

Insurance Brokers specialise in risk and management. They provide professional advice to their customers on the insurance policies suitable to them and for providing this service they are paid brokerage by the company whose policy the customer finally chooses. The advice that insurance brokers provide are beneficial, especially during the time when you need to make a claim. In order to provide the services of insurance broker, an entity needs to obtain **insurance broker registration** from the insurance regulatory authority and the insurance brokers are expected to operate and function in a manner as specified by the regulatory authority. This is called as Insurance Brokers Code of Conduct.

### **Insurance Brokers Code of Conduct**

As per Insurance Brokers Regulations, every insurance broker needs to follow certain standards of professional conduct and discharge their functions in the best interest of its clients or policyholders. These standards are called as Insurance Brokers Code of Conduct. The code of conduct has been specified in respect of various factors such as during sales practice, while furnishing information, while explaining insurance contract etc.

### **Code of conduct in respect of relationship with the client**

- The Insurance broker is required to work with good faith and integrity while dealing with its clients.
- The insurance broker shall act with care and diligence and ensure that client understands its relationship with the insurance broker and also on whose behalf the insurance broker is working.
- The insurance broker shall keep the information supplied to them by clients confidential.
- The insurance broker will ensure security of confidential documents that they possess.
- They should understand the type of client it is dealing with and should understand the awareness of such client towards risk and insurance.

- The insurance broker needs to obtain a written mandate from the client to represent the client to the insurer. This written mandate shall be valid for a period of 1 year provided no validity period has been mentioned separately.
- The insurance broker shall avoid conflict of interest.
- The insurance broker shall obtain documents required for KYC and share the same with the insurance company.
- The insurance broker shall also help the client in opening the e-insurance account.

#### **Code of conduct in respect of sales practice**

- The insurance broker is required to affirm that he/she is member of the Insurance Brokers Association of India or belongs to a body of insurance brokers which is approved by the authority having a MOU with the authority.
- The insurance brokers shall confirm that he doesn't employ agents/canvassers.
- The insurance brokers should ensure that the policy it offers is suitable for its clients.
- The insurance broker shall only advice on matters that it has knowledge on and where required, they shall seek or recommend other specialists for advice.
- The insurance broker shall not make any inaccurate or unfair criticism of any insurer nor of any member of the insurance broker association of India.
- The insurance broker shall provide comparison in terms of price, cover etc. in case where there is choice of products.
- The insurance broker shall explain how and when the premium has to be paid, the procedure to be followed in case of a loss and full details should be provided to the client including any obligations that the client owes.
- The insurance broker shall not indulge in sourcing of business by themselves or through any other means.

#### **Code of conduct in respect of furnishing information**

- The insurance broker shall ensure that ramifications of non-disclosure and inaccuracies are disclosed to prospective client.

- The insurance broker shall not influence the client and shall clearly state that all answers or statements given are the responsibility of the client.
- The insurance broker shall also ensure that the information given by the client based on which the insurer accepts the risk is made part of the proposal form and is shared with the client and insurer.
- It is the responsibility of the insurance broker to ask the client to check information provided in the documents and ask the client to make complete disclosure where the insurance broker believes complete disclosure hasn't been made and if no further disclosure is forthcoming, then it should decline to act further.
- The insurance broker shall provide complete disclosure on material facts and provide a fair presentation of risk.

#### **Code of Conduct while explaining the insurance contract**

- Every insurance broker shall provide the list of insurer/s who are participating under the contract of insurance.
- The insurance broker must explain all the important provisions of the cover recommended by him in order to ensure that the client is aware about what he is purchasing.
- The insurance broker shall quote the terms as provided by the insurer.
- The insurance broker needs to provide a prompt written confirmation to the client stating that the insurance has been effected.
- The insurance broker shall inform about the changes to the terms and conditions of the insurance contract and a reasonable notice must be given before such changes take effect.
- The insurance broker should not favour a particular insurer while arranging the insurance contracts to the client.

#### **Code of conduct in renewal of policies**

- Every insurance broker is required to ensure that its client is aware about the insurance policy's expiry date.

- The renewal notice should contain a warning regarding the duty of disclosure, including the need to advise changes affecting the policy and the insurance broker shall also ensure that the renewal notice contains the requirement for record keeping of all information supplied to the insurer for contract renewal.
- The renewal notice must be obtained by the client before the expiry of the insurance.

#### **Code of conduct on claim by a client**

- An insurance broker is required to explain client's obligation to notify claims promptly and disclose all material facts and advise subsequent developments.
- The insurance broker shall request its client to make true disclosure where it believes the client hasn't done so.
- The insurance broker is required to provide a prompt advice to the client regarding any requirements concerning the claim.
- The insurance broker should promptly forward any information obtained from the client regarding a claim or an incident that may give rise to claim without a delay.
- The insurance broker needs to advise the client regarding the insurer's decision or otherwise of a claim without any delay and the broker must assist the client in pursuing the claim.

#### **Code of conduct while receiving complaints**

- Insurance broker needs to ensure that the letters of instruction, policies and renewal documents should have the details of complaints handling process.
- The insurance broker shall accept complaints by phone or in writing including via electronic mode.
- The insurance broker needs to acknowledge complaint within 14 days from the receipt of correspondence and needs to advise the staff member who deals with complaints.

- The insurance broker should also ensure that response letters are also sent timely and the complainant should be informed about the steps to be followed in case he is not satisfied with the response;
- The complaints should be dealt with at a senior level and there should be a proper system for monitoring and recording complaints.

