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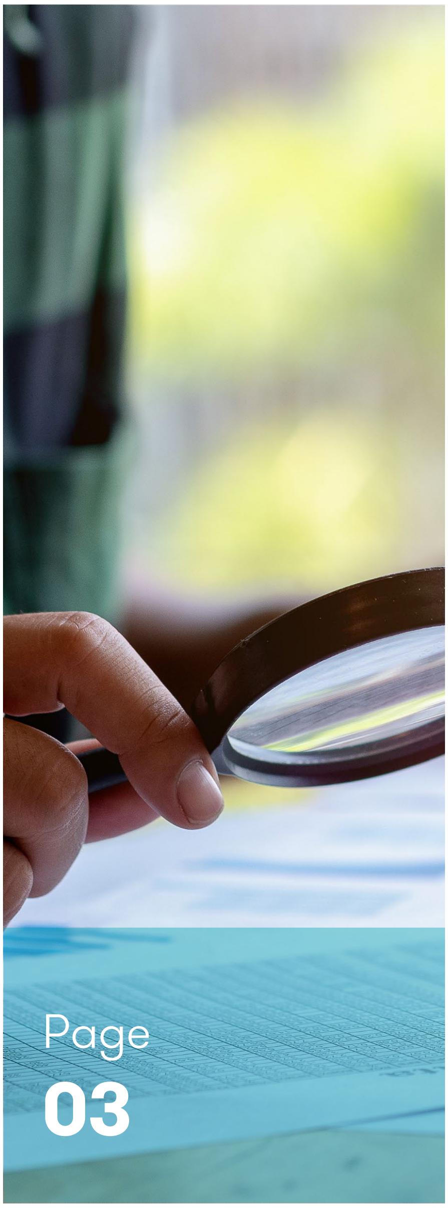
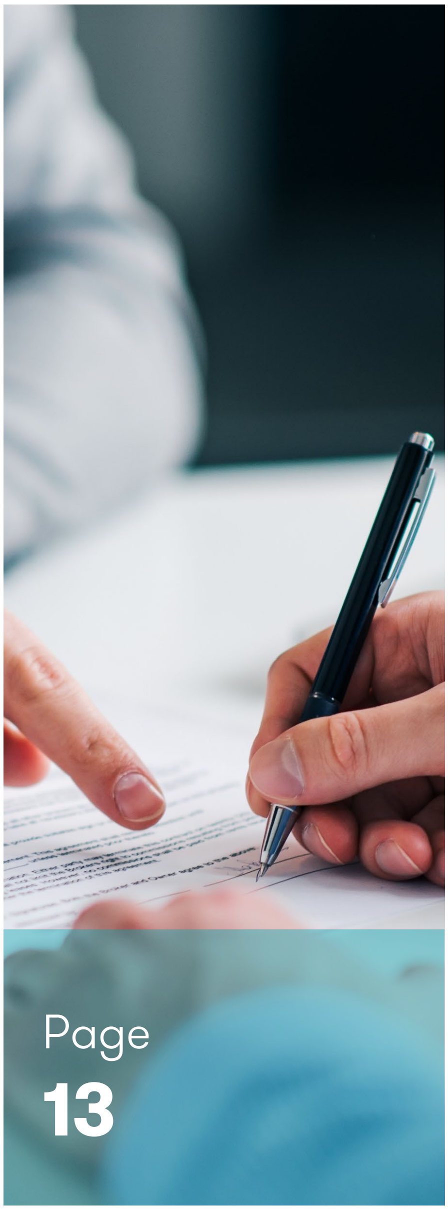
Regulatory updates - Insurance

Financial Services Risk

April to July 2024

Contents



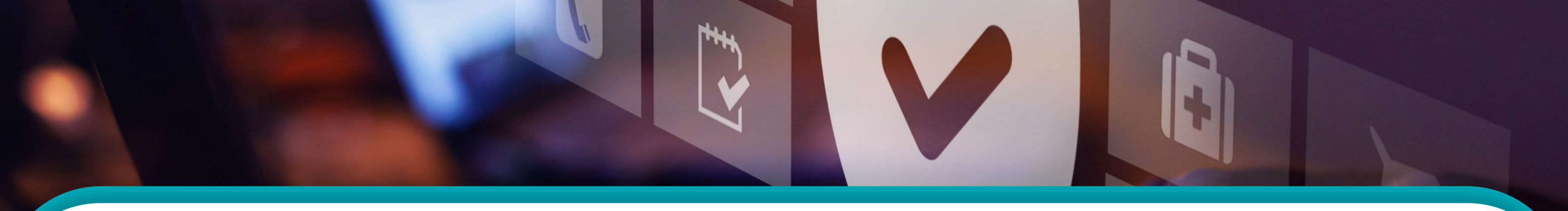


01

List of regulatory updates [April – July 2024]

Given below is a list of the key regulatory updates in 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).

Sr. no.	Date	Description	Reference no.	Type
1	01-Apr-2024	IRDAI (Registration and Operations of Foreign Reinsurers Branches and Lloyd's India) Regulations, 2024	IRDAI/Reg/9/203/2024	Regulation
2	01-Apr-2024	IRDAI (Rural, Social Sector and Motor Third Party Obligations) Regulations, 2024	IRDAI/Reg/4/198/2024	Regulation
3	01-Apr-2024	IRDAI (Protection of Policyholder's Interests, Operations and Allied Matters of Insurers) Regulations, 2024	IRDAI/Reg/11/205/2024	Regulation
4	01-Apr-2024	IRDAI (Insurance Products) Regulations, 2024	IRDAI/Reg/8/202/2024.	Regulation
5	01-Apr-2024	IRDAI (Bima Sugam - Insurance Electronic Marketplace) Regulations, 2024	IRDAI/Reg/5/199/2024.	Regulation
6	01-Apr-2024	IRDAI (Actuarial, Finance and Investment Functions of Insurers) Regulations, 2024	IRDAI/Reg/10/204/2024	Regulation
7	01-Apr-2024	IRDAI (Corporate Governance for Insurers) Regulations, 2024	IRDAI/Reg/7/201/2024	Regulation
8	01-Apr-2024	IRDAI (Registration, Capital Structure, Transfer of Shares and Amalgamation of Insurers) Regulations, 2024	IRDAI/Reg/6/200/2024	Regulation
9	01-Apr-2024	De-notification of All Tariffs	IRDAI//Gen Insurance/Tariff/13/207/2024	Notification
10	10-May-2024	RUSO and MTP Obligations	IRDAI/ NL/CIR/RSS/77/5/2024	Master circular
11	10-May-2024	Bima Vitarak Manthan	Press Release – Bima Vitarak Manthan	Press release
12	15-May-2024	Expenses of Management, including Commission of Insurers, 2024	IRDAI/F&I/CIR/79/5/2024	Master circular
13	15-May-2024	Registration, Capital Structure, Transfer of Shares and Amalgamation of Insurers, 2024	IRDAI/F&I/CIR/78/5/2024	Master circular
14	17-May-2024	Actuarial, Finance and Investment Functions of Insurers	IRDAI/ACTL/CIR/MISC/80/05/2024	Master circular
15	22-May-2024	Corporate Governance for Insurers, 2024	IRDAI/F&I/CIR/MISC/82/5/2024	Master circular
16	28-May-2024	Unsolicited Commercial Communications (UCC) through Telecom Resources – Telecom Regulatory Authority of India's (TRAI) Guidelines	IRDAI/PP&GR/CIR/MISC/83/05/2024	Circular
17	29-May-2024	Health Insurance Business 29052024	IRDAI/HLT/CIR/PRO/84/5/2024	Master circular



Sr. no.	Date	Description	Reference no.	Type
18	31-May-2024	IRDAI (Consolidated Reinsurance) Regulations	IRDAI/Reg/4/151/2018	Regulation
19	31-May-2024	Reinsurance	IRDAI/REIN/MSTCIR/MISC/87/5/2024	Master circular
20	04-Jun-2024	IRDAI advised insurance companies to settle Cyclone Remal claims on a fast-track basis	IRDAI advised Insurance Companies to settle Cyclone Remal Claims on Fast Track	Press release
21	04-Jun-2024	Insurance claims relating to Cyclone Remal and subsequent heavy rains/floods	IRDAI/NL/CIR/MISC/88/06/2024	Circular
22	11-Jun-2024	General Insurance Business	IRDAI/NL/MSTCIR/MISC/90/06/2024	Master circular
23	12-Jun-2024	Life Insurance Products	IRDAI/ACTL/MSTCIR/MISC/89/6/2024	Master circular
24	14-Jun-2024	One-stop reference for submission of all regulatory returns	One-Stop Reference for Submission of All Regulatory Returns	Press release
25	14-Jun-2024	Submission of Returns	IRDAI/NL/MSTCIR/RT/93/6/2024	Circular
26	19-Jun-2024	Operations and Allied Matters of Insurers	IRDAI/PPGR/CIR/MISC/97/06/2024	Circular
27	18-Jul-2024	Repealing of Circular	IRDAI/INT/CIR/MISC/104/7/2024	Circular

02

Summary of key regulatory updates [April – July 2024]

IRDAI (Registration and Operations of Foreign Reinsurers Branches and Lloyd's India) Regulations, 2024 - IRDAI/Reg/9/203/2024

These regulations aim to strengthen and harmonise the current legal and regulatory framework of reinsurance operations in India and shall be reviewed once every three years from the date of publication. The framework of the regulations revolves around consolidation, ease of doing business, merger and acquisition, and orderly growth. The regulations prescribe the registration process, after which the authority stipulates conditions for registration, such as minimum capital requirements, obligations regarding underwriting, claims settlement, compliance with regulatory frameworks, and commitments to local talent development.

By setting clear eligibility criteria, procedures, and conditions for registration, these regulations have encouraged reinsurers to enter and expand their footprint in India while ensuring compliance with regulatory standards.

01
Apr-24

IRDAI (Protection of Policyholder's Interests, Operations and Allied Matters of Insurers) Regulations, 2024 - IRDAI/Reg/11/205/2024

IRDAI has introduced regulations focusing on the protection of policyholders' interests, operational standards, and fair conduct by insurers and distribution channels. Insurers are now mandated to provide more detailed disclosures regarding policy terms, conditions and costs. They must also ensure that products are suitable for policyholders' needs through rigorous suitability assessments. Improved communication channels are required to enhance the handling of feedback and complaints. Additionally, IRDAI will increase oversight and enforcement to ensure compliance with the new standards.

These regulations are set to significantly impact the insurance industry by promoting greater transparency, enhancing product suitability, improving communication and increasing regulatory oversight. These changes aim to foster a more customer-centric and fair industry, ultimately benefiting policyholders and strengthening overall market integrity.

01
Apr-24

IRDAI (Actuarial, Finance and Investment Functions of Insurers) Regulations, 2024 - IRDAI/Reg/10/204/2024

These regulations are designed to ensure that insurers maintain financial stability, manage risks effectively, and operate in a transparent and accountable manner. They provide a detailed framework for actuarial reports, certifications and governance oversight for the actuarial function, with emphasis on solvency and capital adequacy requirements, along with accurate financial disclosures. They also specify the conditions for investment in specific categories to ensure compliance and risk mitigation along with valuation methodology, operational procedure and disclosure norms.

Consolidating nine previous regulations into a single framework, these regulations aim to enhance the efficiency and responsiveness of insurers' actuarial, finance and investment functions. They include stricter rules for valuing insurance liabilities, clearer financial reporting for better transparency and new investment guidelines to reduce risk. Insurers are also required to enhance their risk management systems and maintain higher capital reserves. With better governance, detailed actuarial reporting and adherence to global standards, these changes aim to make the insurance sector more stable and trustworthy. These regulations are set to transform the sector significantly by enhancing financial stability, improving risk management practices and bolstering consumer protection.

01
Apr-24

De-notification of All Tariffs - IRDAI//Gen Insurance/Tariff/13/207/2024

In response to the Tariff Advisory Committee's withdrawal of tariffs, IRDAI issued notification ref. no. 034/IRDA/De-Tariff/Dec-06. This notification preserves certain regulations, terms and conditions for various classes of insurance previously under tariffs until further notice. The exercising authority under Section 64 ULA of the Insurance Act, 1938, IRDAI has now announced the De-notification of All Tariffs in continuation with the De-notification of Arbitration Clauses in October 2023. The de-notified tariffs cover fire insurance tariffs, motor tariffs, namely All India Motor Tariff, engineering insurance tariffs, miscellaneous tariffs, namely Workmen's Compensation Insurance Tariffs and marine tariffs, namely Tea Tariff. Henceforth, the coverage of risks coming within the scope of the de-notified tariffs shall be subject to the IRDAI (Insurance Products) Regulations, 2024 and Master Circular (Guidelines) on products and procedures in the general insurance business, as specified.

The de-regulation of tariffs is a step towards the 'principle-based regulatory regime' that the regulator has been working towards, as this gives the autonomy to price the products to the insurers and enhance market efficiency by ending the 'one-size fits all' approach to underwriting and pricing the products. This may result in a rise in premium rates and dynamic and innovative general insurance products being offered with special low-claim discounts.

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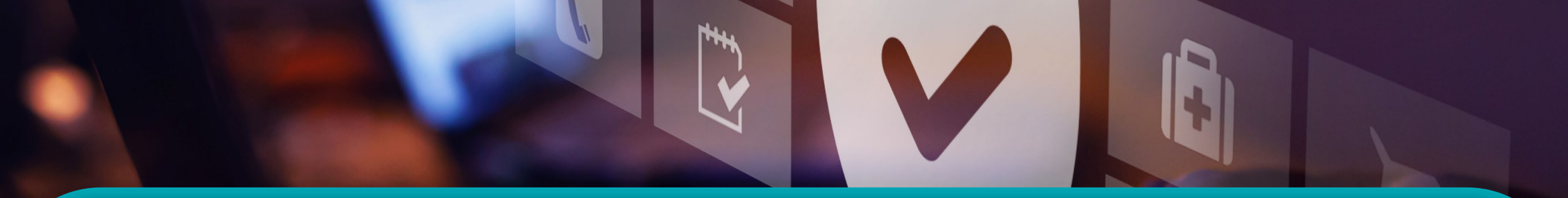
Apr-24



IRDAI (Registration, Capital Structure, Transfer of Shares and Amalgamation of Insurers) Regulations, 2024 - IRDAI/Reg/6/200/2024

These regulations mark a step towards a principle-based, rationalised regulatory regime to enable ease of doing business and remove redundancies and duplications in the existing regulations as they simplify the process of registration of insurers, transfer of shareholding, other forms of capital, amalgamation of insurers, listing of insurers' shares on stock exchange and promote the ease of doing business. They define the applicable criteria for acquisition along with the detailed registration and multiple levels of approval procedures to be followed. A de minimis exemption on the applicability of lock-in will ease the capital raising process for new insurance companies as the previous blanket lock-in period on each shareholder posed an entry barrier and made the industry unattractive to potential investors; however, the employee shareholders are subjected to minimum vesting periods with certain exceptions. The rationalised lock-in prescription will result in robust amalgamation or reorganisation of entities and also aid in a quick resolution of companies in financial distress, further encouraging mature investors to pump more capital into the industries due to favourable lock-in requirements.

The introduction of 'Competent Authority' for the purpose of various approvals and decisions will expedite operational decisions and push for better corporate governance practices in the industry. Further, the regulations have codified industry practices to clarify the rules around the application withdrawal procedure, acceptance of securities premium in funding rounds only after the commencement of business, etc.

01
Apr-24

Master Circular on Expenses of Management, including Commission of Insurers, 2024 - IRDAI/F&I/CIR/79/5/2024

The authority issued a master circular on the Board policies of the insurers regarding the commission structure, requiring every insurer to formulate a policy approved by the Board for payment of commission. The policy should include objectives, fairness, reasonableness, good distribution practice, review mechanism, market conduct and governance mechanism. Insurers must account for management expenses on an accrual basis and submit their returns, along with the Statutory Auditor's certificate, to the Board for approval. The returns, documents and minutes must be filed and submitted to the authority under Regulation 14(2) of the Regulations. The master circular imposes stricter limits on the expense of management, including operational and administrative costs, to ensure that insurers manage their expenditures efficiently. By setting limits and improving reporting, the circular aims to encourage insurers to optimise their operational efficiencies and reduce unnecessary costs. It updates the rules governing commissions paid to agents and intermediaries, including setting caps and specifying permissible commission structures. It ensures that commissions are aligned with the premiums collected and are not excessive relative to the value of the policies sold.

