

FAQ's on Insurance Brokers Regulations 2018

FAQ 1, Whether an Insurance Broker can provide any additional services to its clients? (reg 27 & 28)

Ans 1, Yes an Insurance broker can provide to its clients the additional services like claim consultancy, risk management, services and other services like risk mitigation, risk advisory risk audit in addition to the insurance broker business and charge additional fees from the clients.

FAQ 2, What is the monetary limit for providing claim consultancy to clients? Reg 28

Ans 2, Insurance Broker can provide claim consultancy for the claim amount up to Rs 10 crs to any client even if the policy emanate from any other insurance broker subject to intimation to the Authority. If the claim amount is more than Rs 10 crs, the prior approval of IRDA is required.

FAQ 3, Whether an Insurance broker can charge an additional fees for providing claim consultancy to the clients who insurance business is solicited by the Broker ? (Reg 28)

Ans 3, No, an Insurance Broker cannot charge any additional fee for the business solicited by him as per code of conduct of the regulation the Broker has to provide assistance to its clients in case of claim.

FAQ 4, For what type of insurance lines the claim consultancy can be provided by an Insurance Broker? Reg 28

Ans 4, The claim consultancy can be provided only for commercial general lines of business not for the life and retail line of business.

FAQ 5, What is capital requirement for the Direct Broker in the Brokers Regulations 2018 ?

Ans 5, The capital requirement for the Direct Broker is Rs 75 lakhs.

FAQ 6, What is capital requirement for the Reinsurance Broker in the Brokers Regulation 2018? Reg 19

Ans 6, The capital requirement for the Reinsurance Broker is Rs 4 crs.

FAQ 7, What is capital requirement for the Composite Brokers in the Brokers Regulations 2018? Reg 19

Ans 7, The capital requirement for the Composite Broker is Rs 5 crs.

FAQ 8, Is there any time limit by which the share capital to be increased for the existing brokers? Reg 19

Ans 8, As per regulation no. 58(2), the existing broker can compliance the provision of the paid up capital within 2 years from the date of new regulations i.e 19/1/2018. It means by 18/1/2020

FAQ 9, Whether any additional equity in form of cash to be introduced by the existing Brokers? Reg 19

Ans 9, The existing Brokers can transferred its reserve and surplus to share capital by way of bonus shares and additional cash if required.

FAQ 10, What is the ceiling on business from single client? Reg 35

Ans 10, It should not be more than 50% of the remuneration not the premium as in the Brokers Regulations 2013.

FAQ 11, Whether the business of Govt will be counted to compute the business of the single client? Reg 35

Ans 11, No the insurance business from Reinsurance and business emanating from Govt or Public sector undertaking will not be considered while computing the limit of single client.

FAQ 12, Who are clients for the Reinsurance Broker?

Ans 12, Only Insurers and /or Reinsurers in India or abroad are clients for reinsurance brokers. (Refer functions of Composite Broker)

FAQ 13, Can an Insurance Broker carry another business in addition to insurance broking as defined in Regulations? Reg 13(1)

Ans 13, No, an Insurance Broker cannot carry any other business except insurance broking and other services i.e. Risk assessment and claim consultancy.

FAQ 14, Is there any limit of insurance policies to be solicited by any Insurance broker? Reg 13(5)

Ans 14, No, such limit is defined but the Insurance broker shall solicit insurance business commensurate with number Broker Qualified persons.

FAQ 15, Whether an Insurance broker can undertake multilevel marketing for solicitation and procuring insurance products? Reg 13(7)

Ans 15, No, it is not permitted.

FAQ 16, Whether the payment fees to become insurance broker is lesser than renewal of broking license? Reg 5(4) & 9

Ans 16, Yes, at the time of granting a direct broking license the total fees of Rs 75000/- is payable (Rs 25000/- non refundable at the time of submission of application and Rs 50000/- is payable after In-principle approval granted by IRDAI). After that, at time of renewal of license, which is

three years Rs 1,00,000/- is payable. Similarly Reinsurance Broker Rs 2,00,000/- (Rs 50,000/- along with application and Rs 1,50,000/- after in-principle approval) and Rs 3,00,000/- at the time of renewal of license after 3 years. In the case of Composite Broker Rs 3,25,000/- is payable (Rs 75,000/- along with application and Rs 2,50,000/- after in-principle approval) and Rs 5,00,000/- at the time of renewal of licenses after 3 years. The probable reason at the time of granting the licenses as the insurance broking business does not commence with immediate effect and it takes some time start earning brokerage.

