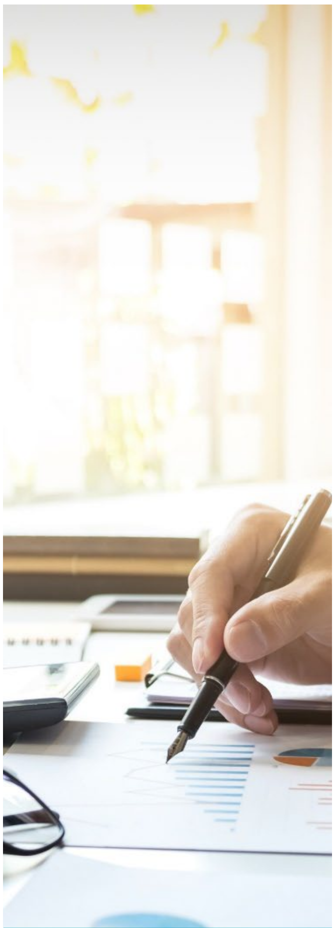
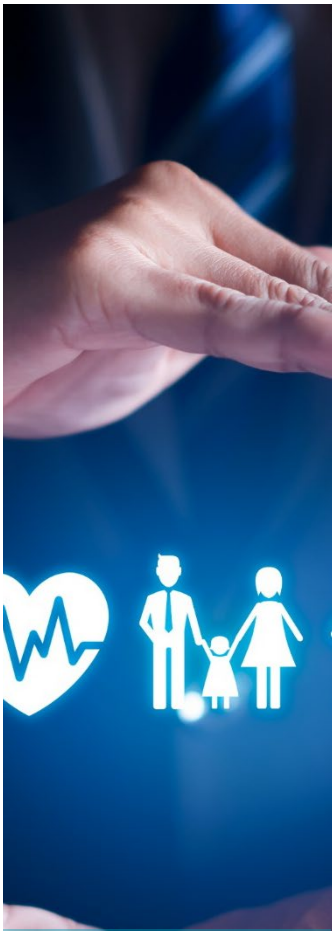
Regulatory updates - Insurance

Financial Services Risk

August to November 2024

Contents






01

List of regulatory updates [Aug – Nov 2024]

Listed below are the regulatory updates to the insurance sector. These consist of circulars, master circulars, press releases and other regulations introduced by the Insurance Regulatory and Development Authority of India (IRDAI). A summary of key regulations is provided below.

Sr. no.	Date	Description	Reference No.	Type
1	2-Aug-24	Insurance claims relating to landslides in Wayanad, Kerala	IRDAI/NL/CIR/MISC/108/8/2024	Circular
2	8-Aug-24	Submission of data by life insurers to Insurance Information Bureau of India (IIBI	IRDAI/LIFE/CIR/MISC/109/8/2024	Circular
3	12-Aug-24	Prevention of Money-Laundering (Maintenance of Records) Amendment Rules, 2024	IRDAI/IID/CIR/MISC/112/8/2024	Circular
4	4-Sep-24	Circular on insurance claims relating to the floods in Telangana and Andhra Pradesh	IRDAI/NL/CIR/MISC/116/9/2024	Circular
5	5-Sep-24	Master circular on protection of policyholders' interests 2024	IRDAI/PP&GR/CIR/MISC/117/9/2024	Master circular
6	6-Sep-24	Circular - Subscribers to other forms of capital	IRDAI/F&I/CIR/Misc/119/9/2024	Circular
7	3-Oct-24	Circular on observing NCSAM	IRDAI/GA&HR/CIR/MISC/127/10/2024	Circular
8	18-Oct-2024	PRESS RELEASE information security	PRESS RELEASE – Information Security	Press release
9	23-Oct-2024	Exposure Draft IRDAI (Insurance Fraud Monitoring Framework) Guidelines, 2024	IRDAI/IIDD/TF-Fraud/2024	Exposure draft
10	30-Oct-2024	Exposure Draft IRDAI (Maintenance of Information by the Regulated Entities and Sharing of information by the Authority), Regulations, 2024	IRDAI/Sup-Dept/MIRESI-REG/2024	Exposure draft
11	4-Nov-24	IRDAI (IAC)(Amendment) Regulations, 2024	IRDAI (IAC)(Amendment) Regulations, 2024	Exposure draft
12	4-Nov-24	Exposure draft IRDAI (RAC)(Amendment) Regulations, 2024	Exposure draft IRDAI (RAC)(Amendment) Regulations, 2024	Exposure draft
13	4-Nov-24	Draft IRDAI (Regulatory Sandbox) (Amendment) Regulations	Draft IRDAI (Regulatory Sandbox) (Amendment) Regulations	Exposure draft
14	4-Nov-24	IRDAI (Meetings) Amendment Regulations, 2024	IRDAI (Meetings) Amendment Regulations, 2024	Exposure draft

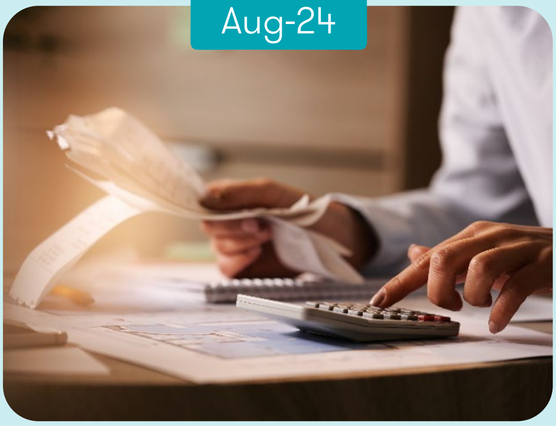
02

Summary of key regulatory updates [Aug – Nov 2024]

IRDAI/NL/CIR/MISC/108/8/2024 – Circular on insurance claims relating to landslides in Wayanad, Kerala

In response to the landslides in Wayanad, Kerala (July 2024), insurance companies are advised to take immediate action to address the widespread loss of life, property, and infrastructure. Insurers should appoint a senior executive as a Nodal Claims Officer to oversee the claims response and coordinate with the state's Chief Secretary. In districts with high claim volumes, a designated District Claims Service Head should be appointed, with contact details published online and in the press. Insurers must activate 24x7 helplines, set up special claims desks, and ensure swift claim processing, including interim payments to help restore affected properties and businesses. Adequate numbers of surveyors and loss adjustors should be deployed, potentially drawing resources from neighboring states if needed. Policyholders should be encouraged to use digital means for claims and documentation, with efforts made to streamline claims by minimising necessary paperwork. For claims involving loss of life where death certificates are unavailable, claims may proceed if other official records match the deceased's details. Weekly updates on claims must be submitted to the IRDAI for one month.

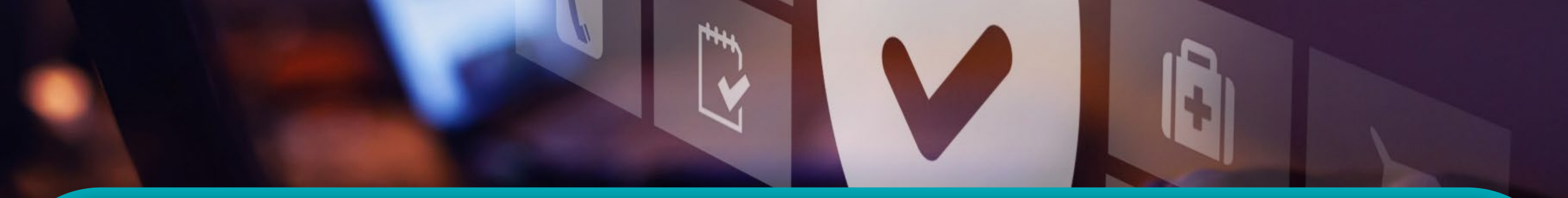
02
Aug-24



IRDAI/LIFE/CIR/MISC/109/8/2024 – Circular on submission of data by life insurers to Insurance Information Bureau of India (IIBI)

The directive instructs all life insurers to submit data to the Insurance Information Bureau of India (IIBI) by 30 September 2024. The data required covers various insurance categories and specific periods, and it must be submitted in the formats specified in annexures. The categories include: 1. Individual life insurance for 2023-24 (Annexure-I), 2. Individual annuitant policies from 2016-24 (Annexure-II), 3. Group annuitant policies from 2016-24 (Annexure-III), 4. Critical illness products from 2019-24 (Annexure-IV), 5. Group credit life from 2020-24 (Annexure-V), 6. Group term insurance from 2020-24 (Annexure-VI), 7. PMJJBY from 2020-24 (Annexures V-VII). Insurers are required to submit data annually starting from FY2024-25, with submissions due within three months after the end of each financial year. This circular replaces the following previous circulars: Circular Ref. IRDA/SDD/MISC/CIR/228/11/2014 (dated 19 November 2014) for submitting individual life data, Circular Ref. IRDAI/SDD/Misc/CIR/228/08/2019 (dated 8 August 2019) for submitting group annuitants data, and Circular Ref. IRDAI/SDD/CIR/MISC/191/10/2019 (dated 16 October 2019) for submitting Critical Illness Policy data.

08
Aug-24



IRDAI/IID/CIR/MISC/112/8/2024 - Prevention of Money-Laundering (Maintenance of Records) Amendment Rules, 2024

On 12 August 2024, the IRDAI issued a circular in line with the Prevention of Money Laundering (Maintenance of Records) Amendment Rules, 2024, notified on 19 July 2024. This circular amends the Master Guidelines on AML/CFT 2022, specifically impacting the procedures for customer KYC verification, by mandating the use of the Central KYC Registry (CKYCR) for retrieving and managing KYC information.

Insurers were already mandated to refer to the CKYCR for retrieving KYC records without requiring customers to resubmit their KYC documents. Earlier, Clause 12.2 of the Master Guidelines stated that when a customer submits a KYC identifier, insurers are required to obtain KYC records from the CKYCR. The updated clause, through a change in wording, reaffirms this existing obligation and emphasises that insurers must continue to adhere to the procedures outlined in Rule 9(1C) of the Prevention of Money Laundering (PML) rules. This revision reinforces the importance of utilising the CKYCR, thereby strengthening compliance and enhancing the accuracy of the customer verification processes.

Additionally, the circular omits Clause 12.3, which required insurers to search for KYC identifiers (using certain credentials) if not provided by the customer. This removal simplifies the KYC process, allowing insurers to focus on directly collecting identifiers from clients, thereby reducing the risk of errors, and improving operational efficiency.

The circular introduces two new clauses, 12.10 and 12.11. Clause 12.10 mandates that when insurers obtain additional or updated KYC information from a client, they must submit this updated information to the CKYCR. Clause 12.11 requires insurers to retrieve updated KYC records from the CKYCR whenever notified of any changes in an existing client's KYC information by the repository and to update their own KYC records accordingly. These additions significantly enhance the accuracy of the KYC records and ensure consistency in data management across the insurance sector.

12
Aug-24

IRDAI/NL/CIR/MISC/116/9/2024 – Circular on insurance claims relating to floods in Telangana and Andhra Pradesh

A directive has been issued to the CEOs and CMDs of all insurance companies, including life and stand-alone health insurers, regarding the recent floods in Andhra Pradesh and Telangana in August/September 2024, which caused significant loss to life, property, and infrastructure. Insurers are instructed to mobilise resources for a swift claims response, including outsourcing surveyors, loss adjustors, and investigators. Companies are to appoint a senior executive as the Nodal Claims Officer and designate District Claims Service Heads for areas with large numbers of claims. Contact details of these officers should be made public, and 24x7 helplines must be established. Special claims desks at the district level should be set up to expedite the processing of claims, including interim payments. Immediate claim surveys and prompt payment releases are required, and surveyors from neighbouring states may be deployed if necessary. Insurers are encouraged to use digital processes for claim handling and streamline documentation to facilitate quicker settlements. In cases involving loss of life, claims may be processed without a death certificate if the deceased's details match government records. Insurers must submit weekly reports on claims to the IRDAI for a month.

04
Sep-24

IRDAI/PP&GR/CIR/MISC/117/9/2024 - Master Circular on Protection of Policyholders' Interests 2024

The Master Circular on Protection of Policyholders' Interests, 2024, issued by the Insurance Regulatory and Development Authority of India (IRDAI), embodies a comprehensive strategy to bolster policyholder protection across the insurance sector. This circular applies to life, health, and general insurers, as well as distribution channels, ensuring inclusivity and accessibility for all demographic segments, including individuals with disabilities. It aligns with the broader vision of "Insurance for All by 2047," emphasising customer-centricity, innovation, and robust governance. Key changes introduced by the circular include the mandatory Customer Information Sheet (CIS) to simplify policy details, strict timelines for service delivery, enhanced distribution channels, and a strengthened grievance redressal mechanism through the Bima Bharosa portal. Additionally, the circular facilitates health insurance portability, allowing policyholders to transfer credits earned under existing policies when switching insurers. These measures collectively aim to enhance transparency, operational efficiency, and accountability within the insurance sector, ensuring that policyholders are well-informed and adequately protected throughout their engagement with insurers. Overall, the Master Circular represents a significant step towards creating a more policyholder-friendly insurance environment, promoting transparency, and improving the overall efficiency of the industry.

05
Sep-24

IRDAI/GA&HR/CIR/MISC/127/10/2024 - 03 Oct 2024 circular on observing NCSAM

The IRDAI has issued circulars advising regulated entities to observe the first Wednesday of every month as Cyber Jaagrookta Diwas (CJD) and to celebrate October as National Cyber Security Awareness Month (NCSAM). The aim is to increase cyber security awareness and enhance the country's cyber resilience. Entities are advised to promote cyber hygiene through various media and submit a summary of their activities to infosec@irdai.gov.in by 5 November 2024.

03
Oct-24

Press release – Information security

Recently, there have been reports of data leaks from two insurers. The IRDAI emphasises the importance of data security and takes breaches and cyber-attacks very seriously. Existing cybersecurity guidelines require insurers to have robust IT and cybersecurity frameworks. The IRDAI is closely monitoring the affected insurers, obtaining regular updates to ensure that the policyholders' data and interests are protected. The insurers have been instructed to appoint independent auditors to conduct comprehensive IT audits to identify and address vulnerabilities.

The insurers reported the incidents to the government and the IRDAI, isolated the impacted systems, and appointed external IT security firms for root cause analysis. The audit revealed vulnerabilities and the methods used by the attackers, which the insurers are addressing. They are implementing containment, eradication, and recovery plans, along with further preventive measures. System upgrades are being carried out to rectify API vulnerabilities, gap assessments, and VAPT issues. The insurers have also filed criminal complaints and taken legal action to prevent the sale of data.

Additionally, the IRDAI has advised all insurers to check their IT systems for vulnerabilities and take necessary steps to protect policyholders' data.

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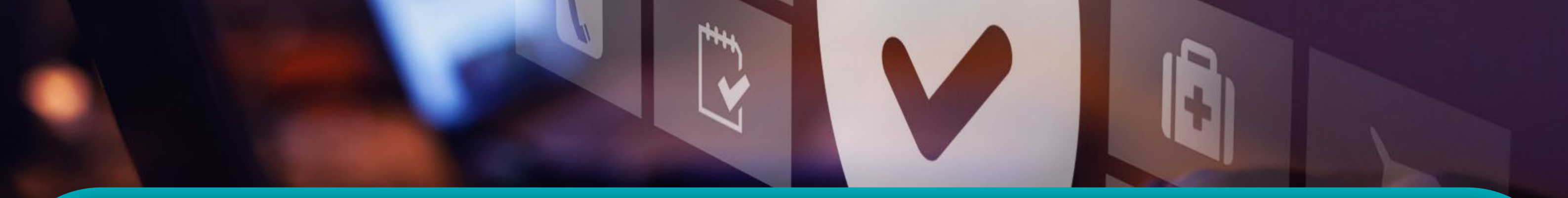
Oct-24

IRDAI/IIDD/TF-Fraud/2024 - Insurance Regulatory and Development Authority of India (Insurance Fraud Monitoring Framework) Guidelines, 2024

The IRDAI issued the Insurance Fraud Monitoring Framework in January 2013 to provide regulatory supervision and guidance on managing fraud risks. Given the substantial changes in the nature and intensity of fraud over the years, the framework has been reviewed, and new comprehensive guidelines have been drafted. These draft guidelines incorporate insights from other financial sector regulators and international best practices, offering advanced measures for fraud detection, handling, and prevention. Stakeholders and the public are invited to submit comments or suggestions on the proposed guidelines by 13 November 2024 via email to sdd@irdai.gov.in. The format for suggestions is attached.

23
Oct-24



IRDAI/Sup-Dept/MIRESI-REG/2024 - INSURANCE REGULATORY DEVELOPMENT AUTHORITY OF INDIA (Maintenance of Information by the Regulated Entities and Sharing of information by the Authority), Regulations, 2024

The Insurance Regulatory and Development Authority of India (IRDAI) has proposed a new regulation for 2024, titled the "Insurance Regulatory and Development Authority of India (Maintenance of Information by the Regulated Entities and Sharing of Information by the Authority), Regulations 2024." This regulation consolidates and updates three previous regulations from 2012, 2015, and 2020. Its primary goal is to streamline the regulatory framework by ensuring that insurers and intermediaries maintain essential data in electronic form, comply with security and legal standards, and adopt a robust data governance framework.

The regulation mandates that insurers and intermediaries keep all necessary and relevant data to facilitate investigations and inspections by officers appointed under Section 33 of the Insurance Act, 1938. These officers will examine the affairs of insurers and intermediaries and report their findings to the IRDAI. Additionally, the regulation outlines principles for the IRDAI to share information judiciously, considering confidentiality, consent, disclosure, security, and the rights and interests of stakeholders.

Stakeholders are invited to review the draft regulation and submit their comments or suggestions by 5 pm on 20 November 2024. Feedback can be sent to inspection@irdai.gov.in, with a copy to b.aruna@irdai.gov.in.

