



Code of Best Practice for Indian Life Insurers

Preface

Life Insurance Council is a statutory body under Section 64 of the Insurance Act 1938. It functions as an industry body for the common benefit of the life insurance sector. It has a role to play in developing the market on healthy lines and it aims to act as a body complementing the efforts of the IRDA. In such areas as may be agreed, the Council would hope to act as an SRO (Self Regulatory Organisation). It is realized that one of the key components of a desirable framework would be a '**code of best practice**' adopted by the members.

Position in some countries-A background

Industry associations in several countries have 'codes of conduct' for members. The scope and coverage of these codes vary widely.

In Malaysia the code outlines the nature of the business, states the principles and goes on to describe the details in one code with sub-sections.

In Great Britain the ABI have some codes for Life and General Insurers.

In life insurance these include:

Statement of Long-term Insurance practice, Mortgage Endowment Policy Reviews, Pensions Maturities-Statement of Good Practice

With Profits Bonds-Best Practice Guides

Statement of Best practice for critical Insurance Cover,

Income Protection Insurance, Long-Term Care Insurance, Underwriting HIV /Aids, Genetic Testing, Medical Information and Insurance and Corporate Governance Guidelines.

In South Africa the LOA which is seventy years old, has a code with no less than 24 chapters consisting of codes for various products and features of the industry. These are in the nature of codes of good practice in respect of say, disability Insurance, medical requirements, medical Report forms and fees, dread disease benefits, HIV Protocol, 'replacement (cancel and rewrite)', Policy quotations, Commissions, Short-term investment products, Complaints resolution etc. Over several decades they have evolved a very comprehensive system of self-regulation on market conduct for almost all aspects of business including competition. In some areas the Codes are strongly recommended and in some others the codes are mandatory attracting penalties. For example codes on medical reports, medical examinations, fees to doctors etc., are recommendatory, while violation of code on



'replacement' (cancel and reissue) would attract action through the Tribunal (grievance processing machinery). Code on quotations is also mandatory with provisions for referring errant cases to the Disciplinary Committee of the Association.

Current Status at the Life Insurance Council , India

A duly constituted sub-committee for Market Conduct held meetings on July 19, 2005 and February 1, 2006. After extensive deliberations at the sub-committee and at the Council it has been decided to adopt a Code of Best Practices that broadly follows in spirit the model used by the LOA of South Africa.

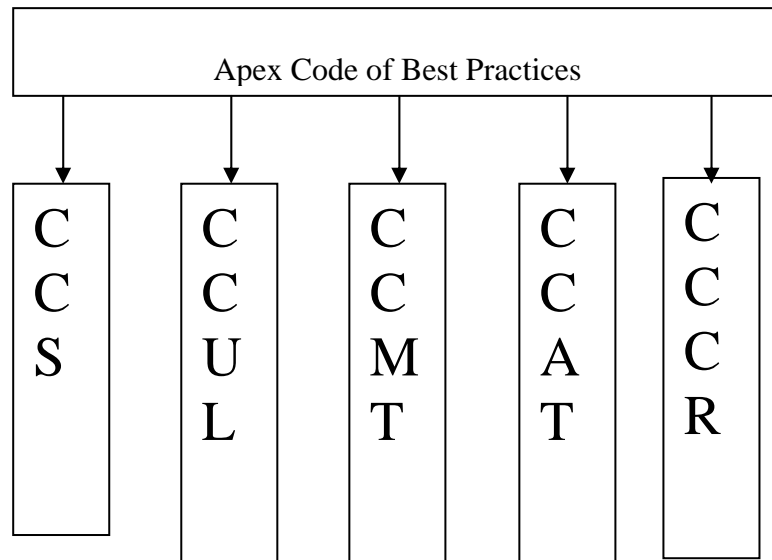
The Code of Best Practice would comprise of a main document the – 'Apex Code of Best Practices' and several sub-ordinate documents that would contain codes for various activities, products and processes related to the life insurance business in India.

This document - the 'Apex Code of Best Practices- contains the overall objective, the seven guiding principles, etc, and also lays down the process for disciplinary and remedial actions.