FAQ 17, How many Broker Qualified Persons required by an Applicant are required to apply for the license? Reg 8(C)

Ans 17, Minimum two Broker Qualified Persons should be in employment. If application for Direct Broker (Life & General)-one Broker Qualified Person of General and other Broker Qualified person of life is required.

FAQ 18, Whether any part time Director who is Broker qualified person can solicit the insurance business? Reg 2(d)

Ans 18, Yes he can solicit the insurance business.

FAQ 19, How many Broker Qualified Person is required at each Branch? Reg 8(C)

Ans 19 One Broker Qualified Person can be appointed at each branch.

FAQ 20, Who can be a Principle Officer of Insurance Broking Company ? Reg 2(n)

Ans 20, A person who is broker qualified person who can perform the duties and responsibilities of executive role as defined in the regulations. A Principal Officer may not be Director but will be designated as Chief Executive Officer. In case any Director who is Broker qualified Person is also a Principal Officer can designated as Director cum PO or Managing Director.

FAQ 21, Is it compulsory that shareholders are brokers qualified persons or having experience in insurance field? Reg 8

Ans 21, Though it is not mandatory but key management persons should have experience in insurance field.

FAQ 22, What is the procedure to become an insurance broker?

Ans 22, Read latest insurance brokers Regulations carefully, apply in prescribed form to the Authority along with requisite documents and fees. The Authority may seek additional document and ask for personal representation in respect of application. **(Ref Reg 5,6,7,8)**

FAQ 23, Whether the regulations stipulate any time limit after submitting the application, to grant the broking license?

Ans 23, No such time limit is defined but if all requisite information's and documents are provided with the application and clarifications are provided promptly, In-principle approval may be granted immediately not exceeding 2-3 months.

FAQ 24, Whether application is to be submitted "Online" only or hard copy is also to be sent?

Ans 24, The application is to be submitted "Online" and take the print out of the online application and submit to the Authority with all enclosures. All the enclosures to be enclosed "Online" in PDF and size of any enclosures should not be more than 3 MB, otherwise the documents will not be uploaded.

FAQ 25, What is the period of validity of the license/ certificate of Registration ? Reg 11

Ans 25 , The certificate of Registration is valid for three years only.

FAQ 26, Whether an Insurance Broking company can solicit the insurance business if the certificate of registration for renewal is pending at the Authority even after submitting all the documents? (Reg 16)

Ans 26, Till the expiry of license the business can be solicited but not after expiry of certificate of registration but the Insurance broking company have to serve the existing policyholders.

FAQ 27, Is there any penalty for solicit the business pending renewal of license? Reg 47

Ans 27, Yes the Authority may imposed the fine.

FAQ 28, Can the shares of the insurance broking company be transferred freely to any person as permitted under Companies Act 2013? Reg 25

Ans 28, The approval of the Authority is required if the total holding of the transferee exceeds 20% of the total paid up or the total value of shares to be transferred by an individual or group under the same management exceeds 10%.

FAQ 29, Whether any Indian Investor can invest in Insurance Broking Company? If yes what is the limit? Reg 25

Ans 29, Yes Indian Investor can invest in Indian Broking company subject to the following conditions:

i, No investor shall hold more than 25% of the paid up equity

ii, If an investor is in more than one broker company, then he should not be promoter in more than one insurance broker

FAQ 30, Who is Indian Investor ?

Ans 30, An Indian Investor who is citizen of the Indian origin and can be shareholder only and cannot act as a director and take participate in the day to day activities of the insurance broking company.

FAQ 31, What are the responsibility of the Insurance Broking Company in case the certificate of Registration is not renewed by the Authority? Reg 16

Ans 31, The Insurance Broking Company cannot solicit the business from the date of expiry of certificate of registration but he has to serve all those policyholders till the expiry of those policies whose business solicited by him. He has also to maintain the records of the policies if any legal proceedings are going on.

