



Guidelines on Group Insurance Policies

Group Insurance constitutes an important activity of Insurance business and the schemes offered by the insurance companies provide certain classes of individuals, the advantage of a beneficial coverage at a moderate cost. The tremendous growth of the economy and the consequential growth of the organised sector lead the insurers to play a decisive role in designing various group insurance schemes. Most of the Group Insurance schemes pertain to Employer – Employee groups, but Group Insurance is also being sold to organisations where there is some commonality of interest. There are various aspects that are connected with group insurance: e.g.: what shall constitute a “group” in the context of group insurance, the market conduct that is supposed to be adopted by the insurers in canvassing group insurance schemes and setting up administration standards for group schemes. With a view to rationalize the approach to be adopted by insurers in dealing with various groups the following guidelines are being issued under section 34 of Insurance Act, 1938 to be adhered to by all the insurers.

A: Definition of a Group

1. A group should consist of persons who assemble together with a commonality of purpose or engaging in a common economic activity like employees of a company. Non-employer-employee groups, like employee welfare associations, holders of credit cards issued by a specific company, customers of a particular business where insurance is offered as an add on benefit, borrowers of a bank, professional associations or societies may also be treated as a group provided the president/secretary/ manager/group organizer in his capacity as organizer of the group has an authority from majority of the members of the group to arrange insurance on their behalf or is doing so as part of a necessary security for other matters such as a bank on the life of borrowers. For employer – employee groups the scheme may be either contributory or non contributory and there will be no limit to employer contribution. Where an insurer is not clear whether a particular group insurance proposal can qualify as per these guidelines, the insurer may refer the matter to IRDA with facts of the case for clarification.

2. No group should be formed with the main purpose of availing insurance. There should be a clearly evident relationship between the member and the group manager for services other than insurance. While a homogeneous group of persons may decide to buy a group insurance policy to achieve saving in cost, a person negotiating "group" rates and then going round finding members to insure will not be considered as a legitimate group.
3. While it is not proposed to prescribe the minimum size of a group through these guidelines, it is expected that insurers will exercise prudence in requiring a minimum group size. However, different criteria may apply to micro-insurance groups.
4. Though entry into or exit from the group may go on continuously, entry into the group insurance policy for individual members will be either from a well defined date such as the next anniversary of the policy or from the first of the following month or from a clearly identifiable event other than merely joining the group, such as date of commencement of employment or date of sanction of a loan etc. subject to payment of premium in time. Insurance will, however cease, as soon as a member leaves the group except where it is agreed in advance to continue the benefit even after the member leaves the group, such as in case of an employee who retires. In case of travel related insurance, insurance may attach from the date of the travel subsequent to acceptance of risk and receipt of the premium.

B: Marketing of Group Insurance

1. An insurer may sell group insurance policies either directly or through an insurance agent or insurance intermediary.
2. An insurer shall not enter into any memorandum of understanding or marketing arrangement, or referral arrangement or any similar arrangement, howsoever described, for sale of insurance products with any person or entity not licensed under the Insurance Act. Any existing arrangement that is not in compliance with these guidelines should be terminated forthwith. However, this should not prejudice transactions upto the effective date of termination so long as it is not in violation of the provisions of the Insurance Act or Regulations. The IRDA may relax this condition in case of sale of micro-insurance products either on a case to the case basis or through a regulation on

micro-insurance. This does not affect any arrangement made by the insurer with the group organizer or manager with regard to administration of the group insurance so long as there is no payment or reimbursement of expenses other than the commission that is legally payable.

3. An insurer who is using corporate agents for sale of its products shall require the corporate agent to file certificates at least once a year, from an independent auditor at the expense of the corporate agent, confirming compliance by that corporate agent with Section 64VB relating to collection and credit of premium, IRDA (Insurance Advertisements and Disclosures) Regulations, 2000, IRDA (Protection of Policyholders' Interests) Regulations, 2002 and sections 40A and 40C of the Insurance Act, 1938.

