



भारतीय बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY OF INDIA

IRDA/ INT/ MISC/ ORD/ 014/ 01/ 2016

15/ 01/ 2016

To
CEO's/ Principal Officers
Of All Insurance Broking Companies

Re: Approach in case of non-compliance of IRDA's (Insurance Broker) Regulations, 2015

The Authority has evolved a graded approach for non-compliance / violation of Broker Regulations or its circulars, orders, directions etc. The approach elaborates the procedure and laid down the methodology in case of first time violation and second time violation of the regulations, circular, directions, orders, etc.

However it may be recalled the Insurance Broker Regulations were amended in December, 2013 and new Insurance broker Regulations notified in January, 2014.

Based on the experience gained over the last 6 years and given the fact that the new regulations have been notified, there is a need to revise the approach to be followed in case of non-compliance of Broker Regulations by the broking companies. The objectives behind the approach are two-fold namely:

1. To encourage good behaviour and foster better compliance of the regulations by the insurance brokers.
2. To simplify the application of penalties in case of non-compliance/ violation of regulations.

In order to achieve the above objective the following approach has been adopted:

1. Imposition of monetary penalties is not the solution to encourage good behaviour and foster compliance.
2. A graded approach is proposed on the following lines:
 - a. Generally a warning for first time non-compliance

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- b. Largely not undertaking placement of new business till such time the problem is rectified or for 2/4 months whichever is later for second time non-compliance.
 - c. Initiate steps for suspension/ cancellation of the license with the condition that the broker will not undertake placement of new business till such time the problem is rectified or 6 months whichever is later for third time non-compliance.
3. Greater onus on the Principal Officer to ensure compliance as he will be held personally responsible along-with the compliance officer.
 4. Methodology to be followed for non-compliance of each and every regulation has been outlined.

The approach to be followed in case of non-compliance of various sub-regulations of IRDA's (Insurance Broker) Regulations, 2013 is placed at Annexure "A" for necessary information.

Nilish Sathe

Member (Life)

RS

Encl.: Annexure "A"

Approach in case of non-compliance of IRDA's (Insurance Broker) Regulations, 2013

Regulations No Relevant provision of the regulation		First Time violation	Second Time violation	Third Time Violation
1.	Short title and commencement	No action required		
2.	Definitions Composite Broker	A composite broker who is not licensed for direct life or direct general insurance business yet undertakes soliciting of the said business shall be warned at the first instance. Further he shall not be allowed to carry on business for a period of 2 months or the period he was undertaking soliciting of the said business whichever is longer.	The broker shall not be allowed to carry on business for a period of 4 months or the period he was undertaking soliciting of the said business whichever is longer.	The broker shall not be allowed to carry on business for a period of 6 months or the period he was undertaking soliciting of the said business whichever is longer. The Authority may also initiate the process of suspension/ cancellation of the license of the Insurance Broker Regulations, 2015 as per the procedure laid down in Regulation 41.
	Direct broker	If the direct broker does reinsurance broking business in any form or manner, he shall be warned at the first instance. Further he shall not be allowed to carry on business for a period of 2 months or the period he was undertaking soliciting of the said business whichever is longer.	As above	As above
	Reinsurance Broker	If the reinsurance broker undertakes direct insurance broking business in any form or manner, he shall be warned at the first instance. Further he shall not be allowed to carry on business for a period of 2 months or the period he was undertaking soliciting of the said business whichever is longer.	As above	As above
	Insurer	Any insurer who is found accepting business from an entity who is not licensed for soliciting, shall be asked to explain why compliance of the Act requirement is not met at their end. Based upon the reply and the intention of the company, the insurer shall be warned at the first instance.	The insurer shall not be allowed to carry on business for a period of 2 weeks. Further he may be imposed a penalty of Rs 50 lakhs as stipulated under Section 42D of the Insurance Act, 1938.	The insurer shall not be allowed to carry on business for a period of one month. Further he may be imposed a penalty of Rs 1 crore per day as stipulated under Section 42D of the Insurance Act, 1938. Still further, the Principal Officer / CEO of the insurer shall be removed

				and such shall not be considered for the post of principal officer/ CEO of the insurer for a period of atleast 5 years.
Take on	Principal Officer	If the principal officer, does not comply with the definition, he shall be warned in the first instance and asked to comply. He will not be appointed till such time he fulfills the criteria.	The Principal Officer / CEO of the broking company shall be removed and shall not be considered for the post of principal officer/ CEO of the broking company for a period of atleast 1 year after completing the requirements.	The Principal Officer / CEO of the broking company shall be removed and shall not be considered for the post of principal officer/ CEO of the broking company for a period of atleast 5 years after completing the requirements.
3	Categories of Insurance brokers	No action required		
4	Functions of 1. Direct broker 2. Reinsurance broker 3. Composite broker	If there are complainants by the policyholder or it is brought to the notice that the broking company has not performed the functions detailed in the regulation, the broker shall be: a) warned and advised to take necessary steps to prevent its re-occurrence. b) The Principal Officer shall be held responsible for the lapse and shall be issued a warning letter. He shall also give an undertaking that the same shall not be repeated. c) the promoters and Board be apprised of the position. f) will not undertake placement of new business till such time the problem is rectified or 2 months whichever is later.	I. If the violations are repeated then the broker shall have to prove to the Authority that the violations were accidental not deliberate If the violations are found to be found accidental and one off then the broker shall a) submit a plan to set right the shortcomings b) The Principal Officer shall be held responsible for the lapse and shall be issued a warning letter. He shall also give an undertaking that the same shall not be repeated. c) the promoters and Board be apprised of the position. d) report monthly/ quarterly compliance of the steps taken/ measures put in place to prevent its reoccurrence by an independent person. II. If it is found that the violations were deliberate then the broker shall: a) submit a plan to set right the shortcomings b) identify the person(s) responsible for the violations and take necessary action as per the Rules of the	If the violation is again repeated then initiate steps for suspension/ cancellation of the license under Regulation 41 & 42 in addition to steps mentioned in S.No. II of second time violation with the condition that the broker will not undertake placement of new business till such time the problem is rectified or 6 months whichever is later. In addition the Authority shall record the fit & proper criteria applicable to directors/ shareholders/ promoters.