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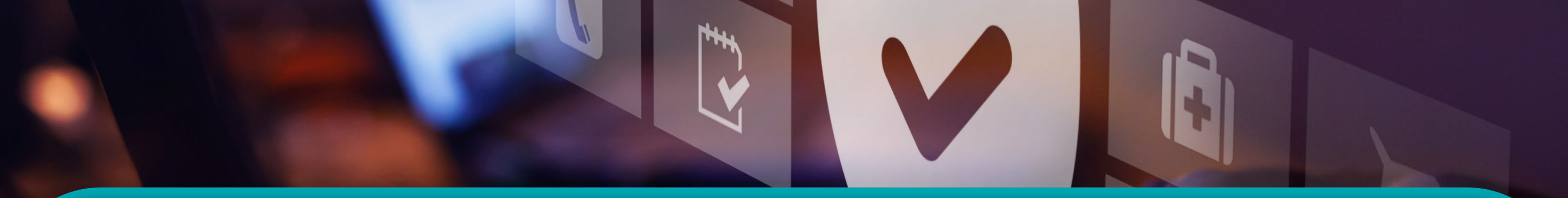
May-24



Master Circular on Registration, Capital Structure, Transfer of Shares and Amalgamation of Insurers - IRDAI/F&I/CIR/78/5/2024

The master circular issued by IRDAI provides comprehensive guidelines on several key aspects of insurance company operations in India. It consolidates and updates previous regulations on registration, capital structure, transfer of shares and amalgamation of insurers. Issued with the intent to streamline and update regulatory requirements for insurance companies to enhance clarity, consistency and compliance, it reflects evolving industry practices and regulatory needs, ensuring that the insurance sector operates efficiently and remains financially sound. It sets stricter capital adequacy norms, including minimum capital thresholds and solvency margins, to ensure insurers can meet their obligations and withstand financial stresses. By enforcing robust capital structure requirements, it aims to strengthen the financial stability and resilience of insurance companies, thereby protecting policyholders' interests. The circular provides a clear framework for the amalgamation of insurers, detailing the process, approval requirements and conditions under which amalgamations can take place. This aims to facilitate efficient consolidations in the industry, ensuring that such transactions are beneficial for both policyholders and the overall market.

15
May-24

Master Circular on Actuarial, Finance and Investment Functions of Insurers - IRDAI/ACTL/CIR/MISC/80/05/2024

This master circular updates practices in response to changing market conditions and financial complexities, aiming to enhance transparency, accountability and financial management in insurance companies. It sets new standards for actuarial practices, financial reporting and investment strategies, strengthening the Chief Actuary's role and requiring detailed actuarial reports. It introduces stricter financial controls and audit requirements while revising investment norms to ensure prudent decisions and diversified portfolios. The master circular has a significant impact on the actuarial, finance and investment functions of insurers by updating and consolidating regulatory requirements in these areas. It ensures that insurers adhere to high standards of governance and risk management.

These measures are designed to protect policyholders and ensure the overall health and reliability of the insurance sector.
Overall, they seek to improve financial stability, governance and sector reliability, safeguarding policyholders and strengthening the insurance industry.

17
May-24

Circular on Unsolicited Commercial Communications (UCC) through Telecom Resources – TRAI's Guidelines - IRDAI/PP&GR/CIR/MISC/83/05/2024

The circular addresses recently issued guidelines by TRAI, which are meant to curb UCCs. It emphasises compliance with these guidelines to prevent unauthorised commercial communications via 10-digit mobile and landline numbers. Key mandates include the registration of insurers and intermediaries with telecom service providers, exclusive use of the '140/160' numbering series for promotional and service calls and the prohibition of mixing promotional content with service calls. The '140' series is specifically designated for promotional voice calls to existing and prospective clients, while the '160' series, to be implemented by August 2024, is reserved for transactional and service calls to existing clients. Additionally, the guidelines require the registration of SMS headers and content templates with telecom service providers. Regulated entities must maintain customer data confidentiality and security, ensuring that no misuse or leakage occurs and take corrective measures if needed. They are also responsible for onboarding the digital consent acquisition (DCA) systems for obtaining digital consent from customers. Furthermore, entities must spread awareness about customer actions for complaint registration and remedial steps, including do no disturb (DND) registration and complaint processes, in local languages as well, which will help in reducing the issues faced by the customers.

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May-24

Master Circular on Reinsurance and IRDAI (Consolidated Reinsurance) Regulations - IRDAI/REIN/MSTCIR/MISC/87/5/2024 and IRDAI/Reg/4/151/2018

The authority has notified the IRDAI (Registration and Operations of Foreign Reinsurers Branches and Lloyd’s India) Regulations, 2024, intending to strengthen and harmonise the regulatory framework for reinsurance operations. The Master Circular on Reinsurance issued by IRDAI introduces a comprehensive set of reforms to streamline and enhance the general insurance industry in India. These reforms seek to update and streamline the reinsurance practices in the industry. This circular consolidates and replaces thirteen existing circulars, providing guidelines to simplify and personalise insurance practices. Key changes introduced in the circular include specifying various requirements and forms in alignment with Regulation 12 of the IRDAI (Reinsurance) Regulations, 2018. It also aims to provide directions and guidelines to insurers, reinsurers and foreign reinsurer branches to ensure compliance with the reforms.

These changes are expected to have a significant impact on the reinsurance landscape, fostering a more structured and efficient reinsurance framework for all stakeholders involved in the insurance industry. The overarching objective of the circular is to modernise and optimise reinsurance practices.

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May-24

IRDAI advised insurance companies to settle Cyclone Remal claims on a fast-track basis - IRDAI/NL/CIR/MISC/88/06/2024

IRDAI instructed all insurers, including life and standalone health insurance companies, to expedite the settlement of Cyclone Remal-related claims. The cyclone and subsequent heavy rains have caused significant loss of life, property and infrastructure across several states. Insurers are urged to deploy resources such as surveyors, loss adjustors and investigators promptly. Key directives include appointing a senior executive as Nodal Claims Officer and notifying the Chief Secretary immediately, designating District Claims Service Heads for areas with high claim volumes, and publishing contact details of State and District Heads on insurer websites and in the media. Additionally, insurers are to activate 24/7 helplines and set up special claims desks at district levels for quick assistance. They are also encouraged to facilitate fast claim processing and interim payments to aid in property and business restoration, encourage electronic communication for claim initiation and documentation, and simplify claim assessment processes to expedite settlements.

04
Jun-24

03

Impact assessment of key regulatory updates

IRDAI (Bima Sugam – Insurance Electronic Marketplace) Regulations, 2024

Overview

Launched in July 2024, Bima Sugam is an online insurance marketplace that simplifies buying and managing insurance, allowing buyers to compare and choose from various insurance products, including health plans like Insurance Self-Network Platforms (ISNPs), offered by different companies. It connects insurers, policyholders and intermediaries on a central platform, and acts as a one-stop shop for comparing plans, purchasing policies, renewals and managing claims. As a non-profit, it promotes transparency through clear product disclosures and aims to improve the insurance experience for all Indians.

Bima Sugam and an organisation's ISNP are both involved in the health insurance business in India, but they play different roles. While ISNPs are standardised, affordable health insurance products offered by a specific company that provide a baseline level of health coverage at a competitive price, Bima Sugam helps one find the best option.

Applicability

The IRDAI regulation dated 20 March 2024, regarding Bima Sugam, has broad applicability. Following is a breakdown of who it applies to:

- **Insurance buyers (policyholders):** This applies to anyone in India interested in purchasing insurance, renewing existing policies, managing their policies or filing claims. Bima Sugam aims to make the insurance process more accessible and user-friendly for all citizens.
- **Insurance companies (life, health and general):** All insurance companies operating in India, including life insurers, health insurers and general insurers, are impacted by these regulations. They will need to integrate their products and services with the Bima Sugam Platform. This ensures a wider range of options for consumers on a single platform.
- **Insurance intermediaries (agents, brokers and aggregators):** These regulations apply to existing insurance intermediaries like agents, brokers and web aggregators. They can still operate and offer their services, but Bima Sugam provides an additional platform for consumers to directly access insurance products.

