



IRDAI panel for relaxation of IMF norms

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Highlights

An IRDAI committee that reviewed regulations governing the Insurance Marketing Firm (IMF) has recommended that the firms be allowed to expand the area of their operation, deal in more products and operate on a relatively lesser net worth.

Existing provisions and Recommendations

- The area of operation may be expanded from a district to a State.
- At present, the IMF is permitted to set up offices in a district for which the registration of the firm is valid.
- Further, its insurance sales persons (ISPs) should to be domiciled there.
- The IMF may be permitted to set up offices in the State of its registration and the ISP may be employed from anywhere across the State.
- If there is more than one branch, each branch should have at least one ISP.
- The products sold through an IMF may be expanded to include group insurance and combi-products. With respect to general insurers, an IMF is now allowed to solicit or procure only retail lines of insurance products as given in the file and use guidelines.
- Reviewing the net worth criteria, relaxation of the norm in the initial years of IMF was favoured.
- The firms may have a net worth of not less than Rs.5 lakh at the time of registration and by the time of first renewal of the registration, the net worth should not be less than Rs.10 lakh, which has to be maintained for each year.
- The existing requirements, under which the IMF is required to have a net worth of not less than Rs.10 lakh at all times, is considered very high for tier-II and III cities.
- As regards the shareholding pattern of the IMF, under the present framework, no change in ownership/shareholding exceeding 10% in the IMF can be carried out without the prior approval of Insurance Regulatory and Development Authority of India (IRDAI).
- "The committee recommended that change in ownership/ shareholding up to 26% may be intimated to the Authority and any change beyond 26% can only be executed with the prior approval of the Authority," .
- Other recommendations of the panel included relaxation in the criteria of Principal Officer.
- It also dealt with issues pertaining to ISPs, remuneration structure of IMFs, change in tie-ups with insurance companies and challenges faced with respect to GST compliance.