			<p>company and report the details of such persons to the Authority</p> <p>c) hold the Principal Officer responsible for the violations and remove him. He shall not be considered for the post of principal officer for a period of atleast 1 year.</p> <p>d) promoters and Board be apprised of the position and advised to take necessary corrective steps</p> <p>e) report monthly/ quarterly compliance of the steps taken/ measures put in place to prevent its reoccurrence by an independent person</p> <p>f) will not undertake placement of new business till such time the problem is rectified or 4 months whichever is later.</p>	
5, 6 and 7	Application for grant of license	<p>If the application received for the fresh license does not comply with all the requirements listed in the regulations, the same will not be treated as an application accepted by the Authority and the communication to that effect will be given to the applicant. This process shall be completed up to the level of department.</p> <p>In case of renewal application, if the requirements are not fulfilled, specified time to comply with those requirements shall be communicated to the broking company.</p> <p>Procedure as laid down in the regulations for new and renewal shall be followed.</p>		
8	Consideration of application- Sub Reg. 1 is a general provision for which there is no necessity for penal action. It is for the authority to get satisfied.	<p>Requirements for consideration of application</p> <p><u>New application</u> - same shall be verified and confirmed at the time of new application. If not, applicant shall be advised to comply. If applicant does not</p>		

	<p>Sub Reg. 2 is specific to the requirement</p>	<p>comply, application will not be processed further till completion of the requirements. These include:</p> <ul style="list-style-type: none"> i. whether the applicant suffers from any of the disqualification specified under Sec 42D(5) of the Insurance Act. ii. Necessary infrastructure iii Minimum 2 persons with qualifications and experience and in branch office one person per branch iv. with any person, directly or indirectly connected with the applicant refused license by the Authority in the past v. applicant fulfills the capital / networth/ deposit requirements vi. PO possess the required qualification and information about Directors shareholders/ promoters / KMP is submitted. vii. PO suitable to be appointed given his experience, preferably in insurance sector viii. whether PO/ Directors/ Promoters/ shareholders/ partners are Fit & proper based on statements. ix. whether PO/ Directors/ Promoters/ shareholders/ partners comply with Fit & proper guidelines. x. PO and/ or any other official of insurance broker has violated the code of conduct xi. applicant engaged in business other than the main objects xii. grant of license will be in the interest of policyholders xiii. promoters/ shareholders/ partners are in sound financial position. xiv. employee responsible for soliciting should fulfill the requirements. 		
9	Requirement as to Capital	<p>a) Reg 9(1) - minimum paid up capital/ contribution requirements for direct/ reinsurance and composite brokers - <u>New application</u> - same shall be verified</p>		

		<p>and confirmed at the time of new application. If not, applicant shall be advised to comply. If applicant does not comply application will not be processed.</p> <p>Renewal application - compliance reported by the auditor in Form VI-A. Any non-compliance shall result in the following:</p> <p>i) The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 2 months whichever is later.</p> <p>ii) The Principal Officer and the compliance officer shall be held responsible for the lapse and shall be issued a warning letter. The Principal Officer shall also give an undertaking that the same shall not be repeated.</p> <p>iii) an explanation shall also be called from the auditor and a report submitted to the CA institute.</p> <p>b) Reg 9(4) – applicant to exclusively carry on the business of insurance broker- New application – as per a) above Renewal application – as per a) above</p> <p>c) Reg 9(5) – FDI not to exceed 26%in the manner applicable to insurance companies – New application – as per a) above Renewal application – as per a) above.</p> <p>d) Reg 9(6) – shares of insurance broking company not to be pledged in any form or manner to secure credit or any other facility and at all times shall be unencumbered. New application – as per a) above Renewal application – as per a) above.</p>		
10	Transfer of Ownership	Registration of transfer of shares or contribution only with the prior approval	Any non-compliance for second time violation shall be proceeded as under:	If the violation is again repeated then initiate steps for suspension/