To summarise, the Bima Sugam regulations are applicable to the entire Indian insurance ecosystem – consumers, insurance companies and intermediaries. They aim to create a more transparent, efficient and inclusive insurance market.

Background

Before the launch of Bima Sugam, the Indian insurance market faced significant challenges that limited its reach and effectiveness. A major concern was the low insurance penetration rate, meaning a large portion of the Indian population lacked the crucial financial protection offered by insurance products. This limited accessibility stemmed partly from the complex buying process. Consumers often had to undergo a cumbersome journey that involved interactions with multiple agents or brokers, making it difficult to navigate and understand their options. Furthermore, comparing different insurance products from various providers posed another challenge. The lack of transparency in product details and features made it difficult for consumers to make informed decisions and choose the policy that best suited their needs. Recognising these shortcomings and aiming to bridge the gap, IRDAI introduced Bima Sugam. This revolutionary initiative seeks to transform the Indian insurance landscape by creating a more inclusive, user-friendly and accessible marketplace for everyone.

Objective

Bima Sugam aims to revolutionise the Indian insurance landscape. This online marketplace acts as a central hub, connecting insurers, policyholders and intermediaries. Its mission is multifaceted. It promotes transparency by asking for clear product information from insurers, allowing consumers to make informed choices. By offering 24/7 access to a wide range of insurance products, it improves accessibility and simplifies the process of finding, comparing and purchasing insurance. The platform also streamlines processes like renewals and claim management. It fosters competition by bringing various companies together, which provides better rates and features to consumers. Consequently, Bima Sugam strives for a more transparent, convenient and inclusive insurance market in India, benefiting both consumers and the insurance sector.

Key features

The Bima Sugam Platform, approved by IRDAI in 2024, represents a significant shift in the Indian insurance landscape. This government-backed online marketplace will serve as a comprehensive portal for life, health, motor and travel insurance products, allowing policyholders to compare and purchase insurance policies with ease.

One-stop platform: It aims to centralise the insurance process, enabling users to compare premiums, buy policies, file claims and track claim status in one place. This enhances transparency and efficiency across the insurance sector.

Wide stakeholder involvement: The platform involves all stakeholders in the insurance industry, including insurers, policyholders, intermediaries, agents and brokers. This inclusive approach is expected to democratise access to insurance.

Free services to consumers: Consumers will not be charged for using Bima Sugam services, making it an accessible option for a broader audience.

Governance and security: Bima Sugam will operate under strict governance and security protocols. IRDAI will nominate two members to the Board of the company managing the platform, and there will be a risk management committee to mitigate various risks.

Consent-based architecture: The platform will implement a consent-based structure to ensure privacy and security, adhering to the highest standards of data protection.

Impact assessment

The Bima Sugam Platform is expected to have a significant impact on the Indian insurance industry in the following key areas:

Enhanced transparency and efficiency: The platform promotes transparency by allowing consumers to compare different insurance products and their premiums. This helps in making informed decisions and reduces the chances of being misled by biased information from intermediaries. The digital nature of the platform also streamlines processes like claim filing and tracking, improving overall efficiency.

Increased accessibility: As a centralised platform where consumers can compare and purchase a variety of insurance products, Bima Sugam makes it easier for people to access insurance. This is particularly important in rural and underserved areas where insurance penetration has historically been low.

Cost reduction: With increased competition and transparency, insurance companies may be compelled to reduce premiums and improve their service offerings. This can lead to more affordable insurance products for consumers.

Empowerment of policyholders: Bima Sugam empowers policyholders by giving them control over their insurance choices and the ability to manage their policies online. This reduces reliance on intermediaries and promotes self-service options.

To summarise, Bima Sugam will serve as a comprehensive hub for sales, servicing and claims processing, bolstered by regulatory endorsement rather than solely functioning as a comparison and acquisition tool. This framework will significantly enhance insurers' outreach capabilities. From a customer standpoint, accessing a diverse array of insurance products from multiple firms via a unified platform will offer increased choices and flexibility. Its implementation aligns with the broader objective of achieving universal insurance coverage in India by 2047.

Master Circular on Health Insurance Business 29052024

Applicability

The Master Circular on Health Insurance Business issued on 29 May 2024 is applicable to all health insurance companies operating in India. This includes both private and public sector insurers offering health insurance products and services. The circular aims to standardise practices, enhance customer protection and improve the overall health insurance landscape in the country.

Background

The Indian health insurance market, while experiencing significant growth, faced a number of challenges due to a lack of standardisation. A wide variety of plans with diverse features, benefits and exclusions created a confusing landscape for consumers, making it difficult to compare plans and understand actual coverage. Inconsistent disclosure practices by insurers further added to the confusion. Consumers who were not fully aware of limitations and exclusions in their plans were financially vulnerable in case of a medical emergency. Additionally, the evolving health insurance landscape demanded a more robust regulatory framework to ensure fair competition, protect consumer interests and maintain stability in the sector. These factors ultimately led to the creation of the IRDAI Master Circular on Health Insurance Business.

Objective

The master circular aims to address several critical issues in the health insurance sector by standardising product design through guidelines for minimum benefits, exclusions and coverage levels. This initiative creates a more uniform landscape for health insurance products, ensuring consistency across offerings. Additionally, the circular focuses on enhancing transparency by mandating clear and standardised disclosure practices. This ensures that consumers receive comprehensive and necessary information about health insurance plans before making a purchase, empowering them to make informed decisions. Moreover, the master circular aims to protect consumers by setting minimum benefit standards and limitations on exclusions. These provisions provide a baseline level of protection to policyholders, particularly in cases of medical emergencies.

Furthermore, the circular strengthens regulations by providing a clear framework for overseeing health insurance products and practices. By promoting fair competition and safeguarding consumer interests, it aims to foster a more accountable and consumer-friendly health insurance market in India. This master circular aims to achieve the following key objectives:

Standardisation of health insurance products: By establishing guidelines for product design and benefits, the master circular seeks to create a more uniform landscape for health insurance offerings in India. This can make it easier for consumers to compare different plans and choose the one that best suits their needs.

Enhanced transparency and disclosure: The circular likely mandates clear and transparent disclosure requirements for health insurance policies. This ensures consumers understand the coverage details, exclusions, claim settlement procedures and other important aspects before purchasing a plan.

Consumer protection: By setting minimum benefit standards and potentially limiting exclusions, the circular aims to ensure that health insurance policies offer adequate coverage for policyholders. This can provide greater financial security in case of medical emergencies.

Improved regulation and governance: The circular establishes a framework for regulating health insurance products and practices in India. This promotes fair competition among insurers, protects consumer interests and helps maintain stability in the insurance industry.

Streamlined processes: The circular also aims to streamline administrative processes within the health insurance industry. This could potentially lead to faster claim settlements and improved service delivery for policyholders.

Overall, the master circular issued by IRDAI aims to create a more robust and consumer-centric environment for health insurance in India.

Key changes

As compared to the previous circular regarding health insurance businesses, the following changes have been introduced:

- **Application timing:** In the previous circular, it was stated that the policyholder must file the application at least 45 days before but not earlier than 60 days from the renewal date. However, in this circular, there is no specific mention of timing restrictions for application, focusing instead on seamless information transfer.
- **Grounds for non-renewal:** The master circular issued in 2016 specified renewal grounds as fraud, moral hazard, misrepresentation or non-cooperation by the insured, except for withdrawn policies, whereas the new master circular specifies non-renewal grounds as established fraud, non-disclosure or misrepresentation. If the product is withdrawn, options for migration are provided.
- **Free-look period duration:** A free-look period of 30 days has been mentioned in the current master circular as compared to a minimum of 15 days in the previous circular. IRDAI has issued a comprehensive master circular, which consolidates and repeals 55 previous circulars, emphasising seamless claims experience and enhanced service standards.
- **Wider product choices:** Insurers are now required to offer a diverse range of insurance products, add-ons and riders catering to all ages, regions, occupations, medical conditions, treatments and types of hospitals and healthcare providers. This approach aims to meet the affordability and specific needs of policyholders and prospects.
- **Customer information sheet:** This mandatory document, provided with every policy, explains the basic features of insurance policies in simple terms. It includes details like the type of insurance, sum insured, coverage specifics, exclusions, sub-limits, deductibles and waiting periods.
- **Flexibility and rewards:** Policyholders can choose products, add-ons and riders based on their medical conditions and specific needs. Additionally, in case there are no claims during the policy period, insurers may reward policyholders with options such as increased sum insured or discounted premiums.
- **Multiple policies and refunds:** Policyholders with multiple health insurance policies can choose which policy to claim under, with the primary insurer coordinating balance settlement with other insurers. Policyholders can also receive refunds for the unexpired policy period if they choose to cancel their policy.
- **Renewability and claims:** Health insurance policies are renewable and cannot be denied on the grounds of previous claims, except in cases of fraud, non-disclosure or misrepresentation. Insurers cannot undertake fresh underwriting unless there is an increase in the sum insured.