C: Group Insurance Administration

1. The premium charged and benefits admissible to each member of the group shall be clearly specified in the group policy and the administrator/group manager shall not have the liberty to vary the premium or benefits with regard to the individual members unless the same is a part of the change in the policy benefits and conditions by the insurance company or is made in accordance with a pre-determined basis of determining the sum insured such as the outstanding loan amount. In any case, such changes should be agreed to by the insurer.
2. Group discounts on premium are given for the benefit of the insured members of the group and should not be appropriated as additional remuneration by the agent or corporate agent or broker or group organizer or manager. Such discounts should be based on valid underwriting considerations such as the group size and shall be passed on to the members. Where a part or whole of the premium is paid by the group organizer, for example, the employer in respect of insurance of his employees, the discounts may be shared by those who paid the premium in proportion to the premium paid by them.
3. The commission paid to the agent or corporate agent in respect of a group insurance policy shall not exceed the percentage approved by IRDA or as specified in the Insurance Act, 1938 read with the IRDA Act, 1999 and Regulations framed thereunder. Insurer will pay commission at a predetermined and published rate and should not indulge in determination of commission rate on a case to case basis.

4. There shall be no other payment whether as management expenses or documentation expenses or profit commission or bulk discount or payment of any other description, to the agent or corporate agent or group organizer or group manager. The group manager should be specifically prohibited from collecting by way of premium from the members of a group, any amount higher than the amount charged by or paid to the insurer for such insurance. If the group manager wishes to collect a service charge from the members to cover his costs, he should clearly disclose it as an additional cost and not as premium, in his communications to his members.
5. There shall be attached to each group insurance policy, a complete list of the persons insured thereunder. Where this is not feasible, in view of the large size of the group, a clear reference shall be made to a list maintained in the books of the group organizer or manager that cannot be subsequently manipulated, as being the list of persons insured.
6. Where an employer buys a group insurance policy as a service benefit for its employees and pays the premium in full or in part, the employer may be treated as the policyholder with the employees being treated as the beneficiaries. In such cases, the employer may issue confirmation of insurance protection to individual employees with clear reference to the group insurance policy and the benefits secured thereby. In respect of such group policies, the claims of individual persons insured thereunder may be processed through the employer.
7. In non-employer-employee cases, the individual group member would be treated as the insured beneficiary and the group organizer will be only the holder of the group policy. In such cases every care should be taken by the insurer in the matter of issue of certificate of insurance to the members of the group, who are truly the insureds. It is necessary that such certificate contains information on the schedule of benefits, the premium charged and important terms and conditions of the insurance contract. The certificate shall also state the procedure to be followed to register a claim with the insurer including the full address of the office of the insurer where the claim should be registered. While the group organizer or manager may play a role in facilitating the registering and settlement of a claim, the insurer is totally responsible to ensure that the claim payment is made in the name of the insured member even if the cheque is sent to the group manager for administrative convenience.

8. For operational convenience, in respect of non-employer-employee groups the insurer may provide the facility to the group organizer or manager to issue certificates of insurance to persons insured under the group, provided the underwriting guidelines for acceptance or rejection of such a risk do not require use of subjective judgment and can be easily programmed into a computer that will review acceptance and print the certificate of insurance. In such cases, the certificate forms shall be supplied by the insurer with in-built security features and in pre-numbered lots to the group organizer or manager. Utilistation and full accounting of the certificate forms should be independently checked by the staff of the insurer every time before furnishing a fresh lot of forms, either by personal verification or based on a certificate by the auditor of the agent.
9. Under any circumstances the insurer will be responsible for the certificate of insurance issued by a group organizer or administrator, in certificate forms provided by the insurer.
10. The insurer shall remain responsible to ensure that all sales material and prospectus of the insurance plans are properly drawn up and comply with the Regulations on Insurance Advertisements and Disclosures and on Protection of Policyholders Interests.
11. The insurer shall conduct a surprise inspection of the books and records of the group organizer or manager at least once a year to ensure total compliance with these guidelines or require a certificate of such compliance from the auditors of the group organizer or manager, at least once a year.
12. The insurer shall be held responsible to the persons insured, in respect of the group policy in case of failure of the group organizer or manager to account for the business to the insurer, if the person insured can prove that he had paid the premium and secured a proper receipt leading him to believe that he was duly insured.

These Guidelines will apply with immediate effect.

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Chairman