

Unit 4- Life insurance Agent

Meaning of Insurance Agent:

Life insurance agent is a person who is authorized under license issued by Life Insurance Corporation to act as an agent on its behalf. He has to work as per the guidelines of LIC and follow its code of conduct. His main duty is to explain the various schemes of LIC to the customers motivate and guide them in selecting the proper policy. He receives commission and other remuneration for doing the work of selling the policies to the people, continuance, renewal and revival of policies.

Appointment of Life Insurance Agent:

Life insurance agent is issued a license under section 42 of Insurance Act, 1938. The license is issued by Insurance Regulation and Development Association (IRDA) which was established in 1999. Generally the licenses are issued through the Regional offices of LIC spread all over India. Such licenses are issued for a period of three years that may be renewed further. The license can be used work as Life Insurance Agent or General Insurance Agent.

Procedure for obtaining License:

The procedure for obtaining license of IRDA is as under:

1. **Qualification of Agents:** A person appointed as an agent should have following qualifications:
 - (i) He must be citizen of India.
 - (ii) He must be at least 18 years of age.
 - (iii) If he is to work for a small place with the population below 5000 he should be at least 10th pass and for a big place with the population above 5000 he should be at least 12th pass.
 - (iv) He should complete a practical training program of at least 100 hours for working as LIC Agent or GIC agent and 150 hours if he has to work for both LIC and GIC.
2. **Disqualifications:** A person cannot become an insurance agent :
 - (i) If he is of unsound mind or (ii) if he is found guilty misappropriation, fraud, cheating, or breach of trust,

If a firm or company wants to become an insurance agent the above qualifications and disqualifications apply to all the partners of firm or directors of company.

3. **Application Form :** A qualified person should fill up the application form for becoming an agent. An individual applicant should fill **Form IRDA Agent – VA** whereas firms should fill **Form IRDA Agent- VB**. Such application form should be accompanied by proofs of age, qualifications, training completion and fees paid.
4. **Fees Payable:** The fees payable for the new license or renewal of old license are Rs. 250 with late fees of Rs. 100 if the application is delayed.

5. **Renewal of License:** The license should be renewed after three years. An agent should complete a practical training of at least 25 hours in case of life or general insurance and of at least 50 hours for both types of business.

Termination of Insurance Agency: Insurance Agent's agency stands terminated in the following cases:

- 1) Cancellation of license, 2) Failure to renew the license, 3) involvement in the criminal act 4) Failure to obtain the minimum business, 5) Violation of code of conduct, 6) Permanent inability to work as an agent.

Procedure of becoming an Agent: For the purpose of becoming an agent following procedure has to be followed:

1. **Contact with LIC:** A qualified person with good personality, communication skills, and interested to work as insurance agent should establish the contact with the insurance company. He has to obtain a recommendation from some senior officer of regional offices of LIC to issue him a license. Then he should obtain a license from IRDA on payment of fees.
2. **Application for agency:** Then he should send an application with the necessary documents to LIC when the advertisement appears in the news papers for the recruitment of agents.
3. **Scrutiny and selection :** The applications received for insurance agency service before a last date are scrutinized by expert committee. Applications fulfilling the qualifications and other requirements are selected for personal interview..
4. **Interview:** Selected candidates are called for personal interview. In interview the questions regarding the family background, liking for the job, capacity to work etc. are asked and suitable candidates are selected for training.
5. **Training:** Training for the selected candidates is arranged at the regional offices of LIC. Training period for life insurance agents is 100 hours. But additional training 50 hours is given if a person is going to act as an agent for both life insurance and general insurance. Training includes subjects like general knowledge, general English, communication skills, public relation work, and insurance business.
6. **License and induction:** On completion of training the person has to make application for license to Insurance Regulation Development Authorities (IRDA) along with fees of Rs. 250 and a recommendation letter of a LIC officer. On obtaining the license he can start working as LIC agent.

Commission Structure of LIC Agents (Compensation or Remuneration to Agents) :

A LIC agent works as a middleman between insured and insurance company. He explains the various schemes of the insurance company to the people and pursue ads them to take LIC policies. He is paid a commission for doing this work. The rules regarding such commission are as under:

1. **Authorized Agent:** Agent should be authorized to work as agent under Insurance Act and IRDA.
2. **Minimum Business:** A person working as an agent must issue minimum 12 new policies every year. The minimum sum assured of the policies obtained should be as per the rules of LIC as per the working area of agent. (Big city, town or rural area)

If the above two conditions are fulfilled he is eligible to receive the commission as under:

3. **Commission:** The commission payable to agent is based on the insurance business obtained by him. The rate of commission depends on the plan of insurance and term of policy. According to Insurance Act the maximum commission payable on life insurance business is 40 percent of the first year premium and 5 percent of the subsequent premiums on the policies obtained by the agent. In general insurance business the maximum commission payable is 15 percent of the premium collected from the policies booked by an agent.
4. **Permanent Commission:** The agents who obtain minimum qualifying business during 10 years of agency are entitled to receive commission for the rest of their lives subject to certain conditions. The commission is also payable to the legal heir after death of the agents.

Code of conduct for Agents: Or Functions of Insurance Agent The code of conduct as per the IRDA Act, 1999 says that an insurance agent should perform the following functions:

- 1) **Give Introduction:** Every agent should give the introduction of himself and his insurance company to the customers while taking the insurance policy.
- 2) **Show License:** The agent should also show his license and identity card if demanded by the customer.
- 3) **Provide necessary information:** He should provide the necessary information about the insurance plans of his insurance company as per the needs of customer.
- 4) **Disclose premium and commission :** He should also disclose the premiums charged , the amount of commission he will be getting on the various types of insurance schemes and the other information required by the customer.
- 5) **Fill the correct information in the proposal form:** He should help the customer in filling his information in the proposal form and also explain the need of providing the true information to the company to the best of his knowledge.
- 6) **Collect confidential information:** He should collect the information about the bad habits and financial position of the customer and disclose the same in his confidential report.
- 7) **Obtain the documents:** He should obtain the required documents from the proposer at the time of filling the proposal form.
- 8) **Help in settlement of claim:** He should help the policy holder or his legal heir in settlement of the claim on maturity or death.
- 9) **Advise for nomination:** He should advise the policy holder to effect nomination for the policy.
- 10) **Help in assignment of policy:** He should guide the policy holder if he wants to assign the policy for taking any loans against policy.

Acts not to be done by an agent: As per the code of conduct an insurance agent should not do the following things:

- 1) **Business without license:** Agent should not obtain any insurance business without holding a valid license.

- 2) **Inducement to conceal important information:** He should not induce the prospective customer to hide any material information while filling the proposal form.
- 3) **Inducement to give false information:** He should not induce the prospective customer to give any false information in the proposal form.
- 4) **Improper behavior with customer:** Agent should not behave with the customer in bad manner.
- 5) **Interference:** He should not interfere with the proposals finalized by the other agents and try to attract his customers.
- 6) **Offering different terms to customers:** He should not offer different terms and conditions to customers other than the standard terms of the company.
- 7) **Signatures on the blank form:** He should not take the signature of the proposer on the blank proposal form: