

**POLICY ON
NOMINATION &
REMUNERATION**

Date of approval: 18th October, 2024

Effective Date of Implementation: 18th October,
2024

Version no. OP.02.2024-25

**POLICY
ON
OUTSOURCING ACTIVITIES OF
SMC INSURANCE BROKERS
PRIVATE LIMITED**

[Originally adopted by the Board of Directors on 30th January, 2018

Amended by the Board of Directors on 18th October, 2024]



POLICY ON OUTSOURCING ACTIVITIES (Version 2)

A. INTRODUCTION

SMC Insurance Brokers Private Limited (hereafter read as "SMC Insurance") is a registered with Insurance Regulatory and Development Authority of India (IRDAI) as Direct Broker.

This policy emanates pursuant to regulation 36 read with *Schedule II-Form X* of Insurance Regulatory and Development Authority of India (Insurance Brokers) Regulations, 2018 dated January 12, 2018 issued by the Insurance Regulatory and Development Authority of India with respect to Outsourcing of activities by Insurance Broker. The policy is effective from the date of its approval by the board of directors.

This is amendment to the earlier version of policy approved by the Board in Board meeting dated 30th January 2018.

B. DEFINITIONS

(i) In these Regulations, unless the context otherwise requires:

- a) **'Regulation'** means the Insurance Regulatory and Development Authority of India (Insurance Brokers) Regulations, 2018;
- b) **'Authority' or 'IRDAI'** means the Insurance Regulatory and Development Authority of India established under sub section 1 of section 3 of the IRDA Act 1999;
- c) **'Core activities'** means all activities pertaining to insurance business as listed in Regulation 4 of these Regulations;
- d) **'Outsourcing'** is defined as the use of third party services by the broker to perform activities that would normally be undertaken by the broker, either now or in future, but does not include services which are generally not expected to be carried out internally by the broker such as Legal services, Banking Services, Courier services, medical examination, forensic analysis, security services, marketing services, data generation or any other services as and when Management may deem fit.
- e) **'Outsourcing Service Provider'** means third party Service Providers who carry out the activities outsourced, for Insurance brokers.
- f) **'Outsourcing Agreement'** means a written agreement entered into between the Insurance broker and Outsourcing Service Provider outlining the terms and conditions for services which may be rendered by the Outsourcing service provider;

C. OBJECTIVE

To ensure that core activities as specified in the abovementioned IRDAI regulation are not outsourced and that whenever any activity is outsourced, checks and requirements outlined in this policy are observed.

D. PROHIBITION ON OUTSOURCING

SMC Insurance as a Direct Broker shall not outsource its following core activities

- (a) Obtaining detailed information of the client's business and risk management philosophy;
- (b) Familiarizing himself with the client's business and underwriting information so that this can be explained to an insurer and others;



- (c) Rendering advice on appropriate insurance cover and terms;
- (d) Maintaining detailed knowledge of available insurance markets, as may be applicable;
- (e) Submitting quotation received from insurer/s for consideration of a client;
- (f) Providing requisite underwriting information as required by an insurer in assessing the risk to decide pricing terms and conditions for cover;
- (g) Acting promptly on instructions from a client and providing him written acknowledgements and progress reports;
- (h) Assisting clients in paying premium under section 64VB of Insurance Act, 1938 (4 of 1938);
- (i) Assisting in the negotiation of the claims;
- (j) Maintaining proper records of claims;
- (k) Assisting in opening of e-insurance accounts;
- (l) Assisting in issuing e-insurance policies; and
- (m) Any other function which the Authority may specify.

E. RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of the SMC Insurance shall be responsible for the following functions under these Regulations:

- a) Framework for assessment of risks involved in outsourcing, including the confidentiality of data, quality of services rendered under outsourcing contracts.
- b) Parameters for determining materiality of outsourcing contracts for the purpose of determining enhanced oversight by the Insurer.
- c) Parameters for determining the cost-benefit analysis for each Outsourced activity.
- d) Guiding principles for evaluation of the Outsourced Service Provider including its ability and capability to provide the required services.
- e) Conflict management policy that ensure adherence to the provisions on related party transactions as envisaged in Companies Act, 2013.
- f) Norms for implementation and review of the Outsourcing Policy, Determining the management's responsibility for approving, determining the consideration amount involved and monitoring the outsourcing arrangements, and delegation of authority within the insurance broker;
- g) The degree of due diligence required for other than-material (non-core) Outsourcing activities.
- h) Annual review of the summary of the outsourced activities of the insurance broker.
- i) Approval of material outsourcing contracts as per the threshold limits prescribed in the Outsourcing Policy.
- j) Ensuring that the pricing for related party outsourcing arrangements are consistent with accepted arms'length principles as enshrined in the Companies Act, 2013.



F. DUE DILIGENCE OF OUTSOURCING SERVICE PROVIDERS

Due Diligence should involve an evaluation of all available information about the service provider, including but not limited to:

- a) Does the main objective of the outsource service provider include activities outsourced.
- b) Existence of the outsourcing service provider as projected.
- c) Competence and experience to perform the activity proposed to be outsourced to it.
- d) Assessing the capability of the outsourced Service Provider to employ standards envisaged, while performing outsourced activities.
- e) Security and internal controls;
- f) Business continuity management;
- g) Where considered necessary, insurance brokers shall obtain independent reviews and market feedback on the service provider to supplement its own findings;
- h) Due diligence undertaken during the selection process should be documented and evaluated annually as part of the monitoring and control process of outsourcing.

G. OUTSOURCING AGREEMENTS

1) Outsourcing arrangements shall be governed by written agreements that are legally binding for a specified period, subject to periodical renewal, if necessary, that clearly describe all material aspects of the outsourcing arrangement, including the rights and obligations of all parties.

2) The outsourcing contracts, inter alia, shall have in placed certain clauses or conditions listed below, as may be applicable:

- a) Information and asset ownership rights, information technology, data security and protection of confidential information;
- b) Guarantee or indemnity from the Outsourcing Service Provider towards his commitment including liability for any failure;
- c) Contingency planning of the Outsourcing Service Provider to provide business continuity for the outsourced arrangement;
- d) Express clause that the contract shall neither prevent nor impede Insurance broker from meeting its respective regulatory obligations, nor the regulator from exercising its regulatory powers of conducting inspection, investigation, obtaining information from either the Insurance broker or the Outsourcing Service Provider;
- e) The Insurance broker shall ensure that the Outsourcing service provider shall not sub-contract, whole or substantial portion of any of the Outsourced activity.
- f) The Insurance broker shall factor in the additional risk which flows due to subcontracting at the time of due diligence.

H. CONFIDENTIALITY AND SECURITY

The insurance broker shall satisfy itself that the outsourcing Service Provider's security policies, procedures and controls will enable the insurance broker to protect confidentiality and security of clients'/ policyholders information.



I. AMENDMENTS

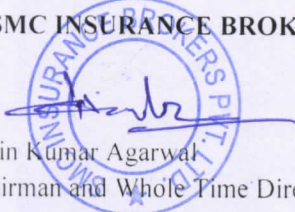
The policy will be reviewed and amended as and when considered necessary by the Board of Directors of the Company.

J. Approval of Material Outsourcing contracts by the Board of Directors

SMC Insurance shall obtain prior approval of the Board of Directors for all the outsourcing arrangements where annual payout per outsourcing service provider is ten lakhs and more.

On behalf of the Board

for **SMC INSURANCE BROKERS PRIVATE LIMITED**


Pravin Kumar Agarwal
(Chairman and Whole Time Director)

Date: 18.10.2024