		<p>of the Authority and beneficial ownership and control of the shares Any non-compliance shall be proceeded as under:</p> <p>a) The Principal Officer and the compliance officer shall be held responsible for the lapse and shall be issued a warning letter. The Principal Officer shall also give an undertaking that the same shall not be repeated.</p> <p>b) Form VI-A certified by the Auditor will be examined. If discrepancy found an explanation shall be called from the auditor and a report submitted to the CA institute.</p>	<p>a) hold the Principal Officer responsible for the violations and remove him.</p> <p>b) promoters and Board be apprised of the position and advised to take necessary corrective steps</p> <p>c) Form VI-A certified by the Auditor will be examined. If discrepancy found an explanation shall be called from the auditor and a report submitted to the CA institute.</p> <p>d) The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 2 months whichever is later.</p>	<p>cancellation of the license under Regulation 41 & 42 in addition to steps mentioned in second time violation.</p> <p>The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 4 months whichever is later.</p> <p>In addition the Authority shall record the fit & proper criteria applicable to directors/ shareholders/ promoters</p>
11	Maintenance of minimum amount of Network	<p>Maintenance of minimum network</p> <p><u>New application</u> - same shall be verified and confirmed at the time of new application. If not, applicant shall be advised to comply. If applicant does not comply application will not be processed.</p> <p><u>Renewal application</u> - compliance reported by the auditor in Form VI-A. Any non-compliance shall result in the following:</p> <p>a) the broker to immediately inform the Authority of the steps taken to restore the network.</p> <p>b) The broker shall not be allowed to carry on business till the time he corrects his non-compliance.</p> <p>c) The Principal Officer and the compliance officer shall be held responsible for the lapse and shall be issued a warning letter. The Principal Officer shall also give an undertaking that the same shall not be repeated.</p> <p>d) an explanation shall also be called from the auditor and a report submitted to the CA institute.</p>	<p>Any non-compliance for second time violation shall be proceeded as under:</p> <p>a) the broker to immediately inform the Authority of the steps taken to restore the network.</p> <p>b) hold the Principal Officer responsible for the violations and remove him.</p> <p>c) promoters and Board be apprised of the position and advised to take necessary corrective steps</p> <p>d) Form VI-A certified by the Auditor will be examined. If discrepancy found an explanation shall be called from the auditor and a report submitted to the CA institute.</p> <p>e) The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 2 months whichever is later.</p>	<p>If the violation is again repeated then initiate steps for suspension/ cancellation of the license under Regulation 41 & 42 in addition to steps mentioned in second time violation.</p> <p>The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 4 months whichever is later.</p> <p>In addition the Authority shall record the fit & proper criteria applicable to directors/ shareholders/ promoters</p>
12	Deposit Requirement	<p>Maintenance of deposit</p> <p><u>New application</u> - same shall be verified</p>	<p>Any non-compliance for second time violation shall be proceeded as under:</p>	<p>Any non-compliance for third time violation shall be proceeded as under:</p>

		<p>and confirmed at the time of new application. If not, applicant shall be advised to comply. If applicant does not comply application will not be processed.</p> <p>Renewal application - compliance reported by the auditor in Form VI-B. Any non-compliance shall result in the following:</p> <p>a) the broker to take steps taken to comply with the deposit requirements.</p> <p>b) The Principal Officer and the compliance officer shall be held responsible for the lapse and shall be issued a warning letter. The Principal Officer shall also give an undertaking that the same shall not be repeated.</p> <p>c) an explanation shall also be called from the auditor and a report submitted to the CA institute.</p>	<p>a) the broker to take steps taken to comply with the deposit requirements.</p> <p>b) hold the Principal Officer responsible for the violation.</p> <p>c) promoters and Board be apprised of the position and advised to take necessary corrective steps</p> <p>d) Form VI-A certified by the Auditor will be examined. If discrepancy found an explanation shall be called from the auditor and a report submitted to the CA institute.</p> <p>e) The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 2 months whichever is later.</p>	<p>a) the broker to take steps taken to comply with the deposit requirements.</p> <p>b) hold the Principal Officer responsible for the violation and remove him from the position of PO.</p> <p>c) The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 4 months whichever is later.</p> <p>d) promoters and Board be apprised of the position and advised to take necessary corrective steps.</p> <p>e) initiate steps for suspension/cancellation of the license under Regulation 41 & 42.</p> <p>f) Form VI-A certified by the Auditor will be examined. If discrepancy found an explanation shall be called from the auditor and a report submitted to the CA institute.</p>
13	Requirement of Professional Indemnity Insurance	<p>Maintenance of Professional Indemnity Insurance</p> <p>New application – undertaking from the Principal Officer that the PI insurance will be taken within a period of 12 months from date of issue of license. If not then the insurance broker cannot solicit business for the period he did not have the PI insurance in force.</p> <p>Renewal application - compliance reported by the auditor in Form VI-C. Any non-compliance shall result in the following:</p> <p>a) the broker to take steps taken to comply with the deposit requirements.</p> <p>b) The Principal Officer and the compliance officer shall be held responsible for the lapse and shall be issued a warning letter. The Principal Officer shall also give an undertaking that the same shall not be repeated.</p> <p>c) an explanation shall also be called from</p>	<p>Any non-compliance for second time violation shall be proceeded as under:</p> <p>a) the broker to take steps taken to comply with the deposit requirements.</p> <p>b) hold the Principal Officer responsible for the violations.</p> <p>c) promoters and Board be apprised of the position and advised to take necessary corrective steps</p> <p>d) Form VI-A certified by the Auditor will be examined. If discrepancy found an explanation shall be called from the auditor and a report submitted to the CA institute.</p> <p>e) The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 2 months whichever is later.</p>	<p>Any non-compliance for third time violation shall be proceeded as under:</p> <p>a) the broker to take steps taken to comply with the PI Indemnity Insurance requirements.</p> <p>b) hold the Principal Officer responsible for the violation and remove him from the position of PO.</p> <p>c) promoters and Board be apprised of the position and advised to take necessary corrective steps.</p> <p>d) initiate steps for suspension/cancellation of the license under Regulation 41 & 42.</p> <p>e) Form VI-A certified by the Auditor will be examined. If discrepancy found an explanation shall be called from the auditor and a report submitted to the CA institute.</p> <p>f) The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 4</p>

