

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA

NOTIFICATION

Hyderabad, the 20th March, 2024

Insurance Regulatory and Development Authority of India (Protection of Policyholders' Interests, Operations and Allied Matters of Insurers) Regulations, 2024

F. No. IRDAI/Reg/11/205/2024.—In exercise of the powers conferred by sub-section (2) of section 114A, section 14, sub section (7) of section 38, sub section (3) of section 39, section 64VC, sub section (6) of section 64VB of the Insurance Act, 1938 (4 of 1938) and section 14 and section 26 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999), the Authority, in consultation with the Insurance Advisory Committee, hereby makes the following regulations, namely:

1. Short Title, Applicability and Commencement

- (1) These regulations may be called the Insurance Regulatory and Development Authority of India (Protection of Policyholders' Interests, Operations and Allied Matters of Insurers) Regulations, 2024.
- (2) These regulations shall be applicable to all insurers and distribution channels except for those engaged exclusively in reinsurance business, unless otherwise specified.
- (3) These regulations shall come into force from the date of the publication in the Official Gazette or 1st April, 2024, whichever is later.
- (4) These regulations shall be reviewed once in every 3 (three) years from the date of notification, unless a review or repeal or amendment is warranted earlier

2. Objective

- (1) To ensure fair treatment of prospects at the stage of solicitation and sale of insurance policies.
- (2) To ensure that interests of policyholders are protected, and the conduct of the insurer and distribution channel are not prejudicial to the interests of policyholders.
- (3) To ensure that insurers and distribution channel fulfil their obligations towards policyholders and have in place standard procedures including best practices for sale and service of policy holders.
- (4) To ensure policyholder-centric governance by insurers and distribution channels, with emphasis on grievance redressal.
- (5) To ensure that insurers follow prudent practices on management of risks arising out of outsourcing with a view to preventing negative systemic impact and to protect the interests of the policyholders. To ensure sound and responsive management practices for effective oversight and adequate due diligence with regard to outsourcing of activities by insurers.
- (6) To ensure that opening or closing of places of business within or outside India by insurers is conducted in a manner which is not prejudicial to the interests of policyholders.

3. The regulations are divided into the following two parts:

- (1) **Part A** covers provisions relating to protection of interests of the policyholders;
- (2) **Part B** covers provisions relating to operations and allied matters of the insurers.

Part - A

PROVISIONS RELATING TO PROTECTION OF INTERESTS OF POLICYHOLDERS

4. The part A include the following matters:

Chapter 1	:	Activities prior to sale of insurance policies
Chapter 2	:	Proposal for sale of insurance policies
Chapter 3	:	Sale and Issuance of Insurance Policies
Chapter 4	:	Payment and refund of Premium, Nomination and Assignment
Chapter 5	:	Servicing of Policyholders
Chapter 6	:	Settlement of Claims
Chapter 7	:	Grievance Redressal

5. Definitions applicable to Part A of these Regulations

In these regulations, unless the context otherwise requires:

- (1) **“Act”** means the Insurance Act, 1938 (4 of 1938).
- (2) **“Authority”** means the Insurance Regulatory and Development Authority of India established under the provisions of section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999).
- (3) **“Bank Rate”** means Bank rate fixed by the Reserve Bank of India (RBI) which is prevalent as on 1st day of the financial year in which the claim has fallen due.
- (4) **“Competent Authority”** means
 - (i) Chairperson, or
 - (ii) such whole-time member or such committee of the whole-time members or such officer(s) of the Authority, as may be determined by the Chairperson.
- (5) **“Complaint” or “Grievance”** means written expression (includes communication in the form of electronic mail or voice based electronic scripts) of dissatisfaction by a complainant with respect to solicitation or sale or purchase of an insurance policy or related services by insurer and /or by distribution channel.

