type: none"><li>• Market Size &amp; Industry Growth Rates</li><li>• Market Share of existing players</li><li>• <b>Competitor performance in Bancassurance</b></li></ul>
Product Strength	<ul style="list-style-type: none"><li>• Product portfolio; with specific focus on products for the JLG segment</li><li>• Product pricing</li><li>• Sales capabilities on the Digital platform</li></ul>
Service Strength	<ul style="list-style-type: none"><li>• Claim Settlement rates</li><li>• Grievance redressal establishment</li><li>• Payment of Maturity</li><li>• Claim settlement process (internal/external)</li><li>• Customer service experience</li><li>• Manpower support for business</li><li>• Retention ratios &amp; process</li><li>• Unique customer Propositions</li><li>• Marketing support</li></ul>
Partner company strength	<ul style="list-style-type: none"><li>• Balance sheet/Profitability</li><li>• Growth rates</li><li>• Existing Market Share</li><li>• Brand Strength</li><li>• Promoter and Management Team</li><li>• Network capabilities with specific focus on presence in our core geography</li><li>• <b>Existing Bancassurance tie-ups</b></li></ul>



The above criteria would be reviewed from time to time basis market dynamics and partner performance with regard to servicing and product suitability. The customers' interest will be paramount whenever the Bank makes arrangement with Insurance companies.

### 3. Product Mix:

The Bank would sell below listed categories of insurance products to its customers. Some of these products may be packaged together with banking products like saving bank accounts and Loan Accounts, etc:

Category of Business	Type of products
Life	Protection plans, Annuity plans, Pension plans, Investment plans like endowment, Unit Linked plans, etc. and a selection of riders attachable to the policies (individual and group, both)
Non Life	Motor, Home Insurance for Individuals, Aviation, Fire, Marine, Construction & Engineering, Liability, etc.(individual and group, both)
Health	Health, personal accident, Group Health, Group Personal Accidental, etc.

Under General Insurance category, bank shall solicit and procure retail lines of general insurance products and commercial lines of such insurers having a total sum insured not more exceeding rupees five crores per risk for all insurances combined.

The insurance products shall only be offered as ancillary product along with principal business product, based on need and financial analysis. No prospect/customer shall be compelled to buy an insurance product being offered along with Bank's products

### 4. Implementation:

The following Operating Model is suggested:

#### 4.1. Registration with IRDAI

- The bank shall apply for registration as Corporate Agent (Composite) to IRDAI in accordance with the procedure specified by IRDAI in the new Guidelines.
- The registration would be valid for 3 years from the date of issue.

#### 4.2. Appointment of Principal Officer and Specified Persons (SP)

- The Bank shall appoint a Principal Officer required as per new Guidelines.
- The Bank shall appoint adequate SPs and no insurance product shall not be sold by a resource who is not a certified SP by IRDAI. The SPs shall apply for registration through the Principal Officer in the prescribed format as per the new Guidelines.
- Bank's Principal Officer and Specified persons shall, at all times, follow the code of Conduct specified in the new Guidelines.
- The Bank shall ensure that no incentive (cash or non-cash) is paid to the Banks' staff by insurance company directly, for engaging in insurance distribution.



#### 4.3. Adherence to KYC/AML/CFT Guidelines

- a) The Bank will adhere to RBI Master Circular on Know Your Customer (KYC) norms/Anti Money Laundering (AML) standards/Combating of Financing of Terrorism (CFT) obligation of banks under PMLA, 2002 and any modifications of the same from time to time.
- b) The Bank will maintain all transaction details and records of the customer with regard to sale of insurance products and related records for a period and in the manner prescribed in the Master Circular.
- c) The requirement of quoting PAN for transactions of Rs. 50,000 and above would be applicable to sale of insurance products by Bank as per RBI guidelines.

#### 4.4. Product Suitability Guidelines

- a) In the line with Bank's overall 'customer centricity' philosophy, only products which are suitable to the customer would be offered. Suitability / Fitment of the product would be defined on the basis of parameters such as life stages, age and needs. The customer would be offered products based on the suitability matrix with separate initiation /transactional and approval processes. The Bank would not follow any restrictive practices of forcing a customer to opt for products of a specific insurance company. It would be prominently stated in all publicity materials distributed by the Bank that the purchase by Bank's customer of any insurance products is purely voluntary.
- b) The methodologies adopted to make the customer understand insurance products and advise suitable product as per need would be simple and compliant with regulations. The risk, terms & conditions associated with insurance products would be made understandable to customer before entering into the contract and the customer consent recorded.
- c) In addition, the customers' understanding for the product will be verified by processes like welcome calling and post issuance service call (either through the insurance partners or by the bank).