		the auditor and a report submitted to the CA institute.		months whichever is later.
14	Payment of fees and consequences of failure to pay fees	<p>Renewal application - compliance reported by the auditor in Form VI-C. Any non-compliance shall result in the following: If the broker does not pay the annual fees by the due date, but pays within one month then the he shall have to pay the annual fees plus Rs 10,000 plus applicable taxes.</p>	<p>If the broker does not pay the annual fees even after one month of the due date, but pays within three months then the he shall have to pay the annual fees plus Rs 25,000 plus applicable taxes. The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 2 months whichever is later.</p>	<p>If the broker does not pay the annual fees even after three months of the due date, but pays within one year then the he shall have to pay the annual fees plus Rs 50,000 plus applicable taxes. The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 4 months whichever is later.</p>
15 & 16	Procedure for licensing, validity of license	No action required as the procedure is well laid down		
17	Rejection of application	As above		
18	Renewal of License	<p>Reg 18(1) – time periods for submitting the renewal application specified. No further action required.</p> <p>Reg 18 (2) – after expiry of license the insurance broker cannot do any fresh business but only undertake servicing of existing policyholders. No further action required.</p> <p>Reg 18(3) The PO and employees should complete 25 hours of renewal training. Action: If delay in renewal training a) upto one month issue a warning; b) if more than one month and upto 3 months a penalty of Rs 10,000 and no placement of new business for 1 month. c) if more than 3 months penalty of Rs 25,000 and no placement of new business for 3 months.</p> <p>Reg 18(4) – Renewal application to be dealt in the manner specified under Reg 8 i) whether applicant suffering from of the disqualifications specified under section</p>		

42D(5) of the Insurance Act.

Action: If yes, invoke Reg 41 for suspension of license with notice.

ii) whether the applicant has necessary infrastructure.

Action: If the infrastructure declared at the time of grant of license and at the time of renewal of the license is found deficient thereafter, a warning may be issued to the broker and he be asked to comply with the requirements within a period of 2 weeks and confirm compliance.

iii) Minimum 2 persons with qualifications and experience and in branch office one person per branch

Action: if not available a) The broker shall not carry on business till the time he corrects his non-compliance and has atleast 2 qualified personas and 1 person in a branch.

b) The Principal Officer and the compliance officer shall be held responsible for the lapse and shall be issued a warning letter. The Principal Officer shall also give an undertaking that the same shall not be repeated.

c) The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 2 months whichever is later.

iv. with any person, directly or indirectly connected with the applicant refused license by the Authority in the past

Action: a) If the person has been refused license and the same is disclosed, then depending upon the facts of the case a decision of renewal of license shall be taken.

b) However if the same is not disclosed to

the Authority, then invoke Reg 41 for suspension of license with notice.

c) The Principal Officer and the compliance officer shall be held responsible for the lapse and may be asked to resign.

v. applicant fulfills the capital / networth/ deposit requirements

Action: a) If the applicant does not fulfill any of the capital/ networth/ deposit requirement, then the renewal of the license shall not be renewed till the requirements are complied.

b) The procedure laid down at S.No. 9, 11 and 12 may be followed.

vi. PO possess the required qualification and information about Directors shareholders/ promoters / KMP is submitted.

Action: a) If the PO does not possess the required qualifications, then PO shall be removed.

b) The broker shall not carry on business till the time he appoints a new PO.

c) The compliance officer shall be issued a warning letter for the above violation if it is unintentional and in case of a repetition or intentional violation he will be removed from the position.

d) If the information of shareholders/ promoters/ KMP necessary for processing of application is incomplete then the same shall be submitted.

vii. PO suitable to be appointed given his experience, preferably in insurance sector

Action: a) The experience of the PO to be considered for reckoning shall be as under:

i) atleast 3 years in supervisory capacity in insurance sector.

- ii) atleast 5 years in supervisory capacity in financial sector.
- iii) atleast 7 years in supervisory capacity in any other sector.
- b) If the PO does not possess the required experience, then PO shall be removed.
- c) The broker shall not carry on business till the time he appoints a new PO.
- d) The compliance officer shall be issued a warning letter for the above violation if it is unintentional and in case of a repetition or intentional violation he will be removed from the position.

viii. whether PO/ Directors/ Promoters/ shareholders/ partners are Fit & proper based on statements.

Action: a) If the statement made by the PO/ Directors/ Promoters/ shareholders/ partners indicates that the person does not meet the fit & proper criteria, the Authority may decline his association with the broking company.

b) If the statement made by the PO/ Directors/ Promoters/ shareholders/ partners are found to be incorrect then the Authority shall invoke Reg 41 for suspension of license with notice.

c) The compliance officer shall be issued a warning letter for the above violation if it is unintentional and in case of a repetition or intentional violation he will be removed from the position.

ix. whether PO/ Directors/ Promoters/ shareholders/ partners comply with Fit & proper guidelines.

Action: a) If the Authority is of the view that the PO/ Directors/ Promoters/ shareholders/ partners do not comply with the Fit & Proper criteria, then it shall cancel the association of the person with

the broking company.

x. PO and/ or any other official of insurance broker has violated the code of conduct

Action: a) The Authority would examine the violation of the code of conduct. If the violation is one off and unintentional then the Principal Officer and the compliance officer shall be issued a warning letter and an undertaking from both of them that the same shall not be repeated.

b) In case of a repetition or an intentional violation, then

i) the broker shall not carry on business.

ii) hold the Principal Officer and compliance officer responsible for the violation and remove them from the position of PO and compliance officer.

iii) The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 2 months whichever is later.

iv) promoters and Board be apprised of the position and advised to take necessary corrective steps.

v) initiate steps for suspension/ cancellation of the license under Regulation 41 & 42.

xi. applicant engaged in business other than the main objects

Action: as above

xii. grant of license will be in the interest of policyholders

Action: subjective issue. The Authority may decline renewal if it of the view that the interest of policyholders will not be served after invoking Reg 41 for suspension of license with notice.