Explanation: An inquiry or service request would not fall within the definition of the “complaint” or “grievance”.
- (6) **“Complainant”** means a policyholder or prospect or nominee or assignee or any beneficiary of an insurance policy who has filed a complaint or grievance against an insurer and /or distribution channel.
- (7) **“Cover”** means an insurance contract whether in the form of a policy document or a cover note or a Certificate of Insurance or any other form as may be specified to evidence the existence of an insurance contract.
- (8) **“Distribution Channels”** include insurance agents, intermediaries or insurance intermediaries, and any persons or entities authorised by the Authority to involve in sale and service of insurance policies.
- (9) **“Mis-selling”** includes sale or solicitation of policies by the insurer or through distribution channels, directly or indirectly by
 - a. exercising undue influence, use of dominant position or otherwise, or
 - b. making a false or misleading statement or misrepresenting the facts or benefits, or
 - c. concealing or omitting facts, features, benefits, exclusions with respect to products, or
 - d. not taking reasonable care to ensure suitability of the policy to the prospects/policyholders.
- (10) **“Proposal form”** means a form to be filled in by the prospect in physical or electronic form, for furnishing the information including material information, if any, as required by the insurer in respect of a risk, in order to enable the insurer to take informed decision in the context of underwriting the risk, and in the event of acceptance of the risk, to determine the rates, advantages, terms and conditions of the cover to be granted.

Explanation: (i) *“Material Information”* for the purpose of these regulations shall mean all important, essential and relevant information and documents explicitly sought by insurer in the proposal form.

(ii) The requirements of *“disclosure of material information”* regarding a proposal or policy, apply both to the insurer and the prospect, under these regulations.
- (11) **“Prospect”** means any person who is a potential customer and likely to enter into an insurance contract either directly with the insurer or through the distribution channel involved.
- (12) **“Prospectus”** means a document either in physical or electronic format issued by the insurer to sell or promote the insurance product.

Explanation: Insurance product referred herein shall also include the riders or add-on(s), if any. Where a rider or add-on is tied to a base policy, all the terms and conditions of the rider or add-on shall be mentioned in the prospectus. Where a standalone rider or add-on is offered to a base product, a reference to the rider or add-on shall be made in the prospectus of the base policy indicating the nature of benefits flowing thereupon.
- (13) **“Solicitation”** means the act of approaching a prospect or a policyholder by an insurer or by a distribution channel with a view to persuading the prospect or a policyholder to purchase or to renew an insurance policy.
- (14) **“Unfair trade practice”** shall have the meaning ascribed to such term in the Consumer Protection

Act, 2019, as amended from time to time.

- (15) All words and expressions used and not defined in these regulations, but defined in the Act, or the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999) or the Insurance Rules, 1939 or any other regulations issued by the Authority shall have the meanings respectively assigned to them in those Acts or Rules or Regulations.

Chapter-1

ACTIVITIES PRIOR TO SALE OF INSURANCE POLICIES

6. Principles for sale of insurance products:

Every insurer shall ensure that:

- a. the prospects or the policyholders has equitable and inclusive access to insurance products and services either directly or through the distribution channel.
- b. the solicitation process is transparent and has built-in practices to enable fair and equitable treatment of the prospect or the policyholder at all points of time and provide all necessary information about the products to enable them to take informed decision about purchasing insurance policies.

7. Board approved policy for protection of interests of policyholders:

- (1) Every insurer shall have in place a Board approved policy for protection of policyholders' interests and shall include inter-alia matters as set out in sub-regulation (2) and shall review it on annual basis.
- (2) Every insurer shall ensure:
 - (i) that appropriate framework is put in place to ensure that the features, benefits along with terms and conditions of the products being sold are represented correctly and fully and that the products are not mis-stated or misrepresented to prospects or policyholders.
 - (ii) inclusivity and accessibility of insurance cover to persons with disabilities.
 - (iii) adoption of suitable service and process efficiencies including implementing technology solutions for grievance redressal.
 - (iv) that measures are taken to prevent mis-selling and unfair business practices, by building suitable conduct measures including appropriate grievance redressal framework.
 - (v) setting up reasonable turnaround times for various activities and services to provide timely completion and resolution; and to publish the same on the website prominently.
 - (vi) establishing a mechanism to create Insurance Awareness on an ongoing basis so as to educate prospects and policyholders about insurance products, benefits and their rights and responsibilities.
 - (vii) establishing systems and processes for expeditious settlement of claims.

8. Products on Offer/ Products Withdrawn

- (1) Every insurer shall ensure that the products that are being offered for sale and those that are withdrawn are published prominently on its website along with the benefits, features, applicable terms and conditions, premium, prospectus, its Unique Identification Number, benefit illustration, as applicable, and shall update regularly.
- (2) Every distribution channel shall provide a link prominently on its website, if maintained, to directly access the insurer's website wherein products on offer are displayed with respect to insurers.