FAQ 32, Is it compulsory to add the word ‘Insurance Broking/Insurance Brokers/Insurance Broker’ in the name of the broking company? Reg 18

Ans 32, Yes it is compulsory to add the word “Insurance Brokers/Insurance Broking/ Insurance Broker” to identify the line of activity of the registered with the Authority.

FAQ 33, What is the form of contribution for the capital? Reg 19

Ans 33, The contribution will be in the form of shares for the insurance broking companies are either registered under Companies Act 2013 or cooperative society and contribute cash if the entity of insurance broking company is LLP or partnership.

FAQ 34, What is the maximum permissible limit for the foreign investor to invest in India Insurance Broking company? Reg 20

Ans 34, The regulations prescribe that the maximum limit as per the limit defined by the Central Government and the such limit as on date is 49% of total capital of the Insurance Broking Company.

FAQ 35, What is meaning of Net worth of an broking company? Reg 22

Ans 35, The regulations define “net worth’ as defined in the Companies Act 2013 where it is defined as paid up share capital plus Reserve and surplus (excluding revaluation reserve) less debit balance of profit and loss account and misc. Expenses not written off.

FAQ 36, What is minimum net worth requirement for a Direct Broker? Reg 22

Ans 36, The minimum net worth of the Direct broker should be Rs 50 lakhs against the minimum capital requirement of Rs 75 lakhs.

FAQ 37 , What is minimum net worth requirement for a Reinsurance and Composite Broker? Reg 22

Ans 37, The minimum net worth of the Reinsurance and composite broker should be 50 % the minimum capital requirement i.e Rs 200 lakhs and Rs 250 lakhs for Reinsurance and Composite broker respectively.

FAQ 38, What is minimum Deposit requirement under the Insurance Brokers Regulations? Reg 23

Ans 38, The Direct broker has to keep Rs 10 lakhs as a minimum deposit in the shape of FDR with any commercial bank and having lien of IRDA on it. The interest accrued on FDR can be credited to the broker bank account. Similarly, Reinsurance and composite broker has to keep 10% of the minimum capital requirement as fixed deposit and other conditions are the same as applicable to the Direct Brokers.

FAQ 39, Whether any broker can take loan against the FDR of minimum deposit requirement? Reg 23

Ans 39, No it is not permissible.

FAQ 40, What is the procedure to encash the FDR if the bank account to shifted to other bank?

Ans 40, To encash the FDR the prior permission of the Authority is must and facilitate it is advisable to get new FDR of the minimum deposit from the desired bank and sent to the Authority to approve the removal of lien on the old FDR.

FAQ 41, What is minimum requirement of Professional Indemnity Insurance ? Reg 24

Ans 41, Direct Broker : 2 times of the remuneration received at the end of every financial year, minimum Rs 100 lakhs and maximum Rs 50 crs.

Reinsurance Broker: 2 times of the remuneration received at the end of every financial year, minimum Rs 400 lakhs and maximum Rs 75 crs.

Composite Broker: 2 times of the remuneration received at the end of every financial year, minimum Rs 500 lakhs and maximum Rs 100 crs.

FAQ 42, What is the time limit for any new insurance broker to take such insurance? Reg 24

Ans 42, Within 12 months from the date of issuing the certificate of registration.

FAQ 43, What are consequences if the professional indemnity insurance is not taken or taken for lesser limit? Reg 48

Ans 43, This violation may attract penalty.

FAQ 44, Whether the limit of professional indemnity insurance to be increased if the remuneration increases during the year as compared to the previous financial year?

Ans 44, As per terms and conditions of the policy and practice followed by the Insurers, the limit of indemnity cannot be increased during the period of policy, therefore to enhance the limit of indemnity, new policy to be taken.

FAQ 45, What should be the ratio of AOA: AOY? Reg 24

Ans 45, It should be in the ratio of 1:1 and kindly ensure that the PSU Insurers generally who have the standard limit of indemnity of 25% for each and every claim and the same should be deleted.

FAQ 46, What should be the maximum excess? Reg 24

Ans 46, The excess should not be more than 5% of the capital employed of the broking company under any single claim .