The Apex Code of Best Practices will, over time, develop many sub-ordinate codes/chapters that will deal with specific activities and products in the life insurance business in India. It is hoped that in due course the Council in consultation with members will put in place codes of practice for all significant activities.



The diagram given below illustrates the structure of the Apex Code of Conduct and its subordinate codes.



CCS – Code of Conduct for Sales (Example)
CCUL – Code of Conduct for ULIP Products
CCMT – Code of Conduct for Medical Testing (Example)
CCAT – Code of Conduct for Agents Training (Example)
CCCR – Code of Conduct for Complaint Redressal (Example)



**Apex Code
Of
Best Practice
For Indian Life Insurers**



Life Insurance Council
Together in service

APEX CODE OF Best Practice (ACBP)

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CODE OF Best Practice - STATEMENT OF PURPOSE

1. Life Insurance Business is based on the twin principles of trust and risk- sharing. It is very important that such a business is operated and administered with the highest degree of integrity and ethics.
2. It should be the endeavor of each constituent of the life insurance sector to do his/ her utmost to gain and maintain the confidence of policy owners and members of public in the integrity and financial strength of the sector.
3. Life insurers shall at all times ensure that their business is managed in a sound manner to ensure safety of policy owners' savings while giving fair returns.
4. Life insurers shall render efficient and prompt service to policy owners and assist and advise them where necessary with a view to redeeming the actual and implied promises made when selling the product.
5. Members of the Life Insurance Council agree to follow 'good business practices' and 'ethical conduct' at all times across all activities. The Code does not attempt to define 'good business practice' or 'ethical conduct' in the belief that Members would recognize a breach when they see one.

Life Insurance Council, a statutory organization under Section 64 of the Insurance Act 1938 functions as an industry body for the common benefit .It has a role to play in developing the market on healthy lines and aims to act as a body complementing the efforts of IRDA. One of the key components to a desirable framework would be the '**code of best practice**' adopted and adhered to by the members.

This document is a joint and several statement of the life insurers' commitments in respect of ethics, fair practice and transparency.

Part I

CODE OF best practice - GUIDELINES

As a trustee of policy-owners' savings, a life insurance company has the responsibility to **safeguard customers' interest at all times** and ensure their continued confidence in the integrity and professional conduct of life insurers. The policy-owner's trust placed on the managers of life insurance companies casts a heavy responsibility to ensure that their institutions are professionally managed at all levels and they do, and are seen to, conduct their business with the highest level of integrity. This document presents a Code of Best Practice that all insurers have agreed to adopt and follow in letter and spirit.



1. Coverage

The following guidelines have been voluntarily adopted by all life insurance companies, setting out the **minimum standards of conduct** expected of their employees and of the companies as such. These guidelines are intended to support the CEOs and other executives of all life insurance companies in their efforts to uphold high standards. Companies should keep these as the minimum and should evolve for their use higher standards of conduct as they find appropriate, consistent with their philosophy and ethical conviction.

2. Underlying these guidelines are seven principles:-

Principle 1: To conduct business according to high standards of honesty and fairness and to render that service to its customers which, in the same circumstances, it would apply to or demand for itself.

Principle 2: To provide competent and customer-focused sales and services.

Principle 3: To engage in active and fair competition

Principle 4: To provide advertisement and sales materials that are clear as to purpose and honest and fair as to content.

Principle 5: To provide for fair and expeditious handling of customer complaints and disputes.

Principle 6: To maintain a system of supervision and review that is reasonably designed to achieve compliance with these principles.

Principle 7: To adhere to Statutes, Regulations, Rules, Guidelines, specific instructions issued by IRDA and or the Life Insurance Council and follow these in letter and in spirit.

It is emphasised that compliance with any rule or provision by a company actually means compliance by employees including the CEO.

4. Code of Best Practice-a Guide

This Code is meant to serve as a guide for the promotion of proper standards of conduct and sound and prudent business practices amongst life insurance companies. Such a code does not, however, restrict or replace the mature judgment of employees in conducting their day-to-day business. Where there is doubt over matters relating to the code employees should seek guidance from their respective heads of departments, who may, if necessary, seek guidance from their company's management or from the Life Insurance Council through their CEO.