Impact assessment

The impact assessment of the master circular would typically involve evaluating its effects on various stakeholders and the health insurance sector. Following is a structured approach to understand its potential impact:

- **Standardisation and uniformity:** The circular likely aims to standardise product designs by establishing clear guidelines for minimum benefits, exclusions and coverage levels. This could lead to a more uniform landscape of health insurance products across different insurers. It may simplify product comparison and enhance market transparency.
- **Customer protection:** Setting minimum benefit standards and limitations on exclusions aims to provide a baseline level of protection for policyholders. This can improve trust in health insurance products.
- **Long-term market impact:** Assessing the long-term impact involves monitoring trends in product innovation, consumer behaviour, claim settlement practices and market competitiveness. The master circular's effectiveness in achieving its objectives will become clearer as its provisions are implemented and evaluated over time.

Overall assessment

The master circular has the potential to significantly reshape the Indian health insurance market. While there are some potential risks, such as increased costs for insurers and reduced market innovation, the overall benefits seem promising. Increased transparency, improved consumer protection and a more efficient market should ultimately benefit policyholders.

IRDAI (Corporate Governance for Insurers) Regulations, 2024

Applicability

The Indian insurance sector has undergone a significant transformation in its approach to corporate governance. In April 2024, IRDAI replaced the existing Guidelines for Corporate Governance for Insurers with a more robust framework – the (Corporate Governance for Insurers) Regulations, 2024, accompanied by a master circular. This shift marks a critical step towards strengthening governance practices within Indian insurance companies and promoting a more responsible and sustainable industry.

IRDAI (Corporate Governance for Insurers) Regulations, 2024, cast a wide net across the Indian insurance industry. They apply to all domestic insurance companies, encompassing life insurers, non-life insurers, health insurers and standalone micro-insurers registered in India. This ensures consistent governance practices throughout the domestic insurance landscape. Even foreign branches of Indian insurers operating abroad come under the purview of the master circular, extending its reach beyond geographical borders.

The only exceptions are foreign reinsurance companies with branches in India. Since their primary function involves insuring other insurance companies, IRDAI deems their governance practices less directly impactful on Indian policyholders. Consequently, they are exempt from the IRDAI (Corporate Governance for Insurers) Regulations, 2024.

It's important to note that the applicability has a timeframe attached. The regulations came into effect in May 2024, and all applicable insurers had a grace period until 30 July 2024 to achieve compliance. IRDAI acknowledges the need for adjustment in some cases; for instance, existing chairpersons who are not Independent Directors are granted a grace period until 01 April 2025 to comply with the requirement of a Non-executive Independent Board Chair.

There are some additional considerations as well. Listed insurers might have to adhere to additional governance requirements mandated by the Securities and Exchange Board of India (SEBI) alongside the master circular's regulations. Furthermore, IRDAI may release clarifications or amendments in the future, so insurers need to stay updated to ensure continuous compliance. By establishing a clear scope of applicability, the regulation aims to achieve consistent and effective corporate governance practices across the Indian insurance sector, ultimately prioritising policyholder protection and fostering a secure financial environment.

Background

The IRDAI (Corporate Governance for Insurers) Regulations, 2024, were established to address the evolving complexities and demands of the Indian insurance sector, which has experienced substantial growth and transformation over recent decades. As the industry has advanced, encompassing new products, services and technological innovations, the need for an enhanced and more comprehensive governance framework has become increasingly clear. Initially, IRDAI's Corporate Governance (CG) Guidelines issued in May 2016 laid the groundwork for governance practices by focusing on fundamental aspects such as Board composition and basic risk management. However, the evolving dynamics of the insurance industry, combined with global trends emphasising sustainability, accountability and more rigorous governance standards, required an updated regulatory framework to address these new challenges effectively.

Several factors drove the need for the updated regulations. The insurance market's sophistication has grown with the introduction of innovative products, services and technologies, which necessitate a governance framework that can manage emerging risks and leverage new opportunities. There is an increasing global emphasis on Environmental, Social and Governance (ESG) criteria, making it crucial for Indian insurers to align with international standards to maintain competitiveness and credibility in the global market. Additionally, there has been mounting pressure from regulators and stakeholders for greater transparency, accountability and sustainable practices, which the earlier guidelines were insufficient to fully address. Furthermore, the insurance sector's intricate risk landscape—comprising operational, financial and reputational risks—highlighted the need for a more advanced and rigorous risk management approach.

Objective

The objectives of the IRDAI (Corporate Governance for Insurers) Regulations, 2024, are multifaceted and aim to significantly enhance governance practices within the insurance sector. One key objective is to improve Board effectiveness by ensuring that it is independent and diverse, with a mandate for regular and comprehensive performance evaluations to promote continuous improvement.

Another critical goal is to enhance accountability by clearly defining the roles and responsibilities of Directors and key management persons (KMPs) and by instituting robust mechanisms for managing conflicts of interest to ensure that decisions are made in the best interests of the company and its stakeholders.

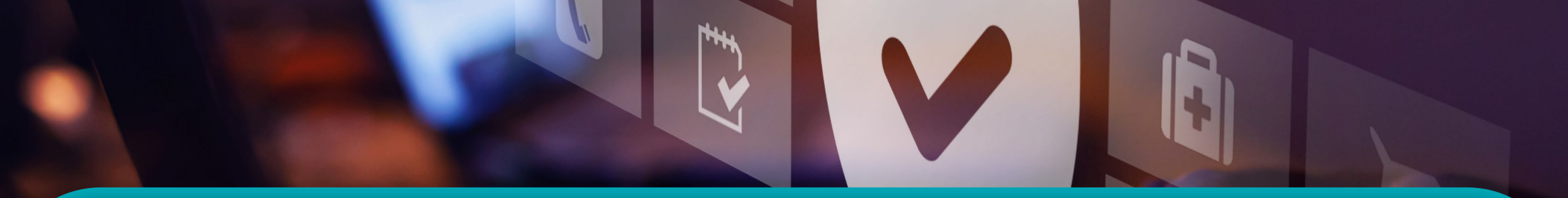
The regulations also aim to promote transparency through mandatory comprehensive disclosures regarding governance practices, risk management and ESG factors, thereby building stakeholder confidence. Enhanced sustainability reporting is required to provide clarity on how ESG risks and opportunities are managed and their impact on business operations. Strengthening risk management is another objective, with a focus on advanced frameworks to identify, assess and mitigate risks effectively, including the integration of ESG risks into the overall risk management strategy. Additionally, the regulations seek to align Indian insurers with international best practices, ensuring compliance with updated regulatory requirements to mitigate legal and reputational risks.