#### 4.5 Sales and Marketing materials

- a) All sales support materials (in bilingual and Co-branded), such as prospectus, sales brochures, sales illustration and publicity write up would be provided by respective insurer in line with approval from IRDAI and Bank's guidelines.

#### 4.6. Policy Servicing

- a) The Bank shall service and assist in payment of premium, as required under regulations.
- b) The Bank shall adhere to section 64VB of the IRDA Act, 1938 as amended from time to time and provide necessary assistance and guidance in the event of a claim and provide all other services and guidance on issues which arise during the course of an insurance contract.
- c) The Bank shall make every attempt to ensure remittance of premiums by the policyholders within stipulated time by giving notice orally and in writing.



- d) The Bank shall provide necessary assistance to the policyholder or claimants or beneficiaries in complying with the requirement for settlement of claims by the insurer.

#### 4.7. Operational guidelines for conducting business

- a) Operational guidelines for the distribution of products through the Branches and / or alternate channels (like online Sales, ATM, Tele sales, Mobile Banking, etc) shall be approved by appropriate Management Committee formed by the Bank and the product level policies shall be reviewed time to time if required. Member of the Management Committee will be General Manager, In-charge Marketing Cell, Chief Manager PMIS and Credit at Head Office.
- b) Any deviation to the operational processes shall be approved by General Manager of the Bank informing to Chairman.

#### 5. Grievance Redressal Mechanism:

- a) Bank has already adopted grievance redressal policy for Resolution grievance/complaints of the customers related to Banking, duly approved by the Board. This policy stipulates appointment of the rank of General Manager for the implementation of customer service and complaint handling for the entire bank. Grievance / complaints related to insurance will be also included in the said Policy.
- b) The Bank shall take adequate steps for redressal of grievances of its client within 30 days of receipt of such complaint.
- c) Bank shall record all complaints through various touch points branch, emails, phone etc. and liaise with respective insurance partners for resolution of all queries
- d) Bank shall put in place an escalation matrix for satisfactory resolution of grievances. Bank's existing customer redressal mechanism as well as compensation policy would be applicable for all third party products, including insurance products.

#### 6. Record Keeping and Internal Auditing Process:

- a) The Bank shall maintain records in the format specified by IRDAI, which shall capture policy-wise and specified person-wise details wherein each policy solicited by the corporate agent is tagged to the specified person, except for those products which are simple, sold over the counter and specifically approved by IRDAI.
- b) The Bank shall put in place systems which allow regular access to such records and details by the authority.
- c) The Bank shall maintain the following records, including in electronic form, and shall be made available as and when required by IRDAI :
- Know Your Client (KYC) records of the client, as required under the relevant Authority's guidelines and provision of Prevention of Money laundering Act.
  - Copy of the proposal form duly signed by the client and submitted to the insurer with ACR signed by the Specified Person of Corporate agent.
  - A register containing list of clients, details of policy such as type of policy, premium amount, date of issuance of the policy, charges or fees received.



- iv. A register containing details of complaints received which include name of the complainant, nature of complaint, details of policy issued /solicited and action taken thereon.
  - v. A register which shall contain the name, address, telephone no, photograph, date of commencement of employment, date of leaving the service, if any monthly remuneration paid to the Specified person.
  - vi. Copies of the correspondence exchanged with IRDAI.
  - vii. Any other record as may be specified by IRDAI from time to time.
- d) As per the regulatory guidelines Bank shall put in place a consistent reporting and monitoring mechanism for all process for compliance to the regulatory guidelines.

## **7. Authority and Responsibilities:**

The Chairman of the Bank shall designate an Officer as Principal Officer of the Bank in accordance with the Regulations. The Designated Principal Officer shall have the responsibility to control, manage, and supervise all insurance business related activities. The Principal Officer shall undergo necessary training and pass the Examination as required by IRDAI. Bank shall also appoint its employee as Specified Person for soliciting and procuring insurance business. The Specified Person shall be mapped to bank branches through which insurance business will be solicited. Such Specified Persons will have to undergo requisite training and examination for new/renewal application as directed by the Regulations and to obtain a valid certificate. Such Specified Person will be skilled, properly trained as required under the Regulations.