Part II

Discipline and Remedy

COMPLAINTS and REDRESSAL

1.1 Save as provided for in paragraph 3 below, a complaint regarding an alleged breach of the Code or any other undesirable or harmful practice on the part of a Member may be lodged with the Council by a member.

1.2 To address complaints a 'Standing Panel' (hereinafter called the Panel) may be constituted as approved at a meeting of the Council. The Standing panel would comprise of the following:

An eminent professional not in the employ of any member in the field of insurance, banking or other financial services, an eminent legal professional and the Secretary General of the Council in position at the time of constituting the panel. Additional members may be co-opted by the Council as necessary, depending on the nature of the complaint. The panel will have tenure of two years. Replacements to fill casual vacancies may be made within the two years. There would be no bar to re-empanelling any or all the members of the panel.

1.3 Neither a complainant nor the member office against whom a complaint is lodged nor the panel shall be entitled to external legal representation under these provisions.

ADJUDICATION OF COMPLAINT

2.1 The following process will apply to the adjudication of a complaint by a panel constituted under 1.2 :

2.1.1 any complaint must be lodged with the Secretary General. The complaint must be in the form of a written submission with a statement of the facts and *prima facie* reasons for the complaint setting out the alleged breach/es and must be signed by an authorized representative of the complainant;

2.1.2 upon receipt of such a complaint, Secretary General shall refer the matter to the Panel and the panel shall confer to decide whether or not the complaint is of substance and warrants action under this paragraph.

2.1.3 if the panel is satisfied that the complaint lacks substance, and/or is inappropriate or vindictive, it will advise the complainant accordingly.

2.1.4 if the panel is satisfied that the complaint is of substance, it must notify the allegedly offending member office by faxing or e-mailing to its representative a copy of the written complaint;



2.1.5 upon delivery of the panel's notification the member office concerned will have ten working days in which to provide written argument substantiating its belief that the practice is not a contravention or that, for other good cause shown, it should not be considered as a breach of Code or any other provision in law. The panel may extend the time for sending response by the member company.

2.1.6 The panel shall then convene and adjudicate upon the matter within 15 working days (or such longer period not exceeding a further 10 working days as it may determine) of their receiving the company's response;

2.1.7 Upon conclusion of the process outlined in 2.1.6 the matter must be considered by the panel with the object of –

- (a) determining whether or not the practice is a contravention of the code of such materiality that it must recommend action by IRDA and /or
- (b) instructing the member office to cease or modify the practice; and/or
- (c) the panel issuing a warning;

2.1.8 the panel must provide brief reasons for its decision and notify the member office concerned, the complainant and the Secretary General of the Council of this within 3 days of completion of their deliberations;

2.1.9 The Secretary general shall place a report before the Executive Committee of the Council or the Council as soon as possible

2.1.10 in dealing with matters under this paragraph the panel may adopt such process as they deem appropriate, subject to the rules of natural justice, involving, among other things, a fair hearing and the proper application of the mind to the matter.

2.1.11 All communications to and from the panel and all communications to and from the concerned member shall be channeled through the Secretary general of the Council who shall exercise due care, discretion and confidentiality in handling such matters.

2.2 If a member office continues with a practice which the panel has determined to be in contravention of the Code, a special meeting of the Council shall be called to consider appropriate recommendation to IRDA for action.



MEDIATION

3 The panel may, depending upon the circumstances of the case, refer a complaint to mediation. A mediator can be appointed either by the Council, in consultation with the panel, or by agreement between the complainant and the respondent and shall be remunerated by the parties in equal shares. The mediator shall be a professional of 10 years standing in insurance or banking or legal field. Should mediation fail, the complaint will be dealt with by the panel appropriately under advice to the Council who may then refer the issue to IRDA for action.

Reference by Council or IRDA

There may be occasions when a breach or a poor market conduct or practice does not come through a specific complaint, but brought up at a meeting of the Council or referred to the Council by the IRDA. In such situations the Council or the IRDA may refer the issue/s to the panel for examination, study and recommendation. The process of handling such issues will broadly be the same as that relating to a specific complaint.
