

**IRDA (STANDARD PROPOSAL FORM FOR LIFE INSURANCE)
REGULATIONS, 2013**

NOTIFICATION F.NO.IRDA/REG./10/68/2013 DATED 16-2-2013

In exercise of the powers conferred by sections 14(2)(b) of IRDA Act, 1999 (Act 41 of 1999) and 114(A)(zc) and (zd) of the Insurance Act, 1938 (4 of 1938) the Authority, in consultation with the Insurance Advisory committee, hereby makes the following regulations, namely :—

**CHAPTER I
INTRODUCTORY**

Short title and commencement

1. (1) These regulations may be called the IRDA Regulations for Standard Proposal Form for Life Insurance, 2013.

(2) They shall come into force on the date of their publication in the official gazette.

Definitions

2. In these regulations, unless the context otherwise requires,

(1) 'Act' means the Insurance Act, 1938 (4 of 1938)

(2) 'Recommendation' means advice provided by an agent or bancassurance or broker or an insurer where no agent or broker is involved, to an individual consumer that results in a purchase of a life insurance policy in accordance with that advice.

(3) 'Suitability' means a determination based on information provided in the standard proposal form that, based upon a particular prospect's risk profile, financial situation, and investment objectives, a product is appropriate for that prospect.

(4) 'Suitability information' means information that is reasonably appropriate to determine the suitability of a recommendation as provided for in the standard proposal form.

(5) 'Standard Proposal Form' means Standard Proposal form format as attached to these Regulations as Annexure A consisting of four parts, namely (A). Details of the prospect (B). Specialized/Additional information. (C) Suitability Analysis (D) Recommendation, apart from the standard declarations to which no additions or deletions shall be made, where Section A and D are standard and mandatory, Section B may be modified as required and Section D is standard and highly recommended or such form as may be prescribed by the Authority from time to time.

(6) All words and expressions used herein and not defined but defined in the Insurance Act, 1938 (4 of 1938), or in the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999), or in any Rules or Regulations

made thereunder, shall have the meanings respectively assigned to them in those Acts or Rules or Regulations.

Objective

3. The Objective of these Regulations is to provide for a standard proposal form for individual policies in Life Insurance that has an inbuilt flexibility for seeking additional/specialized information that is product specific or specific to a particular risk category, with a view to ensuring that it takes into consideration all relevant questions that are required to understand the need for a particular product and make a recommendation to the prospect bringing in transparency and thereby protecting the prospect's interests.

Complementarity

4. These regulations are complementary to the provisions relating to the proposal form provided for under the law, rules and regulations, in particular sections 45 and 51 of the Insurance Act, 1938, Regulations 7(d) and 4 of the 1RDA Regulations for protection of Policyholders' Interests, 2002 and Rule 12 of the Insurance Rules, 1939.

CHAPTER II OBLIGATIONS

Applicability and Scope

5. (1) These Regulations apply to all individual policies issued by life insurance companies, irrespective of the segment and type of product.

(2) The obligations under these Regulations apply to Insurers and Intermediaries as defined therein.

Standard Proposal Form

6. (1) It shall be mandatory for all life insurance companies to adopt the Standard Proposal Form.

(2) A separate form is to be collected for each individual life proposed.

Determination of Suitability

7. (1) An Insurer or Agent or Bancassurance or Broker or the insurer's employees where direct sales are involved, shall make reasonable efforts to obtain a consumer's 'suitability information' prior to making a recommendation.

(2) Based on the suitability of information gathered from the prospect, the Insurer or Agent or Bancassurance or Broker or the insurer's employees where direct sales are involved, must have reasonable grounds to believe that the product being recommended to the prospect is suitable for him/her.

(3) In recommending the purchase of a life insurance product, the Insurer or Agent or Bancassurance or Broker or the insurer's employees where direct sales are involved, shall ensure the following:

- (a) The prospect has been informed of the products available and the details of the features of the particular product being recommended. This would include but not be limited to the benefits, various charges

such as surrender charge, administration charge and all other charges as applicable, market risks etc. - in other words all relevant features of the product necessary for the prospect to make an informed decision.

- (b) The Insurer or Agent or Bancassurance or Broker or the insurer's employee where direct sale is involved, believes that a particular product would suit the needs of the prospect.

Insurers to establish supervisory procedures:

8. (1) An insurer shall establish a supervision system that is designed to achieve compliance with these guidelines including but not limited to the following:

- (a) The insurer shall maintain procedures to inform Agents, Bancassurance, Brokers or and its employees where direct sales are involved, of the requirements of these guidelines and of the need to collect the standard proposal form/s for the purpose of suitability analysis and making a Recommendation.
- (b) The Agents, Bancassurance, Brokers and its employees where direct sales are involved, shall be adequately trained to determine suitability.
- (c) The insurer shall maintain procedures for review of each recommendation prior to issuance of a product that is designated to ensure that there is a reasonable basis to determine that a recommendation is suitable. Such review procedures shall include a screening system for the purpose of identifying selected sale transactions for a detailed review. Such review may be accomplished electronically or through other means including but not limited to physical review.
- (d) The insurer shall maintain procedures to detect recommendations that are not suitable. This may include, but not limited to confirmation of suitability information, systematic consumer surveys, verification calls or interviews, confirmation letters and programs of internal monitoring. An insurer may apply sampling procedures for confirming suitability information after issuance or delivery of the product.

Record Keeping

9. (1) Insurers, Agents, Bancassurance or Brokers shall maintain and make available to the Authority for inspection or whenever called for by the Authority, records of information collected from the prospect and other information used in making the recommendations that were the basis for insurance transactions for five years after the insurance transaction is completed by the insurer when required by the Authority.

(2) The records may be maintained in physical or electronic form or any process that accurately reproduces the actual document and can stand legal scrutiny.

Training

10. Agents, Bancassurance and the insurer's employees where direct sales are involved shall be adequately trained on seeking information for suitability analysis. Brokers shall also be given the necessary inputs for sale of the products of a particular insurer. Further, insurer shall ensure that Agents, Bancassurance, Brokers and direct sales personnel are given thorough training regarding the various specific products of the insurance company.

CHAPTER III

IMPLEMENTATION

Compliance Date

11. The date of implementation of the obligations under Regulations 5, 6, 7, 8, 9 & 10 shall be from the date following six calendar months from the date of publication of these Regulations in the official gazette.

CHAPTER IV

MISCELLANEOUS

Power to remove difficulties

12. If any difficulty arises in giving effect to the provisions of these Regulations, the Authority may, by order, make such provisions or give such directions not inconsistent with the provisions of these Regulations as may appear to be necessary or expedient for the removal of the difficulty.

ANNEXURE A

STANDARD PROPOSAL FORM FOR LIFE INSURANCE