### **a) Responsibilities of Management and Directors shall include following:**

- Ensure Compliance with the code of conduct prescribed under the regulations.
- Disclosure all material facts to the IRDAI as required under the Regulations.
- Ensure there is no conflict of interest between
  - Various entities within the group
  - Activities with insurer as Corporate Agent, as promoter and as a Banker.
  - Maintain arm's length relationship in regard to financial transactions between its activities as Corporate Agent and other activities

### **b) Responsibilities of Principal Officer shall include following:**

- Complete practical training and examination as required under the regulation
- Supervise the Corporate Agency activities of the company
- Ensure that Specified Person and other employee are trained and certified, in accordance with the Regulations
- Ensure compliance with the code of conduct prescribed under the Regulations
- Ensure prospect / customer are not compelled to buy insurance product being offered along Banking Products
- Ensuring correct and timely submission of periodic return to IRDAI in the prescribed format
- Submission of application to IRDAI for issuance /renewal of certificate to act Specified Person , in accordance with the Regulations
- Define adequate step for redressal of grievances
- Maintenance of records as prescribed under the Regulation



- Co-ordinate with IRDAI and insurance Companies in day to day matters
- Any other such duties or obligations as may be prescribed by IRDAI from time to time

c) **Responsibilities of Specified Person shall include following:**

- To complete practical/online training and examination as required under the regulations.
- Ensure compliance with the code of conduct prescribed under the regulations.
- To verify and sign on all new Policy application of his/her allotted Branch after necessary due diligence.
- Not to compel prospect/ customer to buy an insurance product being offered along with banking products.
- To provide due support and guidance to policyholders at the time of procuring/solicitation of policies and in policy servicing, claims and grievance related matters.
- Ensure adequate and timely support to Principal Officer/Directors/Management in order to fulfill the obligation under the regulations:
- Renewal of certificate before completion of three years from date of certificate issued.
- Any other such duties or obligations as may be prescribed by IRDAI from time to time.

**8. Solicitation:**

- Insurance shall be solicited only by the employee holding a valid certificate issued by IRDA to act as specified person, under the regulation.
- The prospect/customer will not to be compelled to buy an insurance product being offered along banking products.
- Insurance product shall be offered on the basis of need analysis and financial assessment of the customer.
- All requisite information along with scale of commission and premium to be charged by insurer, in respect of the insurance product being offered, shall be disseminated to the prospect/customer.
- Prospect customer shall not be induced to omit or submit any wrong information in the proposal forms.
- The Bank shall not undertake multi level marketing for solicitation or procuring insurance products.

**9. Claim Settlement:**

Bank as Corporate Agent shall comply with the regulatory requirement with respect to claim processing including:

- Assist the policyholders/claimant/beneficiary, to the extent possible, in complying with the requirements for settlements of claims.
- Any decision made by the insurer on a claim will be promptly informed to the nominee/beneficiary without any delay, giving all reasonable assistance in pursuing his/her claim.
- To extend all possible help and cooperation to insured / claimant in completion of all formalities and documentation of claim.
- To coordinate with the insurance company and the claimant and to ensure that legitimate claim to be processed.

**10. Remuneration:**



The Bank shall receive or contract to receive remuneration from Insurance Company only in accordance with the Regulations notified by IRDAI in this regard, from time to time and shall disclose remuneration received from insurers as required under the Regulations.

#### **11. Renewal/Persistency:**

In Life Insurance Policies, the customers gets the benefit of both insurance and investment return only when the Policy is renewed in time and kept live for entire Policy Period. In fact, if the Policy lapses within 2 or 3 years, the Policyholders may not get back any refund against the premium paid by him / her. Therefore, satisfactory Persistency Rate is a healthy sign indicating that the customer has understood the policy before purchasing and is interested in continuing it.

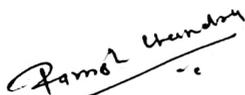
#### **12. Solicitation of the Insurance product through POSP-LI/Composite:**

The IRDAI vide Master Circular on POS No.215 Dated 02<sup>nd</sup> December 2019 regarding POSP LI and subsequently IRDAI/LIFE/CIR/MISC/060/03/2020 Dated 6<sup>th</sup> March 2020 has allowed Bank as Corporate Agent for solicitation of non participating insurance products through POSP-LI with certain limitations. This will be a pure term product with or without return of premium. The Bank may accept proposals of tie-up Insurance companies for solicitation of the Life Insurance product through POSP-LI. Insurers and Corporate Agent (Bank) will adhere to the Guidelines/Circulars issued by IRDAI with regard to Point of Sale Persons – Life Insurance and Point of Sales - Life Insurance Products issued from time to time:

- a. The Bank has introduced POSP model for solicitation of Life as well as non-Life insurance products approved by IRDAI. As the staff and non-staff fulfilling eligibility criterion may become POSP of the Bank, the existing Banking Correspondents (Bank Mitras and Bank Sakhis) are allowed to become POSP (Life or Composite)
- b. Such BCs becoming POSP will get remuneration in accordance with BC-BF policy of the Bank as amended from time to time. However the remuneration being paid to such POSPs will not be binding on the Bank and the Bank may settle remuneration schedule with mutual consent of respective CSPs through separate agreement.

#### **13. Review of the Policy:**

This policy would be reviewed annually taking into account the change in business scenario and market dynamics. However, in the event of a change in the regulatory guidelines, necessary changes will be effected as and when required with the approval of Chairman of the Bank.



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