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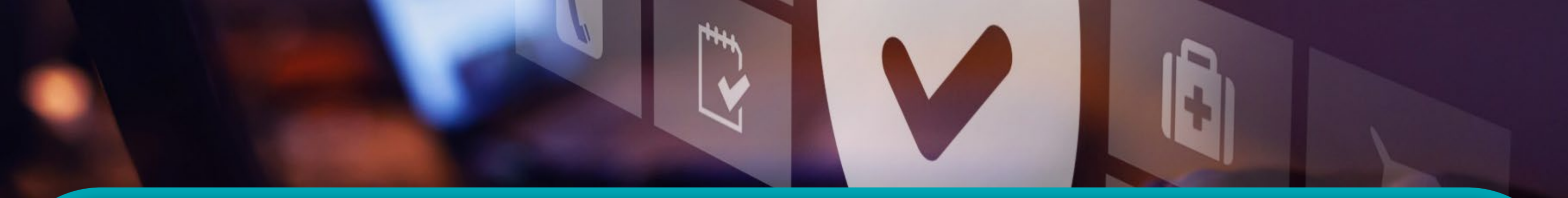
Oct-24

IRDAI (IAC) (Amendment) Regulations, 2024

The IRDAI, exercising its powers under Sections 25 and 26 of the IRDA Act, 1999, has reviewed the IRDA (Insurance Advisory Committee) Regulations, 2000, and proposed amendments to enhance the clarity and efficiency of the Insurance Advisory Committee's functions. The key features of the proposed amendments include flexibility in the number of meetings, using the financial year instead of the calendar year, and allowing notice and agenda circulation to IAC members in less than seven days with the Chairperson's approval. Additionally, the title "Designated Officer" will be changed to "Secretary to the Authority," and the Chairperson will have the authority to decide the meeting mode, place, and time. The notice period for convening an emergent meeting will be reduced to 24 hours, and specific provisions for the resignation and removal of the IAC members will be included. Stakeholders are invited to submit their comments or suggestions on the proposed regulations by 5 pm on 26 November 2024 via an email to nithya@irdai.gov.in, with a copy to anjaly.jolly@irdai.gov.in.

04
Nov-24



Exposure draft IRDAI (RAC) (Amendment) Regulations, 2024

The IRDAI, under Section 101B of the Insurance Act, 1938, has reviewed the IRDA (Re-Insurance Advisory Committee) Regulations, 2019, and proposed amendments to enhance the efficiency of the Re-Insurance Advisory Committee. Key features of the proposed amendments include empowering the Chairman to decide the mode, place, and time of meetings, and including provisions for the resignation and removal of committee members. Stakeholders are invited to submit comments or suggestions on the proposed regulations by 5 pm on 26 November 2024 via an email to nithya@irdai.gov.in, with a copy to anjaly.jolly@irdai.gov.in.

04
Nov-24

Draft IRDAI (Regulatory Sandbox) (Amendment) Regulations

The IRDAI is conducting a comprehensive review of its regulations to enhance the ease of doing business and reduce compliance burdens, while protecting policyholders' interests. An internal committee reviewed the IRDAI (Regulatory Sandbox) Regulations and recommended amendments. The proposed changes include adopting a principle-based approach, avoiding hard-coded values, covering operational issues in a master circular, and facilitating innovation across the insurance value chain. New additions include defining "competent authority," excluding prudential and financial stability matters from the sandbox, and explicitly stating the objective to facilitate innovation while protecting policyholders. The draft amendments are open for public comments until 25 November 2024 via an email.

04
Nov-24

IRDAI (Meetings) Amendment Regulations, 2024

The IRDAI, under Section 10 of the IRDA Act, 1999, has reviewed the IRDA (Meetings) Regulations, 2000, and proposed amendments to enhance the clarity and efficiency of the Authority's meetings. Key features of the proposed amendments include flexibility in the number of meetings, using the financial year instead of the calendar year, and allowing notice and agenda circulation to authority members in less than seven days with the Chairperson's approval. Additionally, the title "Designated Officer" will be changed to "Secretary to the Authority," and the Chairperson or the senior-most full-time member will have the authority to decide the meeting mode, place, and time. The notice period for convening an emergent meeting will be reduced to 24 hours. Stakeholders are invited to submit their comments or suggestions on the proposed regulations by 5 pm on 26 November 2024 via an email to nithya@irdai.gov.in, with a copy to anjaly.jolly@irdai.gov.in.

04
Nov-24

IRDAI Master Circular on Protection of Policyholders' Interests, 2024

Applicability

The Master Circular on Protection of Policyholders' Interests, 2024 (IRDAI/PP&GR/CIR/MISC/117/9/2024), issued by the Insurance Regulatory and Development Authority of India (IRDAI), is broadly applicable to multiple entities within the insurance industry, including life insurers, general insurers, health insurers, and distribution channels. These entities are required to comply with the provisions set out in the circular, which aims to protect the interests of policyholders at various stages of their interaction with the insurance process. The circular applies to insurers across life, health, and general insurance sectors, encompassing both individual and group policies. Its applicability spans the entire insurance lifecycle, from pre-sale activities, such as product design and advertisement, through to policy issuance, servicing, and claims settlement.

For life insurers, the circular mandates offering a wide range of products that cater to different demographic segments, ensuring inclusivity for all age groups, regions, and categories, including persons with disabilities. It also requires these insurers to make necessary product information accessible both online and through distribution channels, such as agents, brokers, and web aggregators. The objective is to ensure that potential policyholders have access to relevant information before purchasing a policy, allowing them to make informed decisions. Similarly, for health insurers, the circular requires the provision of comprehensive products that cater to various medical needs, pre-existing conditions, and different systems of medicine, including allopathy and AYUSH. On the other hand, general insurers must offer retail products that cover personal and commercial risks for individuals, micro-enterprises, and small businesses, ensuring that policies are tailored to meet the specific needs of policyholders.

At the proposal and policy issuance stage, the circular is applicable to all insurers, requiring them to process proposals efficiently, ensuring that all required personal, financial, and health information is collected for underwriting purposes.

The circular requires insurers to provide proposal forms in Hindi, English, and regional languages, ensuring accessibility for policyholders across different regions of India. Additionally, insurers are obligated to offer clear and understandable benefit illustrations that detail the policyholder's rights and obligations.

During this stage, it is mandatory for insurers to collect nomination details to ensure the seamless transfer of benefits in case of the policyholder's death.

In the post-sale phase, the circular applies to insurers by requiring them to provide robust policy servicing and grievance redressal mechanisms. Insurers must issue policy documents within a stipulated time and provide a Customer Information Sheet (CIS), which outlines the key features of the policy in simple language. The circular mandates insurers to establish systems to address policyholder complaints within 14 days, and any unresolved issues can be escalated to the Insurance Ombudsman, especially if the claim amount is below INR 50 lakh. Insurers are also required to comply with the awards issued by the Ombudsman within 30 days, and non-compliance leads to penalties. In terms of health insurance policies, the circular ensures portability, allowing policyholders to switch insurers while retaining the benefits accrued under their previous policy, such as the waiting period credits for pre-existing conditions.

Overall, the circular draws its legal foundation from Section 34 of the Insurance Act, 1938, Section 14 of the IRDA Act, 1999, and Regulation 56 of the IRDAI (Protection of Policyholders' Interests, Operations and Allied Matters of Insurers) Regulations, 2024. This makes adherence to the circular compulsory for all insurers and distribution channels operating within the insurance ecosystem in India. The circular is designed to safeguard the interests of policyholders by promoting transparency, efficiency, and fairness in the way insurers and their agents conduct business. The circular is to be reviewed annually, ensuring that it remains up-to-date and effective in its role of protecting policyholders. It thus plays a pivotal role in ensuring the fair treatment of policyholders throughout their engagement with insurers, from the initial purchase of the policy to the final settlement of claims.

Background and objectives

The Master Circular on Protection of Policyholders' Interests, 2024, is grounded in the broader vision of “Insurance for All by 2047,” a key initiative led by the Insurance Regulatory and Development Authority of India (IRDAI). The circular’s background is shaped by the regulatory reforms undertaken in recent years to enhance the insurance sector’s effectiveness and inclusivity. Recognising the need to address gaps in policyholder protection, the IRDAI has focused on measures that improve customer-centricity, foster innovation, strengthen governance, and enhance competition within the insurance industry. The central theme of this initiative is to ensure that the interests of policyholders remain paramount throughout the insurance value chain, from product development to claims settlement. The introduction of this master circular represents a consolidation of various regulatory efforts aimed at simplifying processes, ensuring transparency, and holding insurers accountable for providing services aligned with the welfare of policyholders.

A significant motivation for this circular is the recognition that the insurance landscape is evolving, and with increased competition and product complexity, policyholders must be well-informed and protected. The IRDAI has emphasised that insurers and distribution channels have a crucial responsibility to educate and guide policyholders at all stages of their interaction with insurance products. This includes ensuring clear communication, simplifying processes, and setting up efficient grievance redressal mechanisms. As part of this reform, the IRDAI comprehensively reviewed existing regulations to craft the Insurance Regulatory and Development Authority of India (Protection of Policyholders’ Interests, Operations and Allied Matters of Insurers) Regulations, 2024, which form the foundation of the master circular.

The objectives of this circular are multi-faceted. At its core, it seeks to establish a framework that ensures the fair treatment of policyholders. It emphasises transparency at all stages of the insurance transaction, from pre-sale to post-sale. Insurers are required to provide clear,

comprehensive, and accurate information about the products they offer, allowing prospective policyholders to make informed decisions. The circular also aims to simplify the insurance buying process, making it easier for policyholders to understand their rights and obligations. Additionally, the circular underscores the importance of grievance redressal mechanisms, ensuring that policyholders have easy access to support in case of disputes or service-related issues.

