

International Financial Services Centres Authority (Insurance Products and Pricing) Regulations, 2022

UNION OF INDIA

India

International Financial Services Centres Authority Act, 2019

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Regulation IFSCA-2022-23-GN-REG029- of 2023

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IFSCA/2022-23/GN/REG029, - In exercise of the powers conferred by Section 28 read with sections 3, 12 and 3 of the International Financial Services Centres Authority Act, 2019, the International Financial Services Centres Authority hereby makes the following regulations, namely -

Chapter I General

1. Short title, commencement and applicability -

(1) These regulations may be called the International Financial Services Centre Authority (Insurance Products and Pricing) Regulations, 2022. (2) These regulations shall come into force from the date of their publication in the Official Gazette. (3) These regulations shall be applicable to IOs excluding those engaged in transacting of re-insurance business. Explanation- Where an IO is engaged in transacting both, direct as well as re-insurance business, these regulations shall be applicable only in respect of direct insurance business.

2. Objectives —

(1) To provide framework for designing and pricing of insurance products by the International Financial Service Centre Insurance Offices (ITOs). (2) To ensure that the IOs have put in place effective internal systems and control to—(a) provide adequate capacity to identify and mitigate product related risks and issues from the time of design of the product and throughout the life cycle of the product, including providing appropriate distribution strategies taking into account the target market characteristics; and (b) protect the interests of policyholders while designing and pricing of insurance products.

3. Definitions —

(1) In these regulations, unless the context otherwise requires — (a) “Act” means the International Financial Services Centres Authority Act, 2009 (50 of 2009); (b) “Authority” or “IFSCA” means the International Financial Services Centres Authority established under sub-section (1) of Section 4 of the Act; (c) “board” means the board of directors of an ITO, or the Board of the Parent Entity of an ITO, in case the ITO is in an unincorporated form; (d) “Digital Signature” shall have the same meaning as assigned to it in Information Technology Act, 2000 (2 of 2000); (e) “e-Insurance Account” or “eIA” means an electronic account opened by a person with an insurance repository where the portfolios of insurance policies of a policyholder are held in electronic form; (f) “e-signature” or “electronic signature” shall have the same meaning as assigned to it in Information Technology Act, 2000 (2 of 2000); (2) “e-proposal” or “electronic proposal” means a proposal for an insurance policy filed in electronic form by the prospect with his electronic signature; (h) “e-insurance policy” or “electronic insurance policy” means an insurance policy that is digitally signed in accordance with the applicable provisions of law and issued in an electronic form either directly to the policyholder by the ITO or through the platform of registered Insurance repository; (i) “insurance policy” means a document which is an evidence of contract of insurance issued by an ITO; (j) “International Financial Services Centre Insurance Office” or “ITO” shall have the same meaning as assigned to it under clause (k) of sub-regulation (1) of regulation 3 of the International Financial Services Centres Authority (Registration of Insurance Business) Regulations 2022; (k) “intermediary or insurance intermediary” shall have the same meaning as assigned to it under clause (r) of sub-regulation (1) of regulation 3 of the International Financial Services Centres Authority (Insurance Intermediary) Regulations, 2022; (l) “inspection” means inspection of returns or certified copies thereof submitted to the Authority; (m) “insurance product” or “product” means any contract of insurance sold or proposed to be sold to a policy holder or prospect, as the case may be; (n) “return” means any information, material, data or statement, financial or otherwise mandated to be submitted by the regulated entities to the Authority in physical and/or electronic form in uniform periodicity, whether monthly, quarterly, half yearly, or annually and the disclosure of which is not barred or exempted by any law for the time being in force; but shall not include the information, material, data or statements called for by the Authority in exercise of its regulatory powers; (2) Words and expressions used and not defined in these regulations but defined in the Act or Acts mentioned in the First Schedule to the Act or any rules, regulations or notifications made thereunder, shall have the same meanings respectively assigned to them in those Acts, rules or regulations or any statutory modification or re-enactment thereto, as the case may be.

Chapter II

Product Approval Process

4. An ITO shall have a board approved policy known as “Product Oversight and Governance Policy” prepared in accordance with applicable regulatory framework, which shall inter-alia contain the provisions related to -

(1)— methods and processes for designing of the insurance product;(2)approval, monitoring, reviewing and distribution of insurance products; and(3)corrective steps to be taken for insurance products that are detrimental to the interest of prospects or policy holders.Explanation: The ‘Product Oversight and Governance Policy’ shall govern all aspects of an Insurance Product to be marketed and distributed by an IIO, and as such no approval for an Insurance Product is required from the Authority, unless so specified.Provided that the IIO shall submit the final policy wording to the Authority, before marketing of an insurance product, other than a re-insurance product, including any modified or revised product, in such manner as may be specified by the Authority.

5. An IIO shall design and market insurance products considering the understanding of the prospects about the product and ensure that products are compatible with the needs, characteristics and objectives of the prospects including justification of the rates, terms and conditions thereof which shall be duly certified by a qualified actuary.

