

Distance marketing of insurance products

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The Indian insurance rules and regulations make clear that only licensed insurance agents or intermediaries can solicit or procure insurance business in India.

However, a limited exception to this rule was created by the Insurance Regulatory and Development Authority (IRDA) Advertising Guidelines of May 14 2007, which permitted promotional activities to be carried out through cold calling by “other than licensed intermediaries”.

This exception has now been further expanded on by the IRDA Guidelines on Distance Marketing of Insurance Products of April 5 2011. These guidelines will be implemented from October 1 2011 and cover distance marketing activities of insurers and intermediaries at the stages of offer, negotiation and conclusion of sale. ‘Distance marketing’ has been defined to include every activity of solicitation (including lead generation) and sale of insurance products through:

- voice mode, including telephone calling;
- short messaging services (text messaging);
- electronic mode, including email, Internet and interactive television;
- physical mode, including direct post, and newspaper and magazine inserts; and
- solicitation through any means of communication other than in person.

Under the guidelines, insurers and brokers are permitted to execute arrangements with licensed telemarketers to market and sell insurance products through distance marketing. The licensed telemarketer is permitted to carry out services under the arrangement through a combination of unlicensed telecallers and authorised verifiers. The telecallers will carry out basic inquiries of interest and the authorised verifiers will solicit and conclude the sale of products.

The guidelines also require insurers to:

- carry out long-distance solicitation through the use of approved scripts only;
- ensure that all telecallers and authorised verifiers are trained in accordance with the norms specified in the guidelines;
- ensure that the telecallers and authorised verifiers function in accordance with the guidelines, such as when obtaining prior approval of the customer before long-distance solicitation and procurement of insurance; and

- monitor live calls made to solicit insurance and verify a specified percentage of the calls made, on a random basis.

The guidelines have been viewed as a positive step by the insurance industry - particularly by life and health insurers, which have faced challenges in creating widespread and robust agency forces and maintaining their management expense budgets and commitments at the same time. The guidelines have also provided clarity on the role that unlicensed telecallers may play in the solicitation of insurance products over the telephone.

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