Another key objective is to enhance the overall governance and operational practices of insurers. The circular sets out specific timelines for processing proposals, issuing policies, and settling claims. By doing so, it holds insurers accountable for timely service delivery and reduces the possibility of delays that could disadvantage policyholders. Furthermore, the circular seeks to encourage innovation within the insurance sector, fostering the development of products that cater to a broader range of policyholder needs, including those of underrepresented segments such as individuals with disabilities, different age groups, and varying income levels. It also promotes self-regulation and growth within the industry by encouraging insurers to adopt best practices in customer service and operational efficiency. Ultimately, the circular aligns with the IRDAI’s long-term goal of creating an insurance ecosystem that is both customer-centric and conducive to sustainable growth.

Key changes

The Master Circular on Protection of Policyholders' Interests, 2024, introduces several key changes aimed at strengthening policyholder protection, improving transparency, and enhancing operational efficiency within the insurance industry. These changes mark a significant shift towards ensuring that policyholders are better informed and more effectively protected throughout the life cycle of an insurance policy. One of the most notable changes is the introduction of a Customer Information Sheet (CIS), a simplified document that insurers are now required to provide to policyholders. The CIS outlines the key features of the insurance policy in clear and straightforward language, ensuring that policyholders understand the coverage, exclusions, and important terms of the policy.

This is a crucial step towards increasing transparency and making insurance products more accessible and understandable, particularly for first-time buyers or those less familiar with complex insurance jargon.

Another important change is the emphasis on timely service delivery and grievance redressal. The circular sets strict timelines for insurers to process proposals, issue policies, and settle claims. For example, insurers must process proposals and issue policies within 15 days of receiving all necessary documents and information. Similarly, claim settlements, particularly death claims, must be processed within specific timeframes (such as 15 days for death claims not requiring investigation and 45 days for those that do). This focus on timely service ensures that policyholders are not left in limbo, waiting indefinitely for responses or payouts. In case of delays, insurers are required to compensate policyholders by paying interest on the delayed payments, which acts as a deterrent against inefficient service. The inclusion of penalties for non-compliance, such as fines for delayed claim settlements, further reinforces the accountability of insurers.

The circular also enhances the role of distribution channels, requiring insurers to provide detailed information on the authorised distribution channels through which insurance products can be purchased. This change is designed to ensure that policyholders have access to verified and reliable sources of insurance, minimising the risk of fraud or misrepresentation. The circular mandates that distribution channels must provide policyholders with key information, including benefit illustrations, and must assist policyholders in understanding their rights and obligations. Additionally, policyholders are now entitled to more flexibility and customisation in choosing products that suit their individual needs. For instance, insurers must allow policyholders to select from a range of products and riders that cater to different age groups, income levels, and medical conditions. This customisation ensures that policyholders are not forced into purchasing standard products that may not fully meet their specific requirements.

insurance penetration has historically been low.

Another significant change introduced by the circular is the strengthening of the grievance redressal mechanism. Insurers are required to implement a more robust system for handling policyholder complaints, with an integrated Bima Bharosa portal that allows policyholders to register and track their complaints online. This centralised system ensures greater transparency and accountability, as insurers must now report and update the status of complaints in real time. In cases where policyholders are dissatisfied with the insurer's resolution, they can escalate their complaints to the insurance ombudsman. The circular also establishes clear guidelines for compliance with the ombudsman awards, including penalties for insurers who fail to implement the ombudsman's decisions within the stipulated 30-day period.

In addition, the circular brings about significant changes in the area of health insurance portability. Policyholders are now entitled to transfer the credits earned under their existing health insurance policy, such as waiting periods for pre-existing conditions and no-claim bonuses, when switching to another insurer. This provision enhances the flexibility and freedom of policyholders, allowing them to move between insurers without losing the benefits they have accrued over time. The circular also includes specific provisions for group insurance policies, ensuring that both employer-employee and non-employer-employee groups have clear guidelines on the issuance of certificates of insurance, claims procedures, and the rights of individual members within the group.

In summary, the key changes in the Master Circular reflect a comprehensive approach to improving policyholder protection, with a strong focus on transparency, service efficiency, and accountability. By introducing measures such as the Customer Information Sheet, stricter timelines for claims processing, enhanced grievance mechanisms, and greater flexibility in product offerings, the circular aims to create a more policyholder-friendly insurance environment, aligned with the broader vision of making insurance accessible to all by 2047.

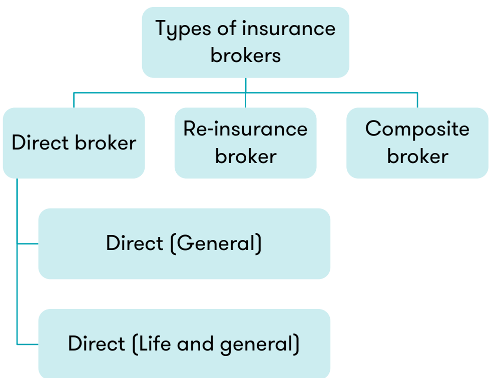
03

Evolving role of insurance brokers and insurtechs in India’s insurance landscape

Given the evolving complexity of India's insurance sector, there is an increasing demand for specialised expertise to navigate the expanding and increasingly sophisticated market. With various sectors, from individuals to corporates, seeking diverse coverage options, the role of intermediaries has become indispensable. One of the keyways the insurance industry manages this complexity is through a clear classification of insurance brokers, ensuring that each segment of the market receives tailored services. These classifications are essential for defining the scope of services, regulatory requirements, and the nature of interactions brokers have with clients and insurers.

To enhance the structure and efficiency within the industry, the Insurance Regulatory and Development Authority of India (IRDAI) has categorised insurance brokers into three distinct types: direct insurance brokers, reinsurance brokers, and composite brokers. Each category serves a specific role in the insurance ecosystem, facilitating streamlined process in policy selection, claims management, and risk transfer. This classification highlights the growing and vital role of brokers in India's ever-changing insurance landscape

Below are the type of insurance brokers authorized by IRDAI



These classification not only aids clients in selecting the appropriate kind of intermediary based on their needs but also ensures that brokers remain focused on their areas of expertise.

Direct insurance brokers cater to the needs of individuals and businesses looking for personal or commercial insurance.

Reinsurance brokers work with insurance companies, facilitating the distribution of risk among multiple insurers to maintain industry stability.

Composite brokers provide a hybrid solution, handling both direct and reinsurance business, offering end-to-end support across the insurance spectrum.

Understanding the roles and responsibilities of these different categories is crucial for businesses and individuals seeking optimal insurance solutions, as well as for insurance companies looking to efficiently manage risk and leverage broader industry support. Each broker type offers distinct value, ensuring that every segment of the insurance market—from individual clients to global reinsurers—can access the specialised expertise required to meet their specific insurance needs.

As on 31 August 2024, there were 708 valid brokers, comprising of 633 direct brokers, out of which 102 are direct (General) brokers and 531 are direct (Life and general) brokers, 71 composite brokers and 4 reinsurance brokers. (Source: list published on the IRDAI website as on 31 August 2024)

Total 81 new Certificate of Registrations (CoR) were issued during the period from 1 April 2022 to 31 March 31 2023, out of which 68 were direct insurance brokers (Life and general) and 13 direct insurance brokers (General). During the period, 128 insurance broker registrations were renewed. (Source: IRDAI annual reports)

Insurance brokers as on 31 August 2024

Broker category	Count
Composite broker	71
Direct (General)	102
Direct (Life and general)	531
Reinsurance broker	4
Total	708

Direct broker

A direct broker, as defined by the Insurance Regulatory and Development Authority of India (IRDAI), is an insurance broker who, for a fee or remuneration, solicits and arranges insurance business for clients with insurers based in India. They also offer claims consultancy, risk management services, and other similar services.

Direct brokers are crucial in linking individual and corporate clients with insurance companies, offering a diverse range of insurance products, such as life, health, motor, property, and other general insurance policies. Their main role is to represent their clients' interests, advising them on the most suitable policies based on their specific needs. They assist clients in compare policies from various insurers, negotiate better premiums, and ensuring that policy terms and conditions are transparent and equitable.

In addition to assisting with the purchase of new policies, direct brokers provide essential support during policy renewals and claims. They act as intermediaries between clients and insurers, helping to resolve disputes facilitating dispute resolution and expediting claims processing. As insurance regulations are not lucid, and products are complex, the role of direct brokers in providing unbiased and expert advice has grown significantly in India's expanding insurance market.

Re-insurance broker

A reinsurance broker, as defined by the Insurance Regulatory and Development Authority of India (IRDAI), is an insurance broker who, for a fee or remuneration, solicits and arranges reinsurance for clients with insurers and/or reinsurers located in India and/or abroad. They also provide claims consultancy, risk management services, and other similar services as permitted under the regulations.

Reinsurance brokers operate at a specialised level within the insurance ecosystem, focusing on the relationships between insurance companies and reinsurers. Reinsurance allows insurance companies to offload portions of their risk portfolios to reinsurers, helping them manage exposure to large claims or catastrophic events. Reinsurance brokers facilitate these transactions by understanding the risks faced by the insurance company and sourcing the best reinsurance contracts from global reinsurers. They analyse risk data, advise on reinsurance structures, and negotiate terms to ensure that insurers are adequately covered without overpaying for reinsurance.

