

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3666
ANSWERED ON:11.12.2009
DIRECT BROKING LICENSE
Dhanaplan Shri K. P.

Will the Minister of FINANCE be pleased to state:

- (a) the details of the guidelines issued by the Insurance Regulatory and Development Authority (IRDA) for upgradation of direct broking license to that of composite broking license;
- (b) whether any application for upgradation of many such license is pending with the IRDA;
- (c) if so, the details and status thereof;
- (d) whether IRDA has fixed any time limit for disposing such application; and
- (e) if so, the details thereof?

Answer

Minister of State in the Ministry Finance (Shri Namo Narain Meena)

(a) : The Insurance Regulatory and Development Authority(Insurance Broker) Regulation, 2002 provides for licensing of insurance Brokers. The procedure and the requirements for up gradation of Direct Broking License is similar to granting a Composite Broking License.

As per this Regulation, the Broking Company which has been issued Direct Broking License and has completed at least one year of operations is eligible to apply for Composite Broker License. However,the applicant has to fulfil the following conditions;

1. Amendment in Memorandum of Association (MOA) / Article of Association (AOA);

The applicant company shall incorporate Reinsurance Broker business in main objects of MOA/AOA and minimum authorized capital of Rs.250 lacs.

2. Induction of skilled and trained man power

The applicant company shall induct experienced persons in the field of Re-insurance business.

3. Re-Insurance Business Plan

The applicant company shall submit the Reinsurance Business plans and furnish list of prospective clients along-with the expected premium income and volume of activities for a three year period.

4. Direct Broker Business;

The applicant company shall furnish the list of its Corporate and Small and Medium Enterprises clients and the business placed through them.

5. Information Technology (IT) software to support reinsurance business

The applicant company shall submit their plans to install required IT software to support reinsurance business activities.

6. Application in Form A & Processing Fee:

The application shall be made in Form A complete in all respects and conforming to the instructions specified therein. The applicant company shall remit the prescribed additional fee along with application for composite license as laid down under Regulation 18 read with Schedule II of IRDA (Insurance Brokers) Regulations,2002 and as amended vide IRDA(Insurance Brokers)(Amendment) Regulations,2007.

7. Personal Presentation of Business plans:

After examining the application, the Authority may call the applicant to appear for a personal representation in connection with the application and the reinsurance business plans.

8. Deposit Requirement:

The applicant company after receiving in principle approval shall take out a single Fixed Deposit(FD) for a minimum term of 3 years for a sum equivalent to 20% of the new paid up capital and submit a letter from the bank stating that the Authority has a lien on the FD and that no amount shall be released without prior permission of the Authority and no loan shall be raised against it.

(b) & (c): Yes,Sir.The details as furnished by Insurance Regulatory and Development Authority (IRDA) are as under;

S.No. Name of the Applicant Status of Application

1. Universal Insurance Brokers & Services Pvt. Ltd. In Principle approval has been conveyed to the company

2 Strategic Insurance Broking Services Pvt. Ltd These companies had violated the provisions of Brokers regulations for which action was taken against them.

3 LMB Insurance Brokers Pvt. Ltd. The violations raise issues on their fitness to be considered for a composite license.

4 JK Risk Managers & Insurance Brokers Ltd Inspections of these companies have been taken up/ will be taken up and the application for composite license will be examined

5 Safeway Insurance Brokers Pvt. Ltd concurrently with the examination of the inspection findings.

6 Alliance Insurance Brokers Pvt. Ltd

(d) & (e); No time limit has been prescribed in the Regulation.However, IRDA grants time to applicant for complying with the requirement.