FAQ 47, Is it mandatory to have Board approved policy for comparison and distribution of insurance products? Reg 29

Ans 47, Such practice to be followed if any broker have tie up with any insurer for any specific product. The broker have to sell one product of minimum of 5 insurers which should be approved by the Board.

FAQ 48, Whether all categories of Brokers to appoint the Compliance Officer ? Reg 31

Ans 48, All Reinsurance and Composite Brokers have to appoint the Compliance officer as an employee who will ensure the existence of Internal Audit system. The Direct Broker whose total remuneration including reward exceeds Rs 500 lakhs have to appoint Compliance Officer who will be responsible for internal control and systems.

FAQ 49. How the limit of claim amount is computed under Regulation no 28 Claim Consultancy? Is it policy wise or event based?

Ans 49, It is event based not a policy wise.

FAQ 50, Who is a single client to calculate more than 50% of the remuneration emanate from any client in the financial year? Reg 35

Ans 50, The client shall include in the case of firm or a company , an associate or a subsidiary or a group concern under the same management.

FAQ 51, Can a Corporate group have multiple insurance broking registration ? Reg 37

Ans 51, No, a Corporate Group is permitted only single broking registration subject to conditions as under:

I, The clients of the Promoter group will not be compelled to buy insurance from that broking company.

II, If promoter group is having an insurance company, the Broking company will not place more than 25% insurance business with the group insurance company.

III, The related party transactions must be disclosed in the audited and accounts and balance sheet.

IV, The group insurance company will not pay higher remuneration or reward to the Insurance broker of the Group.

V, The Group insurance company will not offer favourable terms to the group broking company.

FAQ 52, Which information's, if any change, are to be disclosed to the Authority during the currency of the certificate of registration? Reg 40

Ans 52, The following information's to be furnished through BAP module only

I, Opening/closing of branch office,

II, List of Broker Qualified persons and point of sales

III, Claim under the Professional Indemnity

IV, Acquiring of Immovable property

V, Change in the principal place of business within the same city

FAQ 53, Which changes during the currency of the certificate of registration requires the prior approval of the Authority? Reg 40

Ans 53 The following changes require the prior approval of the Authority:

I, Change of the Principal Officer

II, Changes of Director/Partner provided in the case of resignation only intimation is required

III, Change in the name of the company

IV, Change in place of corporate /registered office, if such change is not within the same city.

FAQ 54, Whether two certificate of registration of insurance broker can merged or amalgamate and do the insurance business without any approval from the Authority? Reg 41

Ans 54, No amalgamation or merger of certificate of registration is permitted without the approval of the Authority.

FAQ 55, Who can conduct the inspection of the Broking company? Reg 42

Ans 55, Only Officers of the Authority can inspect the Broking company at the premises of the Broker.

FAQ 56, Who can conduct the Investigation of the Broking company? Reg 43

Ans 56, The Authority may appoint any Chartered Accountant or Actuary or experience in the insurance field to conduct investigation.

FAQ 57, Whether an Insurance broker can sell the insurance online ? Reg 44

Ans 57, Yes an Insurance broker can sell the insurance product through web portal of the insurer. Further the Broker has to follow the IRDAI(Insurance web Aggregators) Regulations 2017.

FAQ 58, Whether an Insurance broker can generate the lead through offline or on line mode. ? Reg 45

Ans 58, Yes an Insurance broker can generate the lead but has to follow the IRDAI (Insurance Web Aggregators) Regulations 2017

FAQ 59, Whether an Insurance can be sold through distance marketing mode? Reg 46

Ans 59, Yes it can be sold where the leads are generated either online or offline and completed through IRDAI (Insurance web aggregators)Regulations 2017.

FAQ 60, What are consequences for the violations or breach of any regulations or provisions of Insurance Act or IRDA act or any other regulations under Insurance Act ? Reg 48

Ans 60, The Authority may impose appropriate penalty depending on the nature /gravity of violation.

FAQ 61, Who is the Appellate Authority against any decision of the Authority? Reg 48

Ans. Securities Appellate Authority (SAT) is the Appellate authority to file an appeal if aggrieved by the decision of the Authority.

FAQ 62, Whether the Authority has the right to suspend the certificate of registration without giving any opportunity being heard? Reg 49

Ans 62, No the Authority has to give opportunity of being heard as a principle of natural justice

FAQ 63, Under what circumstances the certificate of registration can be cancelled without notice ? Reg 50

Ans 63, The certificate can be cancelled without notice subject to violation of code of conduct or, found guilty of fraud or convicted of criminal offense or not commenced any business within six months of being granted a registration but enquiry is to hold before cancelling the certificate of registration.

FAQ 64, What is the time limit to resolve the grievances/complaints of the policyholders? Reg 8(2)

Ans 64, The Broker will acknowledge the receipt of the complaint of the policyholder within 14 days from the receipt of the correspondence as per 8(c) of the code of conduct further the complaint to be resolved within 14 days from the acknowledgment of the complaint as per Regulations 13(4).

FAQ 65, Who are clients under the insurance business?

Ans 65, The Clients for the director broker are other than Insurer and Reinsurance company while the clients for Reinsurance business is only Insurer and/or Reinsurer

FAQ 66, Whether Co broking is permissible under Retail or an Individual insurance business? Reg 32

Ans 66, No, the co-broking is not permissible for Retail or an Individual business.

FAQ 67, Whether the claim consultancy can be provided in the retail insurance business? Reg 28

Ans, No, it is not permissible.

FAQ 68, What documents are to be submitted by the Corporate Buyer to the Authority while transferring the shares more than 20% ? Reg 25

Ans 68, The following documents are to be submitted:

- 1, A certified copy of resolution of the Board of Directors approving the proposed change in shareholding.
- 2, A copy of the proposed shareholding pattern and duly certified by CA/ CS
- 3, A certified copy of the Board Resolution of the transferee to acquire the shares.
- 4, The details of the monetary consideration for transfer of shares.
- 5, A certified copy of the shareholding pattern of the transferee.
- 6, A confirmation, if any of the proposed shareholders is an FII, NRI, PIOs or Foreign Nationals.
- 7, A confirmation if any of the present directors of the Broking Company are already associated with the transferee.
- 8, The audited accounts of the transferee for the past three years, along with the certified copies of IT returns.
- 9, A certificate from the auditors to the effect that the transferee is not an NBFC, if applicable. No Objection Certificate obtained from RBI for acquisition of these shares if transferee is a Non-banking financial company
- 10, The detailed list and activities of associate companies/ concerns of the transferee.
- 11, Rationale for the restructuring of the share capital of the insurance broker.
- 12, An undertaking from the transferee that none of the Directors, Principal Officer and Key management personnel of the applicant company are holding any directorship/ employment in any other insurance related entity(s).
- 13, Any other document, if so required by the Authority.

FAQ 69, Can an Insurance broker arrange premium financing for the client? Reg 4 (functions)

Ans 69 , No the Insurance broker is not permitted to arrange the financing for any client but it is the duty of the insurance broker to explain to the client the obligations that the client may owe to that party.

FAQ 70, Whether any Indian Insurance broker can share the remuneration and reward with any foreign broker for placing the insurance business of his clients in India? Reg 38

Ans 70, No , it is not permissible as it may lead to hawala or transfer of FE illegally.

FAQ 71, Is it permissible that any client pays fees for Risk management services and at the same time the Broker gets the Remuneration for placing its insurance business? Reg 27

Ans 71, No , it is permissible to get the both fees and remuneration on the same insurance business of the client.

FAQ 72, Whether any broker can outsource any activity (Preparation of accounting documentation) on accounting of an expert (Chartered Accountant) for the claim for which he is providing claim consultancy? Reg 28

Ans 72, Yes an Insurance Broker can outsource it.

FAQ 73, Whether any activity outsource to an individual? Reg 28

Ans 73, If the activity to be outsourced is more than 5% of the total outsourcing expenditure , it should other than individual.

FAQ 74, What is basic requirement of “sale of insurance by telemarketing mode”? Reg 45

Ans 74, The Telemarketer should be registered with TRAI and the person who is making call should be Authorised Verifier.

FAQ 75, Who is an Authorised Verifier?