In India's rapidly expanding insurance market, reinsurance brokers play a crucial role in helping insurers protect themselves from the financial strain of large-scale losses, such as those from natural disasters or mass claims events. This contribution is vital for maintaining the stability of the overall insurance sector. By providing expert advice and facilitating efficient risk transfer, reinsurance brokers ensure that insurers can sustain their operations and continue to offer coverage to their clients, thereby supporting the growth and resilience of India's insurance industry.

Composite broker

A composite broker, as defined by the IRDAI, is an insurance broker who, for a fee or remuneration, solicits and arranges both insurance and reinsurance for clients with insurers and/or reinsurers located in India and abroad. They also provide claims consultancy, risk management services, and other similar services as permitted under the regulations.

Composite brokers are unique in that they combine the functions of both direct and reinsurance broking, offering a comprehensive range of services to their clients. They cater to individuals and corporate clients seeking insurance policies, as well as work with insurance companies to manage their reinsurance needs. By handling both types of broking, composite brokers provide a one-stop solution for larger organisations with complex insurance requirements. For instance, a large manufacturing company may need coverage for its assets, employees, and operations, while also requiring reinsurance for part of its risks—composite brokers can manage both aspects of this transaction. For instance, consider a large manufacturing company that needs coverage for its assets, employees, and operations. This company might also require reinsurance to mitigate part of its risks. Composite brokers can manage both aspects of this transaction, ensuring that the company receives comprehensive coverage while effectively managing its risk exposure.

Their dual role makes them indispensable to large corporations, government entities, and multinational firms operating in India, where comprehensive risk management and tailored insurance solutions are essential. This ability to provide end-to-end services across both direct insurance and reinsurance sectors gives composite brokers a competitive edge in a market that increasingly demands holistic risk management solutions. As India's insurance market continues to grow and evolve, the role of composite brokers becomes even more critical. They not only facilitate the seamless integration of various insurance and reinsurance needs but also offer strategic advice and support to their clients. This includes analysing risk data, advising on optimal insurance and reinsurance structures, and negotiating terms to ensure that clients are adequately covered without overpaying.

In a rapidly expanding and increasingly complex insurance landscape, composite brokers are at the forefront of providing innovative and comprehensive solutions. Their expertise helps clients navigate the intricacies of the insurance market, ensuring that they can manage their risks effectively and sustain their operations even in the face of large-scale losses or catastrophic events. By bridging the gap between direct insurance and reinsurance, composite brokers play a pivotal role in maintaining the stability and resilience of India's insurance sector. Their evolving role underscores the importance of specialised expertise and comprehensive service offerings in meeting the diverse and sophisticated needs of the market.

Requirements for different types of brokers

The capital, net worth, and deposit requirements for insurance brokers in India, as set by the IRDAI, are crucial for ensuring the financial stability and reliability of brokers, thereby protecting policyholders. These financial thresholds are essential because they ensure that brokers have enough resources to manage their operations efficiently and meet any financial obligations or liabilities that may arise. By enforcing these requirements, the IRDAI aims to create a stable and trustworthy insurance market, boosting confidence among clients and insurers.

Since different types of brokers cater to varied client bases and face different risk profiles, the requirements are tailored accordingly.

Direct brokers, who mainly serve individual clients, have lower capital, and net worth requirements compared to re-insurance and composite brokers. Re-insurance brokers deal with more complex transactions and higher risks, necessitating greater financial backing. Composite brokers, who handle both direct and re-insurance activities, require the highest levels of capital and net worth to manage the combined risks and responsibilities effectively. These differentiated limits ensure that each type of broker is well-equipped to handle their specific operational demands and financial risks.

Requirement particulars	Direct	Re-Insurance	Composite
Capital requirement	75 lakh	4 crore	5 crore
Net worth	50 lakh	2 crore	2.5 crore
Deposit	10 lakh	40 lakh	50 lakh

Choosing the correct brokerage license

When deciding which brokerage license to apply for, it is essential to consider the specific needs and goals of the business, as well as the regulatory requirements set by the IRDAI.

Direct broker:

Direct brokers are ideal for businesses targeting a broad client base, including individuals and corporate clients, who need a variety of insurance products, such as life, health, motor, and property insurance. These brokers play a crucial role in advising clients on the most suitable policies, negotiating premiums, and ensuring transparency in policy terms. With relatively lower financial entry barriers, such as a capital requirement of INR 75 lakh, a net worth of ₹50 lakh, and a deposit of INR 10 lakh, direct brokers are well-suited for companies looking to penetrate the retail insurance market and gradually scale their operations.

Reinsurance broker:

Reinsurance brokers operate in a specialised niche, focusing on facilitating reinsurance transactions between insurance companies and reinsurers. This role requires deep expertise in risk management and a strong international network to source the best reinsurance contracts. Given the higher financial requirements, such as a capital requirement of INR 4 crore, a net worth of INR 2 crore, and a deposit of INR 40 lakh, reinsurance brokers are best suited for companies that aim to specialise in managing large-scale risks and providing critical support to insurers in mitigating exposure to catastrophic events.

Composite broker:

Composite brokers offer a comprehensive range of services, combining both direct insurance and reinsurance broking. This makes them indispensable for large organisations with complex insurance needs, such as multinational firms and government entities. By providing end-to-end risk management solutions, composite brokers can cater to both individual and corporate clients while also managing reinsurance needs. The higher financial thresholds, such as a capital requirement of INR 5 crore, a net worth of INR 2.5 crore, and a deposit of INR 50 lakh, reflect the extensive scope of services provided, making this license ideal for companies aiming to establish themselves as market leaders with a holistic approach to insurance and risk management.

While choosing the right brokerage license for your business, it is important to assess your business's strategic vision, market focus, and financial capacity to ensure it meets the regulatory requirements and effectively serve the target clients.

State-wise distribution of insurance brokers in India (As on 31 August 2024):

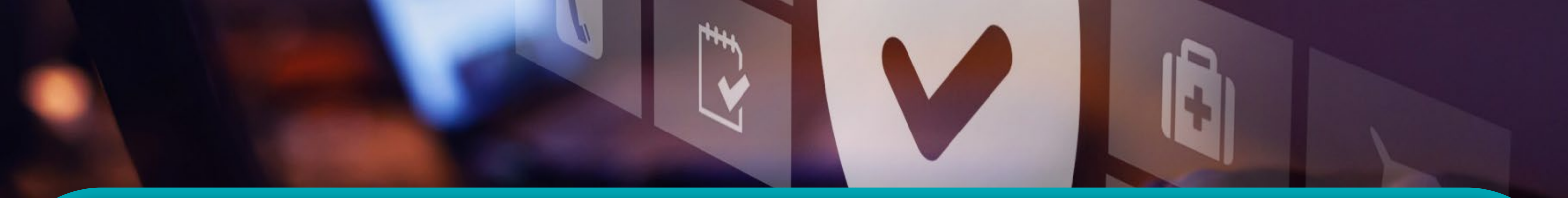
Row Labels	Composite broker	Direct (General)	Direct (Life and general)	Re-insurance broker	Grand total
Maharashtra	34	23	120	3	180
Delhi	11	19	89	1	120
Tamil Nadu	4	10	42		56
Telangana	5	4	44		53
Gujarat	4	8	32		44
West Bengal	3	8	33		44
Haryana	3	9	28		40
Karnataka	3	9	26		38
UP	1	1	23		25
Rest of India	3	11	94		108

(Source: A list published on the IRDAI website as on 31 August 2024)

The distribution of insurance brokers across various states in India reveals significant regional disparities and market dynamics. Maharashtra and Delhi stand out as the primary hubs, underscoring their roles as major economic centers with a high demand for diverse insurance services. These states not only host a substantial number of direct brokers but also have a notable presence of composite and reinsurance brokers, reflecting a mature and sophisticated insurance market.

In contrast, Uttar Pradesh, despite its large population, indicates untapped potential and opportunities for market expansion. This disparity suggests that while the registered offices of brokers are concentrated in key economic regions, there is significant room for growth in less saturated areas. Emerging markets such as Tamil Nadu, Telangana, and Gujarat are showing a growing number of brokers, particularly in the direct (life and general) category, driven by increasing economic activities and rising insurance awareness.

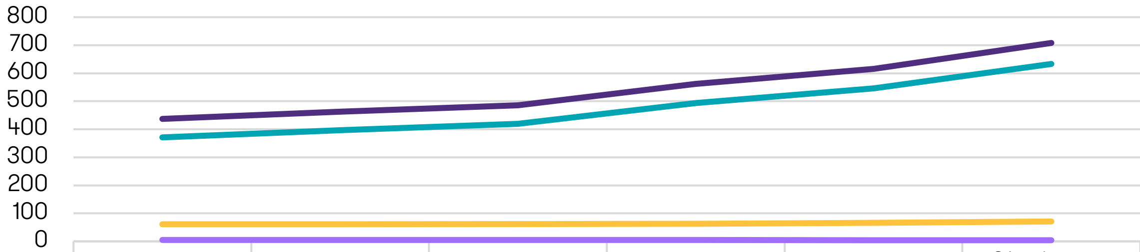
The concentration of direct brokers in major hubs like Mumbai and Delhi highlights the limited foreign exposure and reinsurance capabilities in other Indian cities. This suggests a need for developing local talent and expertise in other regions to better manage complex insurance needs.