Key changes

- **Shift from guidelines to regulations:** Previously, the Guidelines for Corporate Governance for Insurers provided a framework for good governance practices, but compliance was voluntary. The new regulations mandate compliance, holding insurers accountable for adherence. This shift strengthens the framework and fosters a more accountable insurance industry.
- **Board of Directors:** The new (Corporate Governance for Insurers) Regulations, 2024, introduce significantly stricter criteria for the independence of directors compared to the 2016 guidelines. Under the 2024 regulations, Directors must have no material relationships with the company that could influence their judgment, enhancing their ability to act independently. This is a substantial enhancement over the 2016 guidelines, which focused more generally on the Board's structure, roles and responsibilities, and required a minimum number of Independent Directors without specifying stringent independence criteria. Additionally, the 2024 regulations mandate diversity on the Board, including gender diversity, to ensure a wider range of perspectives in decision-making. Another key change is the requirement for detailed annual evaluations of the Board's performance, including that of Independent Directors.
- **ESG:** The 2024 regulations incorporate ESG considerations into the governance framework. Insurers are now required to integrate ESG risks and opportunities into their business strategies and reporting practices. This represents a major advancement from the 2016 guidelines, which had limited reference to sustainability or ESG factors. The new regulations mandate periodic sustainability reporting, ensuring transparency about how ESG factors are managed and their impact on the organisation's operations.
- **KMPs:** The provisions for KMPs under the 2024 regulations are far more detailed and stringent than those in the 2016 guidelines. The new regulations provide comprehensive guidelines on the appointment, roles and performance evaluation of KMPs, with a strong emphasis on risk management and compliance. Clear delineation of responsibilities ensures that KMPs are accountable for their actions and decisions, promoting better governance practices. The 2016 guidelines, by comparison, offered only general provisions on the roles and responsibilities of KMPs, lacking the detailed oversight mechanisms introduced in 2024.
- **Remuneration policies:** The 2024 regulations introduce detailed provisions on the remuneration of Non-executive Directors and KMPs, including caps on remuneration to prevent excessive pay. These provisions are in stark contrast to the 2016 guidelines, which provided a more general framework for remuneration policies for Directors and KMPs without specifying limits or detailed requirements. As per specific guidelines issued in July 2023, the new regulations prohibit share-linked benefits for Non-executive Directors to avoid conflicts of interest. Additionally, the 2024 regulations require that remuneration policies be Board-approved and comprehensive, covering all aspects of remuneration to ensure fairness and transparency.

Impact assessment

The Indian insurance sector is experiencing a boom, driven by increased competition and a wider range of complex products. While this growth is positive, it also highlights the need for a more robust governance framework. The regulations aim to address this by focusing on several key areas to create a more secure and ethical insurance environment for all stakeholders.



- **Enhanced governance standards:** The regulations elevate the governance framework by mandating a balanced Board with Independent Directors and a full-time CEO as Board members. This shift is expected to lead to higher levels of accountability and more strategic oversight. Insurers will need to ensure their Board members possess the requisite qualifications and experience, which can enhance decision-making processes and align them more closely with global best practices.
- **Improved risk management:** The requirement for robust risk management frameworks and internal controls will compel insurers to adopt comprehensive risk identification, assessment and mitigation strategies. Regular updates to risk management policies will help insurers stay ahead of emerging risks, potentially leading to greater financial stability and resilience against market fluctuations.
- **Policyholder confidence and protection:** By establishing a Policyholder Protection Committee and enhancing grievance redressal mechanisms, the regulations place a strong emphasis on safeguarding policyholder interests. Increased transparency and regular reporting on corporate governance practices are likely to bolster policyholder confidence, as they can be assured of the insurer's commitment to ethical practices and accountability.
- **Operational challenges and resource allocation:** The implementation of the new governance frameworks will require significant resources. Insurers will need to invest in training for Board members and staff, upgrade systems and possibly hire additional personnel to meet the regulatory requirements. Smaller insurers may face challenges in allocating the necessary resources, which could impact their operational efficiency and financial performance in the short term.
- **Compliance and monitoring:** Ensuring continuous compliance with the detailed provisions of the regulations will necessitate enhancements in internal audit and compliance functions. Insurers will need to establish or upgrade their compliance monitoring systems to ensure they meet regulatory standards consistently. This might involve additional costs and require ongoing efforts to keep up with regulatory changes.
- **Financial implications:** The costs associated with implementing new governance frameworks, including training, system upgrades and compliance reporting, could be substantial. Insurers will need to manage these costs effectively to avoid any negative impact on their financial health. However, the long-term benefits of improved governance practices, such as increased policyholder trust and better risk management, may outweigh the initial investment.

Conclusion

The IRDAI (Corporate Governance for Insurers) Regulations, 2024, represent a significant step towards strengthening the governance framework for insurers in India. While the regulations are expected to bring about enhanced governance standards, improved risk management and increased policyholder confidence, insurers must carefully assess and address the challenges related to implementation costs, resource allocation and regulatory compliance. Overall, the new regulations are poised to contribute to a more robust, transparent and resilient insurance sector in India.

IRDAI (Rural, Social, Sector and Motor Third Party Obligations) Regulations, 2024

Applicability

These regulations apply to all insurers operating in India, except for certain exclusions like standalone health insurers, reinsurers, including foreign companies engaged in reinsurance through an Indian branch, Agriculture Insurance Company of India and Export Credit Guarantee Corporation of India. The regulations are designed to be reviewed every three years to ensure their continued relevance and effectiveness unless earlier review, repeal or amendment is deemed necessary.

Background

IRDAI has long recognised the critical role of insurance in fostering economic stability and social well-being. However, despite the significant growth of the insurance sector in India, large segments of the population, particularly in rural and social sectors, remain underinsured or uninsured. This gap in insurance coverage has far-reaching implications, including financial vulnerability and limited access to essential services for these populations.

Objective

IRDAI has introduced new regulations aimed at broadening the scope and impact of insurance in rural and social sectors, as well as ensuring robust coverage in motor third-party insurance. The updated regulations, titled 'IRDAI (Rural, Social Sector and Motor Third Party Obligations) Regulations, 2024,' came into effect on 01 April 2024. This move reflects IRDAI's commitment to promoting inclusivity and comprehensive coverage in the insurance sector.

Historical context

The origins of the current regulatory framework can be traced back to the early 2000s, when IRDAI began to emphasise the need for inclusive insurance practices. The introduction of mandatory obligations for insurers to service the rural and social sectors was a pivotal move to ensure that these underserved areas received adequate insurance coverage. Over the years, these regulations have evolved to address the changing dynamics within the insurance industry.

The 2015 regulations laid the groundwork by setting initial benchmarks for rural and social sector obligations. However, as the insurance landscape continued to change, there was a growing need to revisit and refine these regulations to better align with contemporary needs and objectives. The new regulations, are a testament to IRDAI's ongoing efforts to adapt and improve the regulatory environment to better serve the population.

The primary objective of these regulations is to specify the minimum rural and social sector business that insurers are required to underwrite, as mandated under Sections 32B and 32C of the Insurance Act, 1938. Additionally, the regulations set forth the minimum third-party motor insurance business that general insurers must underwrite under Section 32D of the Insurance Act, 1938.

Section 32B: After the introduction of the Insurance Regulatory and Development Authority Act, 1999, every insurer shall undertake such percentages of life insurance business and general insurance business in the rural and social sectors, as may be specified, in the Official Gazette by the authority, on their behalf.

Section 32C: Every insurer carrying on general insurance business shall, after the commencement of the Insurance Laws (Amendment) Act, 2015, underwrite such minimum percentage of insurance business in third-party risks of motor vehicles as may be specified by the regulations.

Key changes

IRDAI has issued new regulations for 2024, focusing on rural, social sector and motor third-party insurance obligations. These regulations aim to ensure that insurance companies engage in a minimum amount of business within rural and social sectors and cover third-party motor insurance as mandated by the Insurance Act of 1938. According to the new rules, insurers are required to undertake specific percentages of life and general insurance business in rural and social sectors, as specified by the IRDAI.

In the rural sector, the regulations specify the number of Gram Panchayats and the percentage of lives, dwellings and shops to be insured. In the first financial year following the notification, a life insurer must cover 25,000 Gram Panchayats, insuring 10% of lives and a similar percentage of dwellings and vehicles in these areas.

For general insurers other than standalone health insurer (SAHI), Agriculture Insurance Co. Ltd (AIC) and Export Credit Guarantee Corporation of India Limited (ECGC), the criteria are to tap into at least 25000 Gram Panchayats and insure a minimum of 10% of dwelling and shops and 10% of vehicles in such areas. For health insurance, i.e., general insurers, including SAHI other than AIC and ECGC, the criteria are to cover a minimum of 10% of the lives under health insurance and 10% under personal accident insurance.