9. Prospectus of Insurance Products

- a. Every insurer shall ensure that the information given to the prospect or the policyholder about the product offerings shall reflect true and correct picture about the features, benefits, exclusions, risks, options, exit options including grievance redressal in clear and simple terms.
- b. Every insurer shall develop and maintain a prospectus for every retail insurance product including riders or add-ons thereto and make available such prospectus on their website.
- c. The Competent Authority shall specify minimum information to be incorporated in the prospectus.
- d. Insurers shall be responsible for the contents of the prospectus and shall ensure that
 - a. no sale of insurance product is made without prospectus, explaining all the benefits, features, terms and conditions of the product and providing benefit illustration to the prospect, wherever applicable.

Explanation: Except for those life insurance products where all the benefits are assured in absolute amounts at the outset of the contract, all other life insurance products shall provide the prospective

policyholder a customized benefit illustration at the point of sale, illustrating the guaranteed and non-guaranteed benefits at gross investment returns, as may be specified.

- b. the prospectus enables the prospects or the policyholders to make informed decisions. The benefits and features of the product considering the nuances of the products are explained in clear and concise terms including giving illustration.
- c. there is no misleading or false information.
- d. details of the grievance redressal processes are clearly provided; and
- e. insurer or distribution channel provide all necessary information including any material information in respect of the proposed cover(s) to the prospect to enable the prospect to decide on the best cover(s).

Chapter 2

PROPOSAL FOR SALE OF INSURANCE POLICIES

10. Proposal for Insurance

- (1) Unless otherwise exempted by the Competent Authority, a proposal for grant of insurance cover, for any class of insurance business, must be evidenced by a proposal form in physical or electronic form.
- (2) The matters related to proposal form and the sale of insurance policies shall be in a manner as specified by the Competent Authority.

Chapter 3

SALE AND ISSUANCE OF INSURANCE POLICIES

11. Every insurer shall ensure that:

- a. the policy terms and conditions are written in simple and clear terms to understand, avoid jargon and avoid coercive, unfair and one-sided clauses.
- b. the insurance policies issued to the policyholders contain such minimum details as may be specified.

12. Customer Information Sheet:

Every insurer shall mandatorily provide the customer information sheet along with the policy document in the manner as may be specified.

13. Issuance of Insurance policies in electronic form:

- a. Every insurer shall have in place a Board approved policy for insurance policies issued in electronic form and shall inter-alia include the following:
 - (1) Measures to safeguard the privacy of the data and information,
 - (2) Adequacy of systems to prevent manipulation of records and transactions,
 - (3) Broad framework on security of data,
 - (4) IT related processes,
 - (5) Data and record reconciliation amongst multiple systems, if applicable, and
 - (6) Putting in place continuous review and upgradation of the cyber security safeguards.
- b. Irrespective of whether the proposal is received in electronic form or otherwise, every insurer shall issue insurance policies only in the electronic form.

Provided that the Authority, on being satisfied that it is in the interest of policyholders and for orderly growth of insurance industry, allow such exemptions to this requirement.

Provided further that the insurer shall mandatorily seek the choice of the prospect in the proposal form for availing physical policy document.
- c. Notwithstanding sub-regulation (2) above, all policies issued in electronic form by the insurer directly to the policyholder shall also be issued in physical form, if requested by the policyholder.

14. Group Insurance Policies

- (1) No group shall be formed for the sole purpose of availing insurance and every insurer and the distribution channel shall ensure that the group considered for availing insurance shall be in existence before issuance of the insurance policy.
- (2) Every insurer shall ensure that:
 - (i) groups, where a person is negotiating “group” rates and then finding members to enrol in to the group for insurance, are not to be considered as a legitimate group for the purpose of availing group insurance.

- (ii) in case of an employer-employee group, where an employer arranges a group insurance policy for its employees, the employer shall be treated as the master policyholder with the employees being treated as the beneficiaries. In such cases, the employer shall issue confirmation of insurance cover to individual employees with clear reference to the group insurance policy.
- (iii) In case of a non-employer-employee group purchasing a group policy:
 - a. the administrator will be treated as master policyholder and shall have authority from the members to arrange insurance on their behalf.
 - b. the individual group member would be treated as the insured beneficiary and the master policyholder will only be the holder of the policy.
 - c. it shall be the duty of the insurer to issue certificate of insurance to all the members of the group. Such certificate shall contain information on the schedule of benefits, the premium charged and important terms and conditions of the insurance contract in the manner as may be specified.