It is also important to note that the data represents the registered offices of brokers, who may operate across multiple states. This means that while a broker's primary office might be in a major hub like Mumbai or Delhi, they could have branch offices in other states, extending their reach and influence. This multi-state presence allows brokers to cater to a broader client base and address regional insurance needs more effectively.

In conclusion, India currently has a healthy and growing insurance brokerage market in India, with significant opportunities for direct brokers and a stable environment for reinsurance and composite brokers. The trends suggest a market that is evolving to meet the diverse and complex needs of its clients, supported by a regulatory framework that encourages growth and competition.

Past trend of insurance brokers in India



	2019	2020	2021	2022	2023	31st August 2024
Composite Broker	61	61	62	63	66	71
Direct Broker	371	397	419	494	546	633
Reinsurance Broker	5	5	5	5	4	4
Grand Total	437	463	486	562	616	708

(Source: IRDAI annual reports)

(Source: IRDAI annual reports)

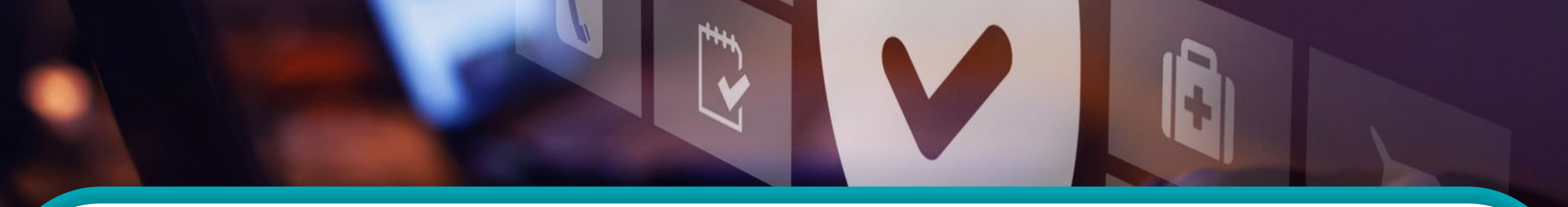
The overall growth in the total number of brokers, reflects the growing and dynamic nature of the Indian insurance market. This expansion reflects the increasing market demand driven by economic growth, regulatory changes, and rising insurance awareness. This also highlights the importance of regulatory frameworks that support the entry and operation of new brokers, ensuring a competitive and diverse market landscape.

There is a clear and consistent growth in the number of direct brokers over the years. The significant rise reflects the expanding demand for direct insurance services. The growth in composite brokers indicates a steady demand for brokers who can offer both direct and reinsurance services.

In contrast, the number of reinsurance brokers has remained relatively stable, fluctuating slightly between 4 and 5 over the same period. This stability suggests that the reinsurance brokerage market is more niche and specialised, with limited new entrants. The consistent numbers could also imply that the existing reinsurance brokers have established strong positions in the market, making it challenging for new players to enter.

The Indian insurance industry is undergoing a significant transformation, influenced by economic uncertainties and evolving risk landscapes. Further, on account of these reasons, the role of insurance brokers has become increasingly pivotal. By embracing innovation, offering customised services, and prioritising client preferences, brokers are not only adapting to the changing market dynamics but also setting new benchmarks for excellence in risk management and insurance advisory services.

One of the primary ways in which brokers are standing up to the client expectations is through the adoption of advanced technologies. Digitisation such as data analytics enable brokers to provide personalised insurance solutions tailored to a customer's need. Further, various digital platforms have helped brokers to streamline operations, enhance customer interactions, and provide more accurate risk assessments. This technological integration not only improves efficiency but also enhances the overall client experience, fostering trust and long-term relationships. Personalisation is another critical area where brokers are making a significant impact. In a market where clients demand bespoke solutions, brokers who can offer customised insurance products and services stand out.



By understanding the unique requirements of each client, brokers can design policies that provide optimal coverage while also being cost-effective. This personalised approach ensures that clients feel valued and understood, which is crucial in building loyalty and satisfaction.

Moreover, insurance brokers are increasingly taking on the role of client advocates. In a hardened insurance market, where premiums are rising, and coverage terms are becoming more stringent, brokers who champion their clients' interests are invaluable. They negotiate with insurers on behalf of their clients, ensuring that they receive the best possible terms and conditions. This advocacy role not only helps clients navigate complex insurance landscapes but also reinforces the broker's position as a trusted advisor. The evolving risk landscape, characterised by emerging threats such as cyber risks, climate change, and global pandemics, further underscores the importance of proactive risk management.

Insurtech

Meaning of insurtech

Before the digital era, India's insurance sector was heavily dependent on traditional, manual processes. This resulted in slow services, with significant delays in issuing policies and settling claims. Customisable insurance plans were scarce, and the industry was burdened with extensive paperwork. Considering India's vast and diverse population with varied needs, it was evident that the sector required a substantial transformation.

Insurtech introduced a wave of innovation to India's insurance industry, leveraging digital tools to enhance speed and efficiency. This approach significantly reduced the time required to issue policies and settle claims. Additionally, it enabled the creation of insurance plans tailored to individual needs, which was previously challenging. This transformation wasn't just about increasing speed; it also aimed to make insurance more accessible and better suited to the diverse needs of India's population.

Insurtech is a blend of "insurance" and "technology," representing the innovative use of technology to enhance the efficiency and cost-effectiveness of the insurance industry. Insurtech solutions aim to streamline operations within insurance companies and improve the overall customer experience. These solutions benefit not only insurance institutions but also make insurance products more accessible to clients.

As per the IRDAI (Expenses of Management) Regulations 2023, an insurer shall be allowed an additional allowance towards insurtech and insurance awareness expenses to the extent of 5% of allowable expenses of management.

With this, insuretechs have received more acceptance, with the insurance sector rapidly expanding, similar to the fintech industry. The primary goal of insurtech companies is to develop tools and applications that automate various tasks within insurance companies. These tools can analyse customer data, assess risks, generate personalised offers, and even process claims.

The main objectives of implementing insurtech software include:

- Increasing business flexibility
- Improving process efficiency
- Enhancing service personalisation and communication
- Reducing cybercrime risks

Importance of insurtech

Insurtech is transforming the insurance industry in several significant ways:

- **Enhancing customer experience:** By leveraging technology, insurtech engages customers more effectively, allowing them to select coverage, understand their needs, and receive personalised service. The trend is moving towards self-service and online interactions, giving customers more control over how they engage with insurance providers.
- **Promoting efficiency:** Insurtech enables policy-seekers and holders to research and explore options online, without waiting for business hours or representatives. This empowers users to quickly access necessary information.
- **Emphasising Individuality:** Advanced data processing tools help insurtech companies understand individual needs better, leading to improved pricing and more reliable coverage.
- **Reducing operating costs:** Insurtech companies can operate remotely, reducing the need for physical locations and manual labour, thus lowering overhead costs.
- **Decreasing fraud:** By using data analytics, trend analysis, and machine learning, insurtech can detect fraudulent activities and identify potential loopholes to prevent exploitation.

Challenges faced by insurtech companies

- **Regulatory compliance:** Ensuring compliance with numerous regulations related to data security, company solvency, rates, and claims handling is challenging. Start-ups may lack experience, while larger companies may struggle with flexibility. Integrating regtech solutions can help monitor regulatory changes and ensure compliance.
- **Cybersecurity:** Cyberattacks are a significant threat, with incidents occurring every 11 seconds. Implementing advanced cybersecurity systems that use artificial intelligence and automated risk assessment can help mitigate these risks.
- **Adapting to client needs:** Insurance is a difficult service to sell, and customer trust in insurance companies is often low. To attract clients, companies must personalise their offerings and marketing messages. This can be achieved through advanced analytics, segmentation, recommendation engines, and user-friendly websites or mobile applications.

Is insurtech better than traditional insurance? (Insurance broking vs insurtech)

- The main difference between insurance broking and insurtech is that insurance broking is a traditional service, while insurtech is a new technology-based approach to the insurance industry, as insurance broking is traditional service where a broker works with a client to find the right insurance policy.
- Brokers can offer a range of options, help with claims, and provide advice, while insurtech is a technology-based approach that uses data and new technologies to create more customised insurance products and services.
- Traditional brokers serves mostly corporate clients, providing suitable products based on the structure and size of company, whereas insurtech leverage on technology appeals to tech-savvy consumers who prefer self-service options and the convenience of managing their insurance. On the contrary, insurtech companies leverage technology to streamline the insurance process. Customers can purchase, manage, and renew policies entirely online, often through user-friendly apps or websites. By reducing the need for physical offices and agents, insurtech companies can often offer lower premiums. Automation and AI-driven underwriting processes can further reduce operational costs, which can be passed on to customers as savings.

In summary, the preference between insurtech and traditional insurance depends on what the customer values more: the personal touch and comprehensive service of traditional insurance, or the convenience, cost efficiency, and innovation offered by insurtech. Both have their strengths and can co-exist, catering to different segments of the market. As technology continues to evolve, we can expect further integration of digital solutions in traditional insurance, blurring the lines between these two approaches and offering even more options for consumers.