The Life Insurance Council will share the list of Gram Panchayats with all the insurers by 10 May of every year, and upon finalisation of the Gram Panchayats for every insurer, the Council will share the list with the IRDAI by 15 May of every year.

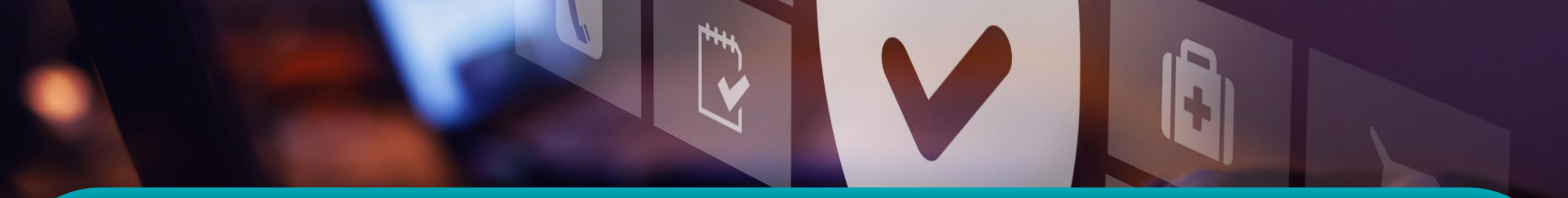
Regarding the social sector, which includes the unorganised and informal sectors, economically vulnerable classes and other categories in rural and urban areas, insurers must cover a minimum percentage of lives as a proportion of the total lives covered. In the first year, this includes 10% of lives and a minimum percentage increase based on the insurer's business age.

IRDAI's new motor insurance rules are a game-changer. Instead of just increasing insured vehicles, they target the risky gap of uninsured vehicles, especially for goods and passenger carriers with historically high uninsured rates. Accidents involving these can cause financial strain. The new rules lay down the minimum percent of motor TP business to be underwritten based on the market share of the insurer. To ensure this, new vehicle purchases will not be considered. Though the minimum percentage increase in the number of goods-carrying vehicles, passenger-carrying vehicles and tractors over the last financial year separately for each category decreases in absolute terms as the market share of the insurer increases, the number of vehicles to be insured in real terms stays lower for insurers with lesser market share. These changes aim for fewer uninsured vehicles on the road, less financial hardship for accident victims and a more competitive insurance market. This focus, alongside wider insurance penetration in rural and social sectors, promises a more secure and inclusive insurance environment for India.

Additionally, new regulations exempt certain insurers, like standalone health insurers and reinsurers, from these obligations. IRDAI allows insurers starting operations in the second half of the financial year to be exempt from these obligations for that period. Insurers exceeding the specified obligations may receive rewards, and obligations for subsequent years will be based on first-year experiences. Insurers must submit returns as specified by the Competent Authority, and the new regulations repeal the previous 2015 regulations regarding rural, social sector and motor third-party insurance obligations.

Impact assessment

- **Rural sector obligations:** The revised regulations for the rural sector will impose stricter criteria on insurers. Previously, insurers had to cover a certain percentage of lives in rural areas administered under Gram Panchayats. The new regulations require insurers to cover 10% of lives under both health and personal accident insurance in each Gram Panchayat. This change is aimed at increasing insurance penetration in rural areas, ensuring that more people in these areas have access to health and personal accident insurance. The shift from a focus on the number of policies to the percentage of lives covered marks a significant change in the regulatory approach, emphasising inclusivity and comprehensive coverage.



- **Social sector obligations:** For the social sector, which includes unorganised and informal sectors, economically vulnerable or backward classes, and other categories of persons residing in both rural and urban areas, the new regulations mandate that insurers cover a minimum percentage of lives as a proportion of total lives covered. This change aims to enhance the focus on the vulnerable population, ensuring that these groups have better access to insurance services. The inclusion of various government social security schemes under the rural and social sector obligations will further aid in achieving these goals, by leveraging existing government initiatives to expand insurance coverage.
- **Motor third-party obligations:** The regulations for motor third-party insurance have also been revised. Insurers are now required to ensure a minimum percentage increase in the number of goods-carrying vehicles, passenger-carrying vehicles and tractors insured over the previous financial year. The new criteria exclude the coverage of new vehicles, focusing instead on renewals and uninsured vehicles that have had a lapse in insurance of at least 30 days. This aims to stabilise the motor third-party insurance market and ensure continuous coverage of vehicles already in the system. Additionally, insurers are mandated to underwrite a minimum number of goods-carrying vehicles, passenger-carrying vehicles and tractors in the first financial year after the regulations are notified. This will likely lead to an increase in underwriting activities and a more significant emphasis on maintaining and renewing existing policies.
- **Implementation and compliance:** The implementation of these regulations will require insurers to adapt their business strategies to meet the new criteria. Insurers starting operations in the second half of the financial year will not have rural, social sector and motor third-party obligations for that period, providing some relief to new entrants. Insurers that exceed the specified obligations may receive rewards, encouraging them to go beyond the minimum requirements. Compliance will be monitored through the submission of returns as specified by the Competent Authority, ensuring that insurers adhere to the new regulations.

The changes introduced by IRDAI are aimed at enhancing insurance coverage in rural and social sectors and stabilising the motor third-party insurance market. These regulations will require insurers to adopt a more inclusive and comprehensive approach, focusing on covering more lives and renewing existing policies. While these changes may pose challenges in terms of increased obligations and compliance requirements, they are likely to result in broader insurance penetration and better coverage for vulnerable populations.

These impacts highlight the regulatory focus on inclusivity, market stability and leveraging existing government schemes to improve insurance access across India.

IRDAI (Insurance Products) Regulations, 2024 and Master Circulars on Health, Life and General Insurance Products

Applicability

The IRDAI (Insurance Products) Regulations, 2024 are applicable to insurers who have been granted a certificate of registration to carry out the business of life insurance, general insurance or health insurance in India. Master Circular on General Insurance business is applicable to every existing general insurance product and every add-on cover. It will also apply to the general insurance coverage section of a package product. Master Circular on Life Insurance products is applicable to all life insurance products in India. Master Circular on Health Insurance is applicable to all general insurers, health insurers and life insurers.

Background and objectives

The IRDAI (Insurance Products) Regulations, 2024, were notified on 20 March 2024, which are applicable from 01 April 2024 on all life, general and health insurers in India.

The regulations aim to enable insurers to swiftly adapt to the evolving market demands by facilitating the design of innovative products, thereby promoting ease of doing business and enhancing insurance penetration.

They focus on protecting policyholders' interests by encouraging insurers to adopt robust governance practices in product design and pricing. The regulations also emphasise the importance of sound and responsive management practices, ensuring effective oversight and thorough due diligence in the development of insurance products, including innovative ones, always with the policyholders' interests in mind. This comprehensive approach underscores IRDAI's commitment to fostering a dynamic, transparent and policyholder-centric insurance landscape.

The issuance of the IRDAI (Insurance Products) Regulations, 2024 and the de-notification of previous tariffs, general terms and conditions, policy, and endorsement wordings presents a unique opportunity to create simplified, easy-to-understand insurance products tailored to individual customer needs. This shift provides customers with ample choices and enhances their overall insurance experience. Moving from rule-based to principle-based regulations facilitates business operations and encourages innovation in the insurance sector. In this context, the authority has also issued Master Circulars on General, Health and Life Insurance Products.

Key changes

Health insurance products

The recently issued regulations and circulars by the authority aim to enhance the customer-centric nature of insurance products, ensuring that insurers cater to a diverse range of policyholder needs. Insurers are encouraged to offer a wider array of products, add-ons and riders that address the requirements of all ages, medical conditions (including pre-existing and chronic) and various systems of medicine. This includes coverage for different treatment scenarios across all regions and occupational categories, particularly for persons with disabilities. The emphasis is on allowing customisation, enabling policyholders to choose options tailored to their specific medical needs while ensuring coverage in emergencies.

To further improve the customer experience, the regulations reduce the moratorium period from eight years to five years, extend the free-look period from 15 days to 30 days and decrease the waiting period from 48 months to 36 months. Insurers are also required to provide a customer information sheet (CIS) that clearly outlines essential policy features in accessible language, fostering transparency and enhancing the overall insurance experience for policyholders.