#### **Code of conduct relating to documentation**

- The insurance broker should ensure that the documents issued complies with statutory and regulatory requirements.
- The insurance broker should send policy documents in a timely manner.
- The insurance broker should not withhold documentation from its clients, provided adequate and justifiable reasons have been provided.
- The insurance broker needs to acknowledge receipt of all monies in relation to the insurance policy.
- The insurance broker, subject to payment of monies owed to it, should make available all documents to any new insurance broker and which is required by the new insurance broker to act on behalf of their client.

#### **Code of conduct on matters of advertising**

All insurance brokers are required to comply with the **Insurance Regulatory and Development Authority** (Insurance Advertisements and Disclosure) Regulations, 2000.

Further, as part of the insurance brokers code of conduct, the insurance broker shall-

- Avoid making misleading or extravagant statements.
- Where required, distinguish between contractual benefits and non-contractual benefits.
- Ensure that advertisements are not made in a restricted manner, provided that such restriction is explained with reasons and with the approval from the insurer.
- Ensure that advertisements doesn't contain anything which breaches the law or omit anything which is required under law;

- Ensure that advertisements shall not contain anything that can cause grave and widespread offence.
- Ensure that advertisements are not made in a way which exploits the lack of experience or knowledge of clients.

### **Additional Insurance Brokers Code of conduct**

*There are some other rules to be complied with by insurance brokers-*

- Insurance broker, on a request by the client, disclose the remuneration amount and reward and the basis of remuneration and the reward that it obtains by effecting insurance for the client.
- Every insurance broker shall ensure that staff are competent, suitable and have been given adequate training and should ensure that they are aware of the legal requirements affecting their activities.
- The insurance broker shall support industry education initiatives and they shall made available up-to-date insurance information to the client.
- Every insurance broker must display in its office a notice providing that a copy of the insurance brokers code of conduct is available upon request and that if a member of the public wants to make a complaint, he may write to the authority.
- Every insurance broker must abide by the provisions of the Insurance Act of 1938, IRDAI 1999, rules and regulations made thereof.

### **Additional code of conduct for reinsurance broker/composite broker**

- The reinsurance broker cannot enter into the reinsurance market to develop terms for reinsurance cover or to place reinsurance on risk without obtaining the written authorization from the insurer insuring the risk or insurer/reinsurer who has been asked to quote terms for the risk.
- The insurance broker is required to provide the insurer/reinsurer a copy of reinsurance placement slip to be used before entering the market.

- The insurance broker needs to put up to the insurer/reinsurer, terms obtained by it from different insurers and also indicate the share that the lead insurer is willing to write at those terms.
- The insurance broker needs to furnish to the insurer/reinsurer a true copy of the placement slip.
- If reinsurance on a risk is proposed to be placed with various reinsurers at different terms, the terms for all reinsurers are not uniform, this should be disclosed to the reinsurers.
- Once the reinsurer/insurer accepts the reinsurance terms, the insurance broker will place the reinsurance cover and will keep the insurer/reinsurer updated about the progress of placement. While choosing the reinsurers to whom the risk has been offered, the insurance broker should use only such reinsurers having a rating as required by IRDAI (General Insurance-Reinsurance) Regulations and IRDA (Life-Reinsurance) Regulations.
- After the completion of the placement of reinsurance, insurance brokers need to issue an insurance broker cover note specifying the terms of the cover and the name of the reinsurers and also the shares. The insurance broker, after issuance of cover note, shall prepare a formally signed reinsurance policy document or other evidence of the reinsurance contract duly signed by the reinsurers within a month of receipt of reinsurance premium.
- The insurance broker needs to have a security screening procedure in-house or follow credit ratings and answer any questions raised by the insurer regarding the credit rating of one or more reinsurers. If the insurer/reinsurer doesn't accept a reinsurer for any reason and asks the insurance broker to replace the security before the commencement of the risk, then the insurance broker needs to do so.
- An insurance broker invited to place a proportional treaty needs to prepare the treaty offer slip and supporting information through insurer.
- If the reinsurance treaty has been placed with different reinsurers, then such practice shall be made known to all reinsurers.

- The insurance broker needs to ensure that Indian reinsurers obtain the reinsurance premium from the insurer overseas according to the premium payment condition laid down in the reinsurance contract.
- The insurance broker should not enter into the Indian reinsurance market to develop terms for reinsurance cover or to place reinsurance on risk unless he has a written authorization from the overseas insurer insuring the risk or the insurer who has been asked to quote terms for the risk;
- A true copy of the placement slip has to be furnished to the reinsurer in India before the insurance broker commits any terms to overseas insurer.
- The insurance broker should respond to natural disasters, like floods, earthquakes, cyclones, storms, and hail which result in a massive number of claims, in a timely, professional and practical manner.
- Every reinsurance or composite broker needs to provide the list of reinsurer/s participating in the reinsurance contract and explain all crucial provisions of the cover so that the prospective insurer is aware of what is being purchased.
- Every reinsurance or composite broker should provide the insurer/reinsurer with a prompt written confirmation that reinsurance has been effected and changes to the terms and conditions to the reinsurance contract shall be notified by the reinsurance/composite broker.

## **Conclusion**

The insurance brokers code of conduct is an exhaustive list of dos and don'ts' for Insurance brokers which they need to comply with while dealing with clients, during sales practice, advertising, explaining insurance contracts etc. It is the charter that governs the conduct of the insurance brokers hence every insurance broker needs to mandatorily comply with it. If an insurance broker violates insurance brokers code of conduct, the insurance regulatory authority shall impose appropriate penalty as per the nature of the violation/breach. However, the insurance broker shall have the right to appeal against such an order.