Explanation: Any designing and marketing of such insurance product by an IIO shall also be in compliance with provisions of sub-section (.) of section 3 of the Insurance Act, 1938 read with regulation 10 of the IFSCA (Registration of Insurance Business) Regulations, 2022.

6. An IIO shall maintain the documents and records relating to the actions taken by it in relation to product approval process, in line with ‘Product Oversight and Governance Policy.’

7. ‘While designing, marketing or distributing an insurance products, the IIO shall:

(1)[28 into account the objectives, interests and needs of the prospect;(2)ensure that the terms and conditions of the product does not adversely affect the interest of prospect; and(3)ensure proper management of conflict of interest, if any, with the intermediary or insurance intermediary involved in distribution of the products.

8.

(1)An TIIO, before marketing or adapting an insurance product, shall test the product appropriately, including but not limited to, scenario analysis where relevant.(2)Such test shall also be carried out in case of significant change in the target market.

9. An HO shall submit to the Authority requisite information, documents or data relating to a product, as and when sought by the Authority, including justification of the rates, terms and conditions of insurance product offered.

10. If the Authority is of the view that the product is not in conformity with the requirements under these regulations, and/or not in the interest of prospects or policy holders, it may take appropriate action, including suspension, mandating modification or withdrawal of the product.

11. Upon receipt of direction of the Authority referred to in regulation 10, the TIO shall forthwith stop marketing and distributing such product either in the same name or under any other name.

Chapter III

PRODUCT MANAGEMENT

12. Insurance Product title and Unique Identification Number:

(1) An TIO shall ensure that the insurance product carries the IIO's name and product's name in all pages of all the documents. It is also necessary that separate documents must carry page numbers as that of the total number of pages of each document (i.e. 1 of 30, 2 of 30 and so on if, for example, the total pages in the documents are 30). (2) An TIO shall not market any insurance product without allotting a Unique Identification Number (UIN); Provided that in case of modification or revision of an existing insurance product, a separate UIN shall be allotted, clearly indicating that the insurance product being marketed is revised version of an earlier insurance product. (3) An IIO shall devise its own methodology / algorithm for issuance of UIN and submit the same to the Authority. Provided that IOs are not permitted to change the methodology / algorithm for issuance of UIN; Provided further that the existing IOs shall develop methodology / algorithm for issuance of UIN and submit the same to the Authority, within one month from the notification of these regulations.

13. Product Withdrawal:-

(1) An TIO shall inform the Authority its decision to withdraw an insurance product at least 3 months prior to the scheduled date of withdrawal. (2) In case an IIO transacting general insurance business decides to withdraw an insurance product, it shall inform the existing policy holders at least 3 months prior to the expiry date of such policy, Provided that the policies in force shall be valid till their respective expiry dates.

14. Cancellation or Surrender of Policies:

(1) — The policyholder of life insurance policy or general insurance policy may surrender or cancel the policy, as the case may be, at any time by giving prior notice to IO as required under the policy, which shall be processed as per terms and conditions of such policy; (2) — Every life and health insurance policy shall provide free look cancellation option to the policy holder along with the timelines for exercising such option and provisions for refund of premium; (3) Every general

insurance policy shall contain the cancellation clause and grounds leading to cancellation of an insurance policy along with the timelines for cancellation;(4)The TIO may cancel the insurance policy mid-term only on the grounds of fraud, misrepresentation or moral hazard

15. Grievance Management: [Every insurance policy shall necessarily specify the grievance management procedures of an ITO, which shall be in accordance with the principles as specified by the Authority.

Chapter IV

POLICY SERVICING

16. Issuance of e-Insurance Policies —

(1)Proposal form —(a)An IIO shall create and maintain proposal forms either in physical or in electronic mode, which shall be in accordance with its ‘Product Oversight and Governance Policy’;(b)The proposal form shall also have a provision to capture the electronic Insurance Account (eIA) number, if available;(c)Where the information about the prospect is captured in physical form, the IO shall make necessary arrangements to convert the information furnished by prospects into electronic form;(d)Where the policy is proposed to be issued in electronic form and the prospect is willing to get the policy through the Insurance Repository System, the IIO shall facilitate creation of eIA for the prospect.(2)Issuance of Electronic Insurance Policies -(a)An ITO, shall issue electronic insurance policy where the sum assured is more than USD 00 and/or premium is more than USD 0, whichever is lower;(b)An IIO shall issue the electronic insurance policy to the policyholders directly or through the registered insurance repositories; Provided that the IIO shall provide physical copy of the policy and proposal form if so requested by the policy holder;(c)The proposal form etc. may also be sent in electronic form to the insured along-with electronic insurance policies;(d)The Authority may specify operational framework for issuance of electronic insurance policies.