Ans 75, An authorised verifier is to pass the examination conducted for Broker qualified persons but the percentage of passing the examination is 35%.

FAQ 76, What action is taken by IRDA if the BAP return is not submitted on time? Reg 48

Ans 76, It will be considered as violation of regulation and at the time of renewal of license , the Authority may impose penalty depending upon the gravity (occasionally or regular of violation)

FAQ 77, If the retroactive date of the professional indemnity insurance is not certificate of registration, what is the penalty? Reg 24

Ans 77, This condition is introduced only in these revised regulations as it was not one of the requirements. Generally Insurers should agree to change the retroactive date under professional Indemnity Insurance as earlier insurance business solicited have already expired and no claim has arisen under those policies.

FAQ 78, Is it required an annual certificate of the Insurer to be submitted in addition to the policy document? Reg 24(1)

Ans 78, Yes the certificate to be obtained from the Insurer stating name and address , including the registration number of the Broker, policy number, limit of indemnity , the excess etc.

FAQ 79, What should be the excess under Professional Indemnity Insurance? Reg 24

Ans 79, The uninsured excess should not exceed 5% of the capital employed (Net fixed assets plus current assets). Advise do not calculate of capital.

FAQ 80 Whether a certificate (Sch II- Form W) from the Insurer to be submitted even if the remuneration does not exceed the prescribe limit? REg 34(9)

Ans 80, No, such certificate to be submitted unless and until the remuneration exceeds the prescribed limit received from the Insurer. But every broker has to submit the certificate Annexure I-D half yearly if not received otherwise with rider of that Insurer who has paid the remuneration over and above the limit.

FAQ 81, What is difference between Authorized verifier and telecaller?

Ans 81, In the Regulations of Web Aggregator the terminology is used Authorized verifier who can make a call to prospective customer to solicit the insurance business. Earlier it was through Telecaller.

FAQ 82, Is it mandatory for every broker to become member of Insurance Brokers Association of India? Reg 30(3(a))

Ans 82, Yes , it is mandatory as per code of conduct and every broker to confirm to the Authority that he is member of the Association and submit the proof.

FAQ 83, What precautions should taken while framing the “ Board Approved Policy ” for comparison and distribution of the Insurance products? Reg 29

Ans 83, While framing the policy consider functions and code of conduct of the broker defined in the regulations.

FAQ 84, What immediate action should be taken by every broker after releasing of the revised Brokers Regulations 2018?

Ans 84, Immediately, it should be put to the Board for their information and instruction to the PO/Compliance Officer to ensure for the compliance all the regulations.

Some specific resolution may also be passed like tagging of policy with BQP, Increase in capital , outsourcing activity, Board policy for comparison and distribution of insurance products, Indian controlled, no co broking in retail business, Designated of Compliance Officer, Professional Indemnity Insurance.

FAQ 85, What is the last date to submit the annual accounts to Authority? Reg 34(2)

Ans 85, A copy of audited balance sheet along with the auditor's report thereon within 30 days of holding the AGM or before 30 the Sept every year whichever is earlier.

FAQ 86, Is there any additional statement/annexure to be submitted along-with the annual audit accounts? Reg 34 (6)

Ans 86, Yes, the details of remuneration and reward from every insurer and any other income from insurer or its group companies in broking entity or its group companies.

FAQ 87, Whether, in co-broking, any lead Broker can pay remuneration to the co broker after getting 100% remuneration from Insurer? Reg 32

Ans 87, It can be paid by the lead broker to co broker.

FAQ 88, Is there any agreement among the co-brokers? Reg 32

Ans 88, Yes there should be an agreement among the co-broker defining the responsibility of each co broker.

FAQ 89, Whether unaudited accounts on 30th April or 31st Oct every year to be submitted?

Ans 89, As such no-where it is stated under any of the regulations that unaudited accounts to be submitted on 30th April or 31st Oct except various certificates and written under BAP module. (Assumptions: either typing error or format of BAP is modified, yet to be verified from IRDA)

FAQ 90, How the dispute between Insurer and Insurance Broker is to be resolved? Reg 59(2)

Asn 90, The matter may referred to IRDA who may conduct investigation to resolve the same.