Additionally, a grace period for premium payments is established, allowing fifteen days for monthly instalments and thirty days for quarterly, half-yearly or annual payments. This provision enables policyholders to pay overdue premiums without losing coverage while protecting all accrued benefits upon renewal. Importantly, insurers cannot deny renewal based on prior claims, and fresh underwriting is only necessary for increases in the sum insured.

The regulations also streamline the portability process, requiring existing insurers to provide information to the acquiring insurer within 72 hours of a request via the Insurance Information Bureau of India (IIB). The acquiring insurer must then communicate a decision on the proposal within five days, ensuring a quick and efficient portability experience for insured individuals.

In terms of claims processing, insurers are urged to achieve 100% cashless claim settlements in a timely manner. The master circular mandates that insurers decide on cashless authorisation requests within one hour of receipt and implement necessary systems and procedures by 31 July 2024.

Furthermore, the promotion of the Ayushman Bharat Health Account (ABHA) number facilitates digital access and sharing of health records. Insurers can assist policyholders in creating ABHA numbers with their consent, and express consent is required for sharing medical records, thereby enhancing secure interactions with healthcare providers.

Finally, the approval and modification procedures for insurance products have been clearly outlined. Insurers must seek approval from the product management committee (PMC) for all new or modified products, obtaining a unique identification number (UIN). They are required to maintain detailed records of individual and group products in specified formats, and any alterations must follow prescribed processes. Failure to launch a product within 30 days of UIN generation necessitates re-approval from the PMC.

General insurance products

In its ongoing commitment to insure India by 2047, IRDAI has introduced new regulations aimed at enhancing benefits for customers taking general insurance products. Insurers are now required to offer a wider array of products and add-ons that address diverse needs, including assets, risks, property, liabilities and exposures for individuals, farmers, micro, small and medium enterprises (MSMEs), and other retail segments. Insurers must provide customisation options, allowing policyholders to tailor their coverage.

Insurers are mandated to implement end-to-end technology solutions for onboarding, policy servicing, renewals, claims and grievance redressal. Each insurer must establish a base product defining minimum coverage for each line of business, which must be displayed on their website.

It is important to note that no claim can be rejected due to missing documents, as all required documentation must be collected at the underwriting stage. Additionally, insurers should establish and communicate turnaround times for claim settlement, along with strict timelines for the allocation of surveyors and settlement of claims post-surveyor report submission. This ensures that policyholders' claims are processed efficiently and without unexpected delays or denials.

The master circular requires insurers to implement a robust system for monitoring the performance of surveyors and loss assessors, focusing on turnaround time, accuracy and speed of survey reports. IRDAI has also advised the General Insurance Council, in collaboration with the Indian Insurance Institute of Surveyors and Loss Assessors, to develop a system to allocate survey tasks based on various factors like department, business line, geography and qualifications. This system will ensure unbiased, timely and random assignments without human intervention, guaranteeing fair opportunities for surveyors and assessors. When a claim is registered, a surveyor will be automatically assigned, and the customer will be promptly notified. The timeline for this new system is currently set for implementation by 31 October 2024. This new system aims to enhance the speed and transparency of loss surveys, improve claim settlement turnaround times, and build greater trust in the claims process.

For motor and homeowner (fire) insurance, which primarily serve retail customers, IRDAI mandates the following new options to enhance coverage flexibility and customer satisfaction:

- Motor insurance: Customers now have the flexibility to choose between 'pay as you drive,' 'pay as you go' and 'pay as you use' insurance options, in addition to comprehensive coverage that includes depreciation. Roadside assistance services are available on either a cashless or reimbursement basis, depending on the product design. In cases of partial loss, customers will not be responsible for salvage disposal; insurers will manage this, ensuring the policyholder receives the full claim amount. Furthermore, premiums for each add-on cover must be itemised separately in the premium computation table.
- Homeowner (fire) insurance: Policies will now provide coverage for fire perils on buildings owned by the customer, as well as contents and personal belongings, including clothing, personal articles, and various household electronics and furniture. Customers have the option to add coverage for additional perils such as earthquakes, cyclones, floods, storms, hurricanes, lightning, landslides, explosions and terrorism, or they can choose to exclude one or more of these perils from their fire insurance policy. Additionally, customers can request coverage for burglary, damage to personal belongings, electrical damage and non-working electrical items.

Life insurance products

Life insurers are expected to cater to a diverse customer base, ensuring product accessibility across various demographics, regions and occupations. This requires implementing end-to-end technology solutions for efficient policy management and providing ongoing training for intermediaries and staff on product features and regulatory updates.

A key addition is the mandate for every life insurance policy to include a customer information sheet (CIS), detailing essential features in simple language, such as the type of insurance, sum assured, benefits, exclusions, etc. Life insurers must also provide customised benefit illustrations at the point of sale, signed by both the policyholder and the sales representative. Key features, including survival, death and surrender benefits, as well as options like partial withdrawals and settlement options, will be clearly outlined. For linked insurance products, a five-year lock-in period applies for proceeds, enhancing transparency and customer understanding.

Additionally, policyholders will benefit from a grace period of 15 days for monthly premium payments and 30 days for quarterly, half-yearly or annual payments, ensuring uninterrupted risk cover during this time. Policies sold concurrently will be considered split policies, with no additional costs imposed on the policyholder throughout their duration. Life insurance policies cannot be contested on any grounds after three years from issuance or risk commencement, providing long-term security and peace of mind.

The new regulations also enhance minimum benefit amounts, reflecting a commitment to greater consumer protection. The minimum gross sum for standard policies has increased from INR 5,000 to INR 10,000, ensuring a higher baseline payout for policyholders. In the micro-insurance sector, the minimum gross sum has risen from INR 1,000 to INR 5,000, which aligns these products with higher expectations and may encourage greater uptake among lower-income individuals. Additionally, while the annuity amount remains at INR 1,000, the new regulations clarify that for government-sponsored insurance schemes and the National Pension Scheme, the annuity will adhere to the respective scheme's provisions.

Furthermore, the master circular introduces enhancements to individual pension products by allowing partial withdrawals during the deferment period, addressing specific financial needs for pivotal life events.

This facility, available after three years from policy commencement, permits withdrawals of up to 25% of total premiums paid without terminating the policy commencement and permits withdrawals of up to 25% of total premiums paid without terminating the contract. Allowed up to three times over the policy term, these withdrawals can be utilised for higher education or the marriage of children, purchasing or constructing a residential house, and covering medical expenses for critical illnesses or disabilities.

The regulations mandate insurers to conduct an annual review of systems and processes pertaining to the management of unit funds, computation of net asset value (NAV), calculation of units and deduction of charges. Additionally, the new regulation imposes a cap of 50 basis points per annum on fund management charges for discontinued policy funds. This limit is expected to significantly benefit policyholders by reducing the costs associated with managing these funds, thereby preserving greater value for them.

The new IRDAI regulations introduce a comprehensive product governance framework. A noteworthy feature of these regulations is the promotion of innovative products, requiring insurers to ensure that such innovations effectively meet customer needs and enhance satisfaction without increasing complexity or costs. Products that are uncommon in the market must submit their design concepts and other pertinent details to the Competent Authority for approval. This dual approach demonstrates that while IRDAI is actively encouraging insurers to innovate, it also aims to regulate market innovations to ensure they benefit consumers and uphold industry standards. Importantly, all existing life insurance products must be reviewed for compliance by 30 September 2024. Non-compliant products must be either modified or withdrawn by this deadline.

Impact assessment

Regulatory updates issued by IRDAI in 2024 significantly enhance consumer protection and market accessibility across life, health and general insurance. By promoting innovative product designs and catering to all age groups, the regulations foster inclusivity while ensuring transparency through customer information sheets. Increased minimum benefit amounts, reduced moratorium periods and streamlined portability processes further improve customer experience. The insurer is required to comply with the award of the Insurance Ombudsman within 30 days; failure to do so will result in penalties, thereby reinforcing accountability. Additionally, a focus on better governance is established through the PMC and advertising committee. These changes encourage insurers to adopt technology-driven solutions for efficient service delivery, ultimately strengthening consumer trust and expanding insurance penetration in India, aligning with the broader goal of insuring India by 2047.

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