04

Digital insurance: Bridging the gap between tradition and technology

Introduction

Insurance has long been considered a standard safeguard for ensuring future security. However, in the past 20 years, and especially after the COVID-19 pandemic, it has evolved beyond its traditional confines, integrating with technology to create Insurance 2.0. The Indian insurance industry, which is now a vital component of the nation's economy, skillfully navigates the vast and intricate landscape of a digitally-driven financial ecosystem. With increasing consumer awareness, rising incomes, supportive regulatory frameworks, and a growing focus on financial security, the insurance sector is experiencing rapid growth.

Insurance industry and its traditional process

The insurance industry has traditionally centered on providing financial protection against various risks, such as life, health, property, and liability. This process typically involves assessing the risk associated with insuring an individual or entity, issuing a policy that outlines the terms, coverage, and premium, collecting regular premiums from policyholders, and processing claims in the event of a covered loss.

Insurance companies relied heavily on **a widespread network of branches** across India to reach customers, especially in urban and semi-urban areas. These branches were essential for policy issuance, premium collection, and claims processing. Customers typically visited these branches in person to purchase policies, pay premiums, or file claims, fostering **face-to-face interactions** that were crucial for building trust and providing personalised service.

Know your customer (KYC) procedures were conducted in person, with customers visiting branches with physical documents for identity verification and address proof. This process was time-consuming but necessary for compliance with regulatory requirements. Additionally, the traditional insurance model involved **significant human intervention** in underwriting and claims assessment. Underwriters manually evaluated risks and determined premiums, while claims adjusters conducted in-person inspections and assessments to process claims. This manual approach, while thorough, was **labour-intensive** and often resulted in slower **service delivery**.

Overall, the traditional insurance industry operated with a heavy reliance on **physical interactions** and manual processes, which, while effective, were often slow and labour-intensive. The advent of digitisation has since transformed these operations, making them more efficient and customer-friendly.

Digitisation and its significance in today's world

The traditional insurance purchase journey, with its multi-step process, highlighted the need for digitisation. Customers often find the lengthy and complex buying process confusing and frustrating. This perception is largely due to the way information is presented, with traditional insurance relying heavily on jargon to communicate policy features and benefits. Digitisation streamlined this process, making it more user-friendly and accessible, thereby enhancing customer experience and understanding.

With digitisation, The Indian government has been advocating for a digitally empowered India through its Digital India initiative and has been promoting digitisation of several sectors, including the insurance sector. Further, the Indian insurance regulator, the IRDAI has, over the last few years, introduced regulations to facilitate the adoption of digital technologies by insurers, such as:

- The introduction of the e-insurance account, which allows policy holders to store all their insurance policies in one place in an electronic form. This way, the policy holder can access their insurance policy at any time and from any place, thereby eliminating a need for physical policy documents;
- Allowing the use of e-signatures and conducting KYC through electronic means, thereby making onboarding of customers and policy issuance faster and cheaper. The key benefit of digitising insurance policies is the elimination of the need to provide supporting documents like KYC when obtaining a new policy. Additionally, all documents will be securely stored in a central data repository, ensuring their safety and accessibility.
- Integration with various government and regulatory services, including linking with the National Securities Depository Limited (NSDL), enables seamless verification of customer identities and financial information. Similarly, the Central Registry of Securitisation Asset Reconstruction and Security Interest (CERSAI) Portal helps insurers verify property details and prevent fraud. The integration with the Credit Information Bureau (India) Limited (CIBIL) allows insurers to assess the creditworthiness of policyholders, ensuring more accurate risk assessment and pricing.
- Tele-underwriting, which allows insurers to conduct medical assessments and risk evaluations remotely. This not only speeds up the underwriting process but also enhances customer convenience by eliminating the need for physical visits.

Additionally, the IRDAI has also issued detailed guidelines on the cybersecurity and data privacy measures to be implemented by insurers to ensure protection of customer data against cyberattacks. These guidelines inter alia require insurers to implement an information security policy, access controls, security standards, data backup and recovery procedures, breach notification, disaster recovery processes, etc.

Mention about tele-underwriting, integration with other government and regulatory services, such as NSDL, CERSAI portal, and CIBIL

Impact of digitisation on the insurance industry

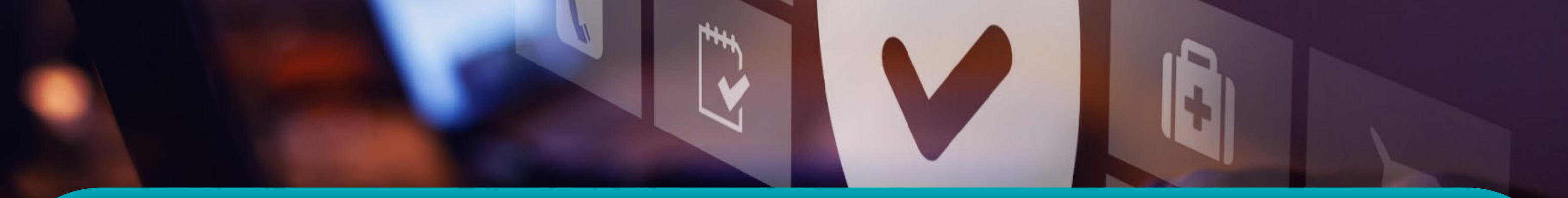
Digitisation in the insurance industry has accelerated service delivery, improved the accuracy of risk assessment, and revolutionised customer interaction.

By leveraging artificial intelligence to assess risk and set premiums, and deploying chatbots for instant customer service, the insurance industry is embracing digital technologies to meet the evolving needs and expectations of modern consumers.

This wave of digitisation goes beyond merely adopting new technologies; it represents a complete transformation of the traditional insurance model. The result is a seamless and personalised experience for customers, alongside streamlined operations and reduced costs for providers.

Key trends in insurance industry digitization:

- **Growing importance of customer software:** Custom software is becoming increasingly vital for insurance companies, as it streamlines operations across various functions, including underwriting, claims processing, customer service, and fraud detection. This efficiency leads to cost savings and improved service delivery. Additionally, custom software facilitates the integration of advanced technologies like artificial intelligence and machine learning, which offer deeper insights into risk management, enhance predictive analytics, and strong data security.
- **Emerging digital self-service tools**: These digital self-service tools have transformed customer interactions with insurance providers, offering the convenience of 24/7 access from anywhere. The range of communication methods has expanded to include SMS, digital platforms, mobile applications, e-mail and push notifications
- **Enhancing customer interactions with AI:** The integration of AI and virtual assistants in insurance has transformed support systems, offering policyholders instant, personalised assistance. These technologies not only address customer inquiries but also proactively guide them through processes like filing claims, achieving a level of efficiency that was previously unattainable.
- **Improved data analytics tools:** By leveraging these advanced tools, insurers can significantly enhance claims management processes, ensuring faster and more accurate settlements. Additionally, these tools facilitate the implementation of sophisticated fraud detection methods that precisely identify irregular patterns and anomalies, thereby reducing fraudulent claims and associated costs. Furthermore, insurers can analyse vast amounts of market data, customer behaviour, and competitor strategies, allowing them to make informed decisions, tailor their products and services to meet customer needs, and stay competitive in the market. Overall, the integration of improved data analytics tools empowers insurers to operate more efficiently, reduce risks, and enhance customer satisfaction.



Digitisation in underwriting

The Indian insurance industry is experiencing a significant transformation as AI and machine learning redefine the underwriting and policy issuance processes. This section explores how AI is revolutionising these processes, focusing on the implementation of videography, digitisation, automated Medical Examination Report (MER) checks, and the use of smart reports.

- **Videography and AI in health assessments:** Videography has become a powerful tool in the insurance sector, enabling real-time health assessments and reducing fraud. Insurers are using VideoMER technology to conduct live assessments, ensuring data accuracy and timeliness. This approach not only streamlines the underwriting process but also enhances transparency and trust between insurers and applicants.
- **Digitisation and analysis of pathology reports and video MER calls:** By digitising pathology reports, insurers can automatically analyse biomarker levels, quickly determining eligibility for Straight Through Processing (STP). This advancement reduces manual data entry and potential human errors. Additionally, the adoption of speech-to-text technologies during client interactions, such as video calls, further enhances the underwriting process.
- **Automated MER checks:** Automated checks in Medical Examination Reports (MER) demonstrate AI's impact on underwriting. These systems verify the authenticity and accuracy of medical information, ensuring underwriters have reliable data for risk assessment. Automated MER checks help identify discrepancies in medical professionals' questions, safeguarding the interests of both the insurer and the insured.
- **Smart reports for enhanced decision-making:** Smart reports transform complex medical data into easily understandable formats, aiding underwriters in making informed decisions. By utilising AI to analyse and present health information, these reports highlight critical data points and trends, allowing for more nuanced risk assessments. The use of visuals and summaries makes it easier for underwriters to understand the applicant's health status, leading to more accurate underwriting decisions.

Digitisation in operations and client servicing

The digitisation of policy servicing in the insurance industry is revolutionising how insurers manage policies and interact with customers. By leveraging digital platforms, insurers can streamline operations, enhance customer experiences, and improve overall efficiency.

