
LIC of India, Central Office- Marketing Department

Servicing of Orphan Policies

Objective:

The objective of the policy is to fill the servicing gap created due to exit of an agent and increase the persistency of life insurance policies.

Definitions:

1. '*Orphan Policies*' for the purpose of these rules, means the policies initially effected by an individual agent whose services were subsequently terminated or removed or deleted from the rolls of the Corporation excluding those policies to which the effecting agent is entitled to renewal commission under provisions of Section 44 of the Insurance Act. Policies falling under the Proviso of Rule 10(4) of LIC of India (Agents) Rule, 1972 are also excluded from the purview of this definition.
2. '*Allottee Agent*' for the purpose of these rules is an individual agent who has completed atleast 3 years of continuous tenure as an agent with the Corporation, having atleast 75 policies in force under his agency as at end of last agency year and overall lapse ratio less than 10% each year during last 3 preceding agency years.
3. '*Lapsed policy*' for the purpose of these rules is a policy on which premium remains unpaid even after six months from the due date and is revivable as per rules.

Guidelines for allotment of orphan policies:

1. Branch office is allowed to allot any of the lapsed orphan life insurance policies to individual insurance agents of the branch whose licence is in force. The purpose of the allotment is conservation and rendering effective policy servicing to the policyholders.
2. An orphan policy that is in lapsed condition on the date of allotment is eligible for allotment.
3. Life insurance policies designed with specific purpose such as online marketing where no commission outgo is projected, are not eligible for allotment.
4. Policyholders should be notified about the particulars of '*Allottee Agent*'.

5. Details of the allotted policy and policy holder shall neither be parted with to any third party/ entity nor be used for any other business purposes. However, 'Allottee Agent' may canvass for new policies to the policyholder after reviving the lapsed allotted policies. In the event of surrender of an allotted policy after allotment, but before revival, no new business shall be accepted from the same allottee agent on the life of the same policyholder until the expiry of 6 months from the date of surrender of lapsed orphan policy.
6. Life Insurance Corporation of India (Agents) Rule, 1972 and all the relevant provisions of IRDA (Licencing of individual agents, Code of conduct), will apply to the 'Allottee Agents' in respect of allotted policies as well.
7. The policies that are allotted for servicing shall not be counted for MAB, MDRT, Club Membership and Persistency of the 'allottee agent'.
8. The number of policies allotted to an agent shall not exceed 10% of the total number of policies that were introduced by him/her and in-force as on the date of allotment.
9. Track record of agent in policy servicing and complaints against an agent etc. should be considered while allotting the orphan policies.
10. Undertaking from the agents regarding their willingness for the allotment and their consent for rendering the required policy service to the policy holder, should be taken.
11. Allotment can be undone by issuing a notice to the allottee agent if lapsed orphan policy is not revived within 3 months from the date of allotment and re-allotted to any other eligible agent.
12. An allotted policy which was revived but lapsed subsequently may also be re-allotted to other agent as per provision of this policy despite the 'allottee agent' being an active agent on the rolls of the Corporation.
13. Development officer/ CLIA will get the credit on the revival of lapsed orphan policy only if the agent who has effected the policy and 'Allottee Agent' both are from his organization.
14. Any written request from policy holder either for reversing the allotment any time during the tenancy of policy or for not allotting the policy to any agent, should be accepted.
15. In case of any dispute, decision of Senior Divisional Manager (I/C) of the concerned division will be the final.

Remuneration to the 'Allottee Agent':

1. 'Allottee Agent' will be eligible for the commission on the arrears of premium received on revival on or after the date of allotment and also on subsequent renewal premium thereafter till the time policy stands allotted to him at the rate that original agent would have been eligible for, had his agency continued and premium paid by the policyholder;

Provided, the agent had provided policy related service to the policyholder and pursued him to revive his policy and keep it in force.

2. The payment of remuneration will cease with the exit of the 'Allottee Agent' from the rolls of the Corporation by any means and such 'Allottee Agent' will not be eligible for the benefits accorded by Section 44 of the Insurance Act.