		<p>xiii. promoters/ shareholders/ partners are in sound financial position. Action: The Authority may decline renewal if it of the view that the promoters/ shareholders/ partners are not in sound financial position after invoking Reg 41 for suspension of license with notice.</p> <p>xiv. employee responsible for soliciting should fulfill the requirements Action: a) If the broking company do not have atleast 2 persons in head/ corporate office and one in branch office then the broking company cannot write insurance business till the broking company has appointed a trained and qualified person. b) hold the Principal Officer and compliance officer responsible for the violation and issue them a warning. c) If the same is repeated then i) the broking company shall not write insurance business for the period the office was without the trained and qualified persons. ii) the PO and the compliance officer shall be held responsible for this violation and may be removed from their position. iii) inform the Board of the violation and advise them to submit a necessary plan to prevent its re-occurrence.</p>		
19	Procedure where a renewal of license is not granted	No action required as the procedure is well laid down		
20	Effect of refusal to grant license	As above		
21	Issue of duplicate license	As above	NA	
22	Sale of Insurance Online	Reg 22(1) allows brokers to enter into an agreement for sale of insurance products online by linking to the web portal of the insurers.		

		<p>Action: a) if broker sells insurance products of an insurer without entering into an agreement then there would be a violation. The violations would be dealt in manner specified in S.No. 4.</p> <p>Reg 22(2): The insurance broker shall follow the procedure laid down in Schedule VIII of the regulations</p> <p>Action: If the insurance broker does not follow the procedure laid down in Annexure VIII, then the broker shall be:</p> <p>a) warned and advised to take necessary steps to prevent its re-occurrence.</p> <p>b) The Principal Officer shall be held responsible for the lapse and shall be issued a warning letter. He shall also give an undertaking that the same shall not be repeated.</p> <p>c) the promoters and Board be apprised of the position.</p>	<p>Action: If the violations are repeated then the broker shall have to prove to the Authority that the violations were accidental not deliberate</p> <p>If the violations are found to be found accidental and one off then the broker shall</p> <p>a) submit a plan to set right the shortcomings</p> <p>b) The Principal Officer shall be held responsible for the lapse and shall be issued a warning letter. He shall also give an undertaking that the same shall not be repeated.</p> <p>c) the promoters and Board be apprised of the position.</p> <p>d) report monthly/ quarterly compliance of the steps taken/ measures put in place to prevent its reoccurrence by an independent person.</p> <p>II. If it is found that the violations were deliberate then the broker shall:</p> <p>a) submit a plan to set right the shortcomings</p> <p>b) identify the person(s) responsible for the violations and take necessary action as per the Rules of the company and report the details of such persons to the Authority</p> <p>c) hold the Principal Officer responsible for the violations and remove him. He shall not be considered for the post of principal officer for a period of atleast 1 year.</p> <p>d) The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 2 months whichever is later.</p> <p>e) promoters and Board be apprised of the position and advised to take</p>	<p>Action: If the violation is again repeated then initiate steps for suspension/ cancellation of the license under Regulation 41 & 42 in addition to steps mentioned in S.No. II of second time violation.</p> <p>The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 4 months whichever is later.</p> <p>In addition the Authority shall record the fit & proper criteria applicable to directors/ shareholders/ promoters.</p>
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			necessary corrective steps f) report monthly/ quarterly compliance of the steps taken/ measures put in place to prevent its reoccurrence by an independent person	
23	Sale of Insurance by tele-marketing mode	<p>Reg 23(1) – An insurance broker who intends to engage the services of a telemarketer shall have to abide by Guidelines on distance marketing of insurance products</p> <p>Reg 23(2) – Insurance broker shall have to abide by with the following additional conditions:</p> <p>i) the telemarketer engaged by insurance broker shall comply with various circular/ guidelines issued by TRAI</p> <p>ii) the telemarketer engaged by the insurance broker shall not engage with any other insurer or insurance related entity</p> <p>iii) In case insurance broker registers as a telemarketer with TRAI, the insurance broker shall do telemarketing for itself only and not for any other entity</p> <p>iv) Authorised verifier employed by telemarketer/ insurance broker shall undergo statutory training and pass exam as per Schedule II of these regulations</p> <p>v) An insurance broker shall enter into an agreement with the telemarketer, a copy of which shall be filed with the Authority along-with undertakings as per Annexure IV-A and IV-B of these regulations.</p> <p>vi) The Authority shall power to inspect the premises of the telemarketer or any other premises, which the Authority feels necessary for verification/ documents, etc</p> <p>vii) the telemarketer shall have to comply with the terms and conditions as may be prescribed.</p> <p>Action: If the insurance broker does not</p>		
			Action: I. If the violations are	Action: If the violation is again

		<p>comply with any of the above points, then the broker shall be:</p> <p>a) warned and advised to take necessary steps to prevent its re-occurrence.</p> <p>b) The Principal Officer shall be held responsible for the lapse and shall be issued a warning letter. He shall also give an undertaking that the same shall not be repeated.</p> <p>c) the promoters and Board be apprised of the position.</p>	<p>repeated then the broker shall have to prove to the Authority that the violations were accidental not deliberate</p> <p>If the violations are found to be found accidental and one off then the broker shall</p> <p>a) submit a plan to set right the shortcomings</p> <p>b) The Principal Officer shall be held responsible for the lapse and shall be issued a warning letter. He shall also give an undertaking that the same shall not be repeated.</p> <p>c) the promoters and Board be apprised of the position.</p> <p>d) report monthly/ quarterly compliance of the steps taken/ measures put in place to prevent its reoccurrence by an independent person.</p> <p>II. If it is found that the violations were deliberate then the broker shall:</p> <p>a) submit a plan to set right the shortcomings</p> <p>b) identify the person(s) responsible for the violations and take necessary action as per the Rules of the company and report the details of such persons to the Authority</p> <p>c) hold the Principal Officer responsible for the violations and remove him. He shall not be considered for the post of principal officer for a period of atleast 1 year.</p> <p>d) The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 2 months whichever is later.</p> <p>e) promoters and Board be apprised of the position and advised to take</p>	<p>repeated then initiate steps for suspension/ cancellation of the license under Regulation 41 & 42 in addition to steps mentioned in S.No. II of second time violation.</p> <p>The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 4 months whichever is later.</p> <p>In addition the Authority shall record the fit & proper criteria applicable to directors/ shareholders/ promoters.</p>
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			necessary corrective steps f) report monthly/ quarterly compliance of the steps taken/ measures put in place to prevent its reoccurrence by an independent person	
24	Action against a person acting as an insurance broker without a valid license	No action required as the procedure is well laid down		
25	Remuneration	<p>Reg 25(1) – life and general insurance – no insurance broker shall be paid or contract to be paid by way of remuneration an amount exceeding the limits as specified by the Authority Action:</p> <p>Reg 25(2) – reinsurance – remuneration that will be paid shall be as per market practice.</p> <p>Reg 25(3) – settlement of accounts by insurers in respect of remuneration shall be done on monthly basis and it is to be ensured that there is no cross settlement of outstanding balances</p> <p>Action: compliance reported by the auditor in Form VI-D. Any non-compliance shall result in the following: a) the broker to immediately inform the Authority of the steps taken to comply with the regulations b) The broker shall not be allowed to carry on business till the time he corrects his non-compliance. c) The Principal Officer and the compliance officer shall be held responsible for the lapse and shall be issued a warning letter. The Principal Officer shall also give an undertaking that the same shall not be repeated. d) an explanation shall also be called from</p>	<p>Action: Any non-compliance for second time violation shall be proceeded as under: a) the broker to immediately inform the Authority of the steps taken to comply with the regulations. b) hold the Principal Officer responsible for the violations and remove him. c) The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 2 months whichever is later. d) promoters and Board be apprised of the position and advised to take necessary corrective steps</p>	<p>Action: If the violation is again repeated then initiate steps for suspension/ cancellation of the license under Regulation 41 & 42 in addition to steps mentioned in second time violation. The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 2 months whichever is later. In addition the Authority shall record the fit & proper criteria applicable to directors/ shareholders/ promoters</p>

		the auditor and a report submitted to the CA institute.	e) Form VI-D certified by the Auditor will be examined. If discrepancy found an explanation shall be called from the auditor and a report submitted to the CA institute.	
26	Ceiling of business from single	<p>Reg 26(1) – Not more than 50% of the premium (quantum, receipts, etc) shall emanate from any one client in a financial year</p> <p>Reg 26(2) – for insurance brokers promoted by corporate houses having an insurance company within their group not more than 25% of the insurance handled by the insurance broker shall be placed with the insurance company within the promoter group separately for life and general insurance.</p> <p>Reg 26(3) – the % of premium as specified in sub-reg (1) above will not include reinsurance premium as well premium emanating from Government body or public sector undertaking.</p> <p>Reg 26(4) – The decision of the Authority whether the company/ business or an organization is under same management shall be final.</p> <p>Reg 26(5) – An insurance broker shall submit CA certificate to that effect</p> <p>Action: compliance reported by the auditor annually. Any non-compliance shall result in the following: a) the broker shall be warned for the breach of the regulations. b) the broker shall submit an action plan to ensure that the breach is not repeated. c) The Principal Officer and the compliance officer shall be held</p>	<p>Action: Any non-compliance for second time time violation shall be proceeded as under: a) the broker to immediately inform the Authority of the steps taken to comply with the regulations. b) hold the Principal Officer responsible for the violations and remove him.</p>	<p>Action: If the violation is again repeated then initiate steps for suspension/ cancellation of the license under Regulation 41 & 42 in addition to steps mentioned in second time violation. The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 4</p>

		<p>responsible for the lapse and shall be issued a warning letter. The Principal Officer shall also give an undertaking that the same shall not be repeated.</p> <p>d) an explanation shall also be called from the auditor and a report submitted to the CA institute.</p>	<p>c) The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 2 months whichever is later.</p> <p>d) promoters and Board be apprised of the position and advised to take necessary corrective steps</p> <p>e) certificate of the Auditor will be examined. If discrepancy found an explanation shall be called from the auditor and a report submitted to the CA institute.</p>	<p>months whichever is later.</p> <p>In addition the Authority shall record the fit & proper criteria applicable to directors/ shareholders/ promoters</p>
27	Segregation of Insurance Money	<p>Reg 27(1) – Provisions of Sec 64Vb of the Act shall continue to be applicable</p> <p>Reg 27(2) – In case of reinsurance contracts, it may be agreed upon between the parties or as part of the international market practice, the reinsurance/ composite broker can collect premium and remit to the reinsurer and/ or collect claims from the reinsurer to be passed on to the insurer. The money collected by the broker shall be dealt with in the manner specified in Schedule V of the Regulations.</p> <p>Action: compliance reported by the auditor in Form VI-E. Any non-compliance shall result in the following:</p> <p>a) the broker to immediately inform the Authority of the steps taken to comply with the regulations</p> <p>b) The broker shall not be allowed to carry on business till the time he corrects his non-compliance.</p> <p>c) The Principal Officer and the compliance officer shall be held responsible for the lapse and shall be issued a warning letter. The Principal Officer shall also give an undertaking that the same shall not be repeated.</p> <p>d) an explanation shall also be called from</p>	<p>Action: Any non-compliance for second time violation shall be proceeded as under:</p> <p>a) the broker to immediately inform the Authority of the steps taken to comply with the regulations.</p> <p>b) hold the Principal Officer responsible for the violations and remove him.</p> <p>c) The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 2 months whichever is later.</p> <p>d) promoters and Board be apprised of the position and advised to take necessary corrective steps</p>	<p>Action: If the violation is again repeated then initiate steps for suspension/ cancellation of the license under Regulation 41 & 42 in addition to steps mentioned in second time violation.</p> <p>The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 4 months whichever is later.</p> <p>In addition the Authority shall record the fit & proper criteria applicable to directors/ shareholders/ promoters</p>

