

**CIRCULAR****Sub: Claim consultancy by Insurance Brokers.**

The Insurance Regulatory and Development Authority (Insurance Brokers) Regulations, 2002 have laid down the functions of a Direct Broker in Regulation 3. Regulations 3(e) and 3(j) envisage that an insurance broker should render advice to a client on appropriate insurance cover and terms and assist in the negotiations of claims. However, as per Clause 7(e) of Schedule 3 of the said Regulations, an insurance broker should not to take up a recovery assignment on a policy contract which has not been serviced through him nor work as a claims consultant for a policy which has not been serviced through him.

2. The broking industry in India is still relatively new and the expertise of the broking industry in matters of claims settlement etc are not generally availed of by holders of insurance policies. As a consequence, holders of policies where the risk cover is relatively low are at a disadvantage when dealing with insurance companies on account of asymmetry of knowledge and information. The Authority is of the view that it will be in the interest, particularly of the relatively smaller policyholders, to provide an avenue to such policyholders to obtain more competent advice particularly in the matter of settlement of claims.

3. In this view of the matter, therefore, the Authority has decided to relax the condition specified in Clause 7(e) of schedule 3 - Code of Conduct of Insurance Regulatory and Development Authority (Insurance Brokers) Regulations, 2002 to permit limited claim consultancy, subject to the following conditions:

- (i) Broking companies may offer claim consultancy for claims not exceeding Rs.1 crore provided such claim does not emanate from a policy which has been placed by any other broker.

- (ii) Before offering consultancy, the broker shall obtain a written mandate from the client to represent the client with the insurer concerned for the claim for which consultancy has been sought by the policyholder and offered by the broker.
- (iii) The insurance broker may charge fee for such services as may be mutually decided between the broker and the policyholder. However, such fee shall not be expressed as a percentage of the claim.
- (iv) The broker shall, in all his dealings with such clients, be governed by the provisions of Code of Conduct as specified in Schedule 3 of the IRDA (Insurance Brokers) Regulations, 2002.
- (v) Any dispute between two or more brokers arising out of such consultancy arrangements shall, in the first instance, be considered by the Insurance Brokers Association of India (IBAI) and thereafter the IBAI shall forward the substance of such dispute together with its recommendation to the IRDA for final disposal.

**(J. Hari Narayan)**  
**Chairman**