17. Fee for issuing acknowledgement of Notice of Transfer or Assignment of insurance policy:

An IO shall collect fee not more than USD 5 (USD Five only) for granting acknowledgement of notice of transfer or assignment of the insurance policies issued by it (including e-insurance policies).Explanation: An MIO shall not collect any other fee for rendering any other services referred to in section 38 of the Insurance Act, 1938, including recording the fact of the transfer or assignment.

18. Fee for Registration, Cancellation or Change of Nomination:

An IIO registered to transact life insurance business shall collect fee of not more than USD 5 (USD Five only) for registering, cancellation or change of the nomination by the holder of a policy of life insurance (including e-insurance policies), on his own life.Explanation:(1)An IIO shall not collect

any other fee, towards any other services relating to nomination contained in section 39 of the Insurance Act, 1938;(2)The nomination effected by the policy holder at the inception of the policy through the proposal form and recorded by the IIO in the schedule of a policy document shall be considered as a valid acknowledgement by the IIO.

Chapter V

MISCELLANEOUS

19. Fee for inspection and supply of copies of returns:

(1)Inspection and supply of copy of return -(a)Any person seeking inspection or copy of any return related to an IO under sub-section (I) of section 20 of the Insurance Act, 1938, shall make an application to the Authority;(b)The Authority may charge fee of not more than USD 5 (USD Five only) for inspection or supply of copy of any return;(c)The Authority shall indicate a date of inspection by the applicant or shall furnish a copy of the return, as the case may be, within thirty (30) working days from the date of receipt of the fee.(2)Supply of a copy of Memorandum and Articles of Association by the HO -(a)Any policyholder seeking a copy of Memorandum and Articles of Association or similar documents of an IIO under sub-section (3) of section 20 of the Insurance Act, 1938, shall make an application to the ITO;(b)The IO may charge fee of not more than USD 5 (USD Five only) for providing copy of each such document and shall furnish the same within thirty (30) working days from the date of receipt of the applicable fee.(3)The fee referred to in sub-regulation (1) and (2), shall be remitted through electronic mode to the bank account, details of which shall be provided by the Authority or the IIO, as the case may be. The said fee shall be paid in net, excluding any bank charges or transaction fee

20. Referral arrangements: An IO shall comply with regulatory framework on referral arrangements between the IIO and the referral entity, as may be specified by the Authority.

21. Reporting requirements: An IIO shall furnish information related to its products to the Authority, in such manner, interval and in such format, as may be specified by the Authority.

22. Power to specify procedures etc.: For the purpose of implementation, facilitation and regulation of insurance products and matters incidental thereto, the Authority may specify norms, procedures, processes and manners for compliance by IIOs.

23. Power to remove difficulties and relax strict enforcement of the regulations:

(1) In order to remove any difficulty in the application or interpretations of the provisions of these regulations, the Authority may issue clarifications through guidance notes or circulars. (2) On an application, received along with the specified non-refundable processing fees, the Authority, may for the reasons to be recorded in writing, relax the strict enforcement of any of the provisions of these regulations.

24. Repeals and saving:

(1) On and from the commencement of these regulations, following regulations and guidelines cease to apply in the International Financial Services Centre - (a) the Insurance Regulatory and Development Authority (Sharing of Database for Distribution of Insurance Products) Regulations, 200; (b) the Insurance Regulatory and Development Authority of India (Fee for Registering Cancellation or Change of Nomination) Regulations, 205; (c) the Insurance Regulatory and Development Authority of India (Fee for granting written acknowledgement of the receipt of Notice of Assignment or Transfer) Regulations, 205; (d) the Insurance Regulatory and Development Authority of India (Inspection and Fee for Supply of Copies of Returns) Regulations, 206; (e) the Insurance Regulatory and Development Authority of India (Issuance of e-Insurance Policies) Regulations, 206; (f) the Insurance Regulatory and Development Authority of India (Health Insurance) Regulations, 206; (g) the Insurance Regulatory and Development Authority of India (Non-Linked Insurance Products) Regulations, 209; (h) the Insurance Regulatory and Development Authority of India (Unit Linked Insurance Products) Regulations, 20/9,) and (i) the Insurance Regulatory and Development Authority guidelines bearing reference no. IRDAI/NL/GDL/F&U/030/02/2016 dated 8th February 2016 on Product Filing Procedures for General Insurance Products. (j) the Insurance Regulatory and Development Authority guidelines bearing reference no. IRDA/HLT/REG/CIR/50/07/2016 dated 29th July 2016 on Product Filing in Health Insurance Business. (2) On and from the commencement of these regulations, Clause 4 of Chapter – 6 of International Financial Services Centres Authority (Operations of International Financial Services Centres Insurance Offices) Guidelines, 202, shall stand omitted. (3) Unless otherwise provided for in these regulations, nothing in these regulations shall be deemed to invalidate contracts of insurance entered prior to these regulations coming into force. (4) IOs operating in an International Financial Services Centre prior to the commencement of these regulations, shall comply with the additional requirements specified in these regulations, within a period of one month from the commencement of these regulations or within such extended period as may be specified by the Authority