		the auditor and a report submitted to the CA institute.	e) Form VI-E certified by the Auditor will be examined. If discrepancy found an explanation shall be called from the auditor and a report submitted to the CA institute.	
28	Code of Conduct	<p>If it is brought to the notice of the Authority that the broking company has violated the code of conduct, the broker shall be:</p> <p>a) warned and advised to take necessary steps to prevent its re-occurrence.</p> <p>b) The Principal Officer shall be held responsible for the lapse and shall be issued a warning letter. He shall also give an undertaking that the same shall not be repeated.</p> <p>c) the promoters and Board be apprised of the position.</p>	<p>I. If the violations are repeated then the broker shall have to prove to the Authority that the violations were accidental not deliberate</p> <p>If the violations are found to be found accidental and one off then the broker shall</p> <p>a) submit a plan to set right the shortcomings</p> <p>b) The Principal Officer shall be held responsible for the lapse and shall be issued a warning letter. He shall also give an undertaking that the same shall not be repeated.</p> <p>c) the promoters and Board be apprised of the position.</p> <p>d) report monthly/ quarterly compliance of the steps taken/ measures put in place to prevent its reoccurrence by an independent person.</p> <p>II. If it is found that the violations were deliberate then the broker shall:</p> <p>a) submit a plan to set right the shortcomings</p> <p>b) identify the person(s) responsible for the violations and take necessary action as per the Rules of the company and report the details of such persons to the Authority</p> <p>c) hold the Principal Officer responsible for the violations and remove him. He shall not be considered for the post of principal officer for a period of atleast 5 years.</p> <p>d) The broker shall not be allowed to</p>	<p>If the violation is again repeated then initiate steps for suspension/ cancellation of the license under Regulation 41 & 42 in addition to steps mentioned in S.No. II of second time violation.</p> <p>The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 4 months whichever is later.</p> <p>In addition the Authority shall record the fit & proper criteria applicable to directors/ shareholders/ promoters.</p>

			<p>carry on business till the time he corrects his non-compliance or 2 months whichever is later.</p> <p>e) promoters and Board be apprised of the position and advised to take necessary corrective steps</p> <p>f) report monthly/ quarterly compliance of the steps taken/ measures put in place to prevent its reoccurrence by an independent person</p>	
29	Maintenance of books of accounts, records, etc	<p>Reg 29(1) – Every insurance broker shall prepare for every financial year a) balance sheet; b) profit & loss account; c) statement of cash/ fund flow d) additional statements on insurance broking business as required by the Authority</p> <p>Reg 29(2) – Every insurance broker shall submit to the Authority, audited financial statement alongwith auditor’s report before 30th September alongwith remarks or observations of auditors, if any, on conduct of business, state of accounts, etc and a suitable explanations</p> <p>Reg 29(3) – every broker shall within 90 days from the date of auditor’s report take steps to rectify the deficiencies and report to the Authority</p> <p>Reg 29(4) – All books of accounts, documents, etc shall be maintained at the head office of the broking company</p> <p>Reg 29(5) – All books of accounts shall be maintained for atleast 10 years</p> <p>Rge 29(6) – A certificate confirming compliance of various regulations shall form part of Auditors Report.</p>		

		<p>Reg 29(7) – every insurance broker shall submit to the Authority the details of statutory auditors engaged by them along-with audited accounts as per Annexure V.</p> <p>Action: compliance reported by the auditor in form of certificate confirming compliance to various regulations forming part of the Auditors report. Any non-compliance shall result in the following:</p> <p>a) the broker to immediately inform the Authority of the steps taken to comply with the regulations</p> <p>b) The broker shall not be allowed to carry on business till the time he corrects his non-compliance.</p> <p>c) The Principal Officer and the compliance officer shall be held responsible for the lapse and shall be issued a warning letter. The Principal Officer shall also give an undertaking that the same shall not be repeated.</p> <p>d) an explanation shall also be called from the auditor and a report submitted to the CA institute.</p>	<p>Action: Any non-compliance for second time violation shall be proceeded as under:</p> <p>a) the broker to immediately inform the Authority of the steps taken to comply with the regulations.</p> <p>b) hold the Principal Officer responsible for the violations and remove him.</p> <p>c) The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 2 months whichever is later.</p> <p>d) promoters and Board be apprised of the position and advised to take necessary corrective steps</p> <p>e) certificate issued by the Auditor will be examined. If discrepancy found an explanation shall be called from the auditor and a report submitted to the CA institute.</p>	<p>Action: If the violation is again repeated then initiate steps for suspension/ cancellation of the license under Regulation 41 & 42 in addition to steps mentioned in second time violation.</p> <p>The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 4 months whichever is later.</p> <p>In addition the Authority shall record the fit & proper criteria applicable to directors/ shareholders/ promoters</p>
30	Submission of half yearly returns	<p>Reg 30(1)-Submission of Forms given in Annexure VI-A to VI-E duly certified by CA on half-yearly basis.</p> <p>Action: as above</p>		
31	Internal control and systems	<p>Reg 31(1) – every broker shall have proper internal audit in place and internal controls and systems adequate for the size, nature and complicity of business</p> <p>Reg 31(2) – for reinsurance/ composite broker it is mandatory to have a compliance officer</p> <p>Reg 31(3) – for direct insurer if the</p>		