- **Use of digital platforms for policy management:** Digital platforms enable insurers to manage policies more effectively by automating routine tasks and providing real-time access to policy information. These platforms integrate various functions such as policy issuance, premium collection, and claims processing into a single, cohesive system. This integration reduces manual errors, speeds up processing times, and ensures that policyholders receive timely and accurate information.
- **Advantages of online customer service and self-service portals:**
    - **Convenience:** Online customer service and self-service portals allow policyholders to access their policy information, make payments, and file claims at any time, from anywhere. This 24/7 availability enhances customer satisfaction and reduces the need for in-person visits or phone calls.
    - **Efficiency:** Self-service portals streamline administrative tasks by enabling customers to perform actions such as updating personal information, downloading policy documents, and tracking claim status independently.
    - **Transparency:** These portals provide policyholders with clear and immediate access to their policy details, coverage options, and claim history.
- **Role of chatbots and virtual assistants in customer interactions:**
    - **Instant support:** Chatbots and virtual assistants offer instant support to policyholders by answering common queries, guiding them through processes, and providing information about products and services. This immediate assistance improves customer experience and reduces wait times.

- **Personalisation:** Advanced chatbots use AI to personalise interactions based on the customer's history and preferences. They can recommend suitable products, remind customers of upcoming payments, and provide tailored advice, enhancing the overall customer journey.
- **Cost-effectiveness:** Implementing chatbots and virtual assistants can significantly reduce operational costs by handling a large volume of routine inquiries and tasks. This allows human agents to focus on more complex issues that require personalised attention.

- **Use of data analytics in understanding customer behaviour and preferences**
  - Data analytics plays a pivotal role in understanding customer behaviour and preferences. By analysing vast amounts of data, insurers can identify patterns and trends that provide deep insights into what customers want and need. Here are some key applications:
    - **Customer segmentation:** Data analytics allows insurers to segment customers based on various factors such as demographics, purchasing behavior, and risk profiles. This segmentation helps in tailoring marketing strategies and product offerings to specific customer groups
    - **Predictive analytics:** By using predictive models, insurers can forecast customer behavior, such as the likelihood of policy renewal or potential churn. This enables proactive measures to retain customers.
    - **Personalised offers:** Insights from data analytics help in creating personalised offers and recommendations that resonate with individual customers, enhancing their satisfaction and loyalty.
- **Enhancing customer engagement and loyalty with digital tools**
  - Digital tools are transforming how insurers engage with their customers, making interactions more efficient and personalised. Here are some ways digital tools enhance customer engagement and loyalty:
    - **Self-service portals:** Online portals allow customers to manage their policies, make payments, and file claims at their convenience. This 24/7 accessibility improves customer satisfaction and reduces the need for direct contact with customer service representatives.
    - **Mobile apps:** Mobile applications provide a seamless and user-friendly platform for customers to access their insurance information, receive notifications, and interact with their insurer on the go.
    - **Chatbots and virtual assistants:** AI-driven chatbots and virtual assistants offer instant support, answer queries, and guide customers through various processes. This immediate assistance enhances the customer experience and reduces wait times.

Digitisation in Claim Management

- **Claims processing workflows:** AI algorithms have revolutionised claims processing by significantly enhancing both efficiency and accuracy. By automating routine tasks, AI allows insurers to process claims more swiftly, reducing the time from submission to resolution. This acceleration not only boosts customer satisfaction but also lowers operational costs. Additionally, AI minimises human errors, ensuring more precise claims assessments and payments, thereby reducing the likelihood of fraud and incorrect claim denials.
  - **Technologies at play:** Several AI technologies have been instrumental in advancing claims processing. Natural Language Processing (NLP) interprets and understands customer inquiries and documents, streamlining claim initiation and information gathering. Image recognition technologies, including Fully Convolutional Neural Networks (FCNN), have greatly improved the rapid assessment of visual data. In motor claim assessments, FCNNs expertly identify and evaluate the extent of vehicle damages from images, facilitating a faster and more accurate verification and assessment process.
  - Additionally, Invoice OCR (Optical Character Recognition) and ICR (Intelligent Character Recognition) are crucial in digitising, analysing, and acting on hospital bills and supporting documentation, further enhancing the efficiency and accuracy of claims processing. These technologies collectively enable a more seamless, automated claims handling process, significantly improving the efficiency and accuracy of claims resolutions, particularly in the healthcare and automotive sectors.

- **AI-driven claims processing:** Several Indian insurance companies have made significant strides in AI-driven claims processing. They have implemented AI solutions to streamline their claims handling processes, resulting in reduced processing times and improved customer service. These companies have successfully utilised AI for document verification, damage assessment, and fraud detection, setting industry benchmarks for efficient, transparent, and customer-friendly claims processing.

By embracing these technologies and strategies, the Indian insurance sector is set to revolutionise the traditional claims processing landscape, leading to greater efficiency, accuracy, and customer satisfaction.

Challenges and emerging risks in the digitisation process

While digitisation offers numerous benefits, it also presents certain challenges. The primary challenge is the risk of cyber-attacks and cybersecurity incidents. Since no technology is infallible, insurers must implement robust cybersecurity measures to protect customer data and prevent cyber attacks. The initial cost of implementing digital technologies can be high. Insurers need to invest in the necessary infrastructure, training, and ongoing maintenance. While these investments can lead to long-term savings and efficiencies, the upfront costs can be a barrier for some companies. In conclusion, the digitisation of the insurance sector presents both challenges and opportunities. Insurers must adopt a strategic approach that combines technological advancements with robust security measures, regulatory compliance, and customer education.

- **Data privacy and compliance:** Entities collect, store and utilise customer data through various distribution channels, such as insurance houses, third-parties, independent brokers and reinsurers. This raises concerns surrounding data privacy and compliance with the evolving data protection regulations. Misuse of customer data without consent can easily occur to drive insurtech business objectives, leading to mis-selling and loss of sensitive customer data.
- **Algorithmic bias and fairness:** Entities heavily depend on utilising algorithms for risk assessment and pricing, which may unintentionally generate biases, influencing incorrect policy recommendations that are unfair or discriminating.
- **Underwriting inaccuracy:** Using AI/ML and analytics in underwriting introduces the possibility of erroneous and biased risk assessment or pricing, therefore exposing financial losses for consumers as well as insurers.
- **Fraud detection and prevention:** Although analytics and AI may be useful in identifying frauds, complex fraudulent vectors are rapidly evolving beyond the pace of the implemented analytics and AI tools within the insurance operations, rendering the technology outdated. Such fraudulent elements may exploit the current technological weaknesses, making it difficult to lower the risk of fraud.

Possible solutions:

- Develop and implement a resilient technological risk management system and conduct regular audits.
- Ensure mandatory adherence to stipulated data privacy regulations by delineating corrective data protection policies and acquire necessary user consent.
- Broaden expertise and stay updated on the governing regulations on data privacy, consumer protection and licensing that are applicable to the insurance industry.
- Continuously develop innovative insurance products and services by conducting comprehensive market research and user testing.
- Thoroughly evaluate future collaborations and partnerships between reinsurers, insurers and other potential stakeholders

The way forward for a digi-proof industry

The future of digitisation in India's insurance sector holds immense promise, marked by a transformational shift towards a 'phygital' model. This blend of physical and digital channels aims to provide a seamless user experience while retaining personal touches, perfectly meeting people's expectations. Significant measures, such as cashless claim settlements facilitated by the IRDAI, are driving the development of effective control systems and increasing productivity levels. Additionally, fast-developing partnerships between insurtech companies and other industries reveal significant potential for progress and innovation in this sector. Over the past nine years, the insurance sector has attracted substantial foreign direct investment amounting to nearly INR 54,000 crore (USD 6.5 billion), driven by the government's progressive relaxation of overseas capital flow regulations.

With regulatory backing and strengthened data protection measures, the adoption of digitisation in the insurance processes is poised to be a game-changer, enhancing client engagement, trust, and satisfaction. As India progresses with its Digital India programme and adopts standardised technology solutions, the future of the insurance sector looks promising. This transformation is expected to be rapid and transformative, leading to a vibrant, digitally-driven economy that plays a vital role in the nation-building process.

Conclusion

A combination of online and offline channels will be essential for the growth of India's insurance sector. While technology interventions have been beneficial, they have only impacted certain parts of the insurance value chain. There is a clear need for greater awareness, involvement, and coordination across the broader ecosystem. In the foreseeable future, insurance will thrive on a hybrid, omnichannel model. Industry incumbents are focusing on this by reducing bottlenecks in the value chain through technological innovations and improving customer experience. Collaborations between insurers and insurtech companies hold great potential, as their core strengths lie in distribution and technology, respectively.

This does not undermine the sustainability of a fully digital insurance business. Insurtechs should focus on future customers, particularly tech-savvy millennials, by offering novel micro and on-demand insurance products. These innovative products, centered on lifestyle aspects, will provide immediate value to customers, showcasing technology as a disruptive force.

Over the coming years, offline channels will remain crucial in the overall insurance ecosystem. There will be a significant shift from transactional, low-touch customer interactions to high-value, high-touch interactions enhanced by technology. While it may not involve selling insurance with the charm of it, it will still be highly relevant.

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