15. Privacy and Confidentiality

- (1) Subject to ensuring compliance as per extant law on data protection, insurers and distribution channels shall ensure that the information and documents collected during the solicitation or subsequently during all times are maintained with utmost confidentiality, privacy and protected manner.
- (2) Subject to sub-regulation (1), information collected from the proposal form during the course of solicitation of an insurance policy or issuance of an insurance policy shall not be parted or shared with any third party without the explicit consent of the policyholder, except
 - a. with the statutory authorities in accordance with the existing statutory laws; or
 - b. for the purpose of underwriting the policy or settling a claim under the policy; or
 - c. with any other institution as authorised by the Authority.
- (3) No insurer shall insert any clause or condition in the proposal form which, by default, allows the insurer to part or share policyholder's information to any third party.

Chapter 4

PAYMENT AND REFUND OF PREMIUM, NOMINATION AND ASSIGNMENT

16. Manner of Payment of Premium

Subject to ensuring compliance with the provisions and norms notified under Prevention of Money Laundering Act, 2002, insurers shall allow for the following manner of payment of premium:

- (1) As prescribed in the Insurance Rules, 1939;
- (2) Recognized by the Reserve Bank of India as a valid mode of payment; and
- (3) Any other manner of payment as may be specified.

17. Refund of Premium

- (1) In the event of any refund of premium becomes due on account of policy cancellation or alteration of any terms and conditions of the contract of insurance or otherwise, such refund shall be made only to the bank account of the policyholder or the proposer or nominee(s), as the case may be, through electronic transfer.
- (2) In order to enable electronic transfer of refund and for payment of claims, the insurer shall mandatorily collect the details of bank account of the policyholder or the proposer at the proposal stage.

18. Nominations

(1) Provisions applicable to Life insurers

- (i) No proposal shall be accepted unless nomination is obtained as per section 39 of the Act.
- (ii) Insurers shall provide a facility for changing the nominee(s).
- (iii) The fee for registering cancellation or change of nomination(s) shall not exceed Rs. 100/- (Rs. One Hundred only) on each occasion.

(2) Provisions applicable to General and Health insurers

With respect to all individual and group policies, as applicable, the insurer shall obtain nomination at the time of issuance of new policies and at the time of renewal for existing policies.

(3) Provisions applicable for all insurers

- (i) No fee shall be collected for registering a nomination at the time of effecting a policy of insurance.

- (ii) The nomination effected by a policyholder at the inception of the policy through the proposal form and recorded by the insurer in the schedule of a policy document or through an endorsement issued accepting change in nomination shall be considered as a valid acknowledgement by the insurer.

19. Assignment or Transfer

- (1) The fee for granting a written acknowledgement of the receipt of notice of assignment or transfer assignment shall not exceed Rs. 100/- (Rs. One Hundred only).
- (2) No other fee shall be collected for rendering any other services in relation to the assignment or transfer of insurance policy carried out in accordance with Section 38 of the Act.

Chapter 5

SERVICING OF POLICYHOLDERS

20. Free Look Period of Life and Health Policies

- (1) Every policyholder of life and new individual health insurance policies, except for those policies with tenure of less than a year, shall be provided a free look period of 30 days beginning from the date of receipt of policy document, whether received electronically or otherwise, to review the terms and conditions of such policy.
- (2) The insurer shall inform clearly and explicitly to the policyholder about the availability of the free look period.
- (3) In the event a policyholder disagrees to any of the policy terms or conditions, or otherwise and has not made any claim, he shall have the option to return the policy to the insurer for cancellation, stating the reasons for the same.
- (4) Irrespective of the reasons mentioned, the policyholder shall be entitled to a refund of the premium paid subject only to a deduction of a proportionate risk premium for the period of cover and the expenses, if any, incurred by the insurer on medical examination of the proposer and stamp duty charges.
- (5) In respect of a linked insurance product, in addition to the deductions under sub-regulation (4) above, the insurer shall also be obligated to repurchase the units at the Net Asset Value (NAV) of the units on the date of cancellation.
- (6) A request received by insurer for cancellation of the policy during free look period shall be processed and premium shall be refunded within 7 days of receipt of such request, as stated at sub regulations (4) and (5) above.