		<p>business in a financial year more than 10 crs then mandatory to have a compliance officer.</p> <p>Action: Any non-compliance shall result in the following:</p> <p>a) the broker to take steps taken to appoint a compliance officer immediately.</p> <p>b) The Principal Officer shall be held responsible for the lapse and shall be issued a warning letter.</p> <p>c) The Principal Officer shall also give an undertaking that the same shall not be repeated.</p>	<p>Action: Any non-compliance for second time violation shall be proceeded as under:</p> <p>a) the broker to take steps taken to appoint the compliance officer immediately.</p> <p>b) hold the Principal Officer responsible for the violation.</p> <p>c) The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 2 months whichever is later.</p> <p>d) promoters and Board be apprised of the position and advised to take necessary corrective steps</p>	<p>Action: Any non-compliance for third time violation shall be proceeded as under:</p> <p>a) the broker to take steps taken to appoint the compliance officer immediately.</p> <p>b) hold the Principal Officer responsible for the violation and remove him from the position of PO.</p> <p>c) The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 4 months whichever is later.</p> <p>d) promoters and Board be apprised of the position and advised to take necessary corrective steps.</p> <p>e) initiate steps for suspension/cancellation of the license under Regulation 41 & 42.</p>
32	Claim Consultancy	Any violation of Reg 32 shall be dealt in accordance with the steps laid down for violation of regulation 31.		
33	Co-Broking	As above		
34	Reinsurance/ Composite Broker sharing brokerage	As above		
35	Single broking license to one corporate group	As above		
36	Nomenclature of Insurance Brokers	Immediate compliance		
37	Financial penalty for certain violations/ breaches	Financial penalties for violations. No further action.		
38	Disclosures to the Authority	Reg 38(1) – The Insurance broker shall disclose to the Authority on their own any material change which has a bearing on their license within 30 days of such change		

	<p>Reg 38(2) – the insurance broker shall disclose to the Authority, as and when required by it,</p> <p>Reg 38(3) – The insurance broker shall take prior approval of the Authority in the following cases: change in i) Principal Officer; ii) Director(s)/ Partner(s); iii) name of the company; iv) place of corporate/ registered office; v) principal place of business.</p> <p>Reg 38(4) – An insurance broker shall furnish to the Authority as and when there is change/ addition to the information furnished previously to the Authority i) opening/ closing of branch; ii) list of broker qualified person; iii) in respect of a claim under the professional indemnity policy; iv) acquiring immovable property.</p> <p>Reg 38(5) – The Authority may from time to time require the broker to furnish information/ documents in the manner as may be specified</p> <p>Reg 38(6) – Failure to comply with the regulation will lead to action in accordance with provision of Reg 41.</p> <p>Action: Any non-compliance shall result in the following: a) the broker to take steps taken to comply with the deposit requirements. b) The Principal Officer and the compliance officer shall be held responsible for the lapse and shall be issued a warning letter. c) The Principal Officer shall also give an undertaking that the same shall not be repeated.</p>	<p>Action: Any non-compliance for second time violation shall be proceeded as under: a) the broker to take steps taken to comply with the deposit requirements. b) hold the Principal Officer and the compliance officer responsible for the violations and remove the compliance officer. c) The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 1</p>	<p>Action: Any non-compliance for third time or more time violation shall be proceeded as under: a) the broker to take steps taken to comply with the regulations. b) hold the Principal Officer and compliance officer responsible for the violation and remove him from the position of PO. c) The broker shall not be allowed to carry on business till the time he corrects his non-compliance or 2</p>
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			month whichever is later. d) promoters and Board be apprised of the position and advised to take necessary corrective steps	months whichever is later. d) promoters and Board be apprised of the position and advised to take necessary corrective steps. e) initiate steps for suspension/ cancellation of the license under Regulation 41.
39 & 40	Authority's power to inspect/ appointment of investigator by the Authority	Exercise of Authority's power. No further action.		
41 & 42	Suspension of license with notice/ Cancellation or suspension of license without notice	The regulations cover in detail the provisions/ circumstances surrounding suspension/ cancellation. No further comments		
43	Publication of order of suspension	No action required as the procedure is well laid down		
44	Manner of holding enquiry after suspension	As above.		
45	Action to be taken after receipt of enquiry report	As above.		
46	Procedure for cancellation	As above		
47	Publication of order of cancellation of license	As above		
48	Effect of cancellation	As above		
49	Voluntary surrender of license	Voluntary surrender to be accepted only on fulfillment of requirements. If any action pending then voluntary surrender not to be accepted till outstanding issues are settled.		
50	Power of Authority to issue clarifications	As above		
51	General	As above		

Note 1: Despite the above penalty chart, if the Authority considers the violation committed by the insurance broker grave, then it may initiate steps for suspension/ cancellation of license at the first stage itself.

Note 2: If the broker is financially benefitted, then such benefits shall be neutralized/ set-off by fines.