21. Policyholder Servicing

- (1) Every insurer shall ensure that the prospect or the policyholders are provided with necessary information about various services and shall widely disseminate information about all the services that may be availed, along with the procedure for availing such services including the turnaround times.
- (2) The insurer shall deliver the services requested for within a reasonable time not exceeding the specified turnaround time, with speed and efficiency and establish a mechanism to obtain feedback for continuous improvements.
- (3) Every insurer and distribution channel involved in servicing of the policyholders shall ensure that all the dealings with policyholders are conducted in a manner such that it achieves the following outcomes:
 - (i) Policyholders are
 - a. treated with fairness and impartiality;
 - b. provided with clear and prompt information in relation to their policies at all times;
 - c. not faced with unreasonable pressure or advice to change products or switch providers; and
 - d. not barred from submitting claims or making complaints.
 - (ii) Post-sale servicing of policyholders to be complemented with technological solutions to provide prompt and efficient services.
 - (iii) Policyholders' reasonable expectations are met on servicing standards.
- (4) Every insurer and distribution channel involved shall be responsible to achieve the outcomes specified in sub regulation (3) above.
- (5) Distribution channel shall ensure that all policyholders are serviced in accordance with code of conduct as may be specified.
- (6) No additional fee shall be charged by the insurer or distribution channel or group master policyholder for servicing of policyholders in relation to an insurance policy, except for such services as may be specified.

- (7) Every insurer and distribution channel shall comply with the guidelines issued by the Competent Authority on Mis-selling, Unfair trade practice, fair treatment, compliance and over sight, mitigation of conflicts of interests, guidance to prospect on product suitability and suitability assessment and Unclaimed amount.

Chapter 6

SETTLEMENT OF CLAIMS

22. Settlement of Claims

- (1) Every insurer shall ensure that:
- necessary specific documentation required to support the claim are listed in the policy document along with the procedures to be followed for settlement of claims, in addition to placing the information prominently on their website.
 - claims registered are settled in a timely manner not exceeding the turnaround times for settlement of claims as per their Board approved policy and in the manner as may be specified.
- (2) All distribution channels shall comply with the specified code of conduct with respect to services related to settlement of claims.

Treatment of Policyholders and Claimants

23. With regard to the claims, every insurer or the distribution channel, as applicable, shall *inter alia* ensure the following:

- Provide necessary support and guidance for registering claim;
- Provide fair treatment at all times in processing the claim;
- Provide information at various stages of claim settlement;
- Call for all necessary documents as specified in the policy document at one go and avoid calling such documents/information in a piece meal manner;
- Settle the claims with speed and efficiency within a reasonable time.

24. Every life insurer shall inform policyholders through a letter/e- mail/any other electronic mode:

- for participating policies, at least once in a year, the bonus accrued to their policies during the financial year and total bonuses accrued till the end of financial year.
- for linked policies, all the charges levied, value of the linked policy at the beginning and at the end of the financial year.

CHAPTER 7

GRIEVANCE REDRESSAL

25. Grievance Redressal Procedure

- Every insurer shall have a system, including IT systems, and a procedure for receiving, registering and disposing of grievances in each of its offices. Every insurer shall publicize its grievance redressal procedure and ensure that it is specifically made available on its website.
- Every insurer and where relevant, the distribution channel, shall have in place robust procedures and effective mechanism to resolve grievances of policyholders and/ or claimants efficiently, effectively and in a timely manner.
- No insurer or distribution channel shall prohibit, bar or discourage any policyholder or claimant from lodging any grievance to the Authority.
- The Grievance Redressal Procedure as may be specified shall be followed by all insurers and distribution channels.
- Insurers shall widely publish the availability of option to the complainant for taking up grievance with Insurance Ombudsman, in case the grievance is not resolved to the satisfaction of the complainant.

Part - B

OPERATIONS AND ALLIED MATTERS OF THE INSURERS

26. Definitions applicable for Part B of these regulations:

In these regulations, unless the context otherwise requires:

- “Act”** means the Insurance Act, 1938 (4 of 1938).
- “Advertisement”** means a communication, issued through any mode or medium, addressed to the public or section of it, the purpose of which is to influence the opinion or behaviour of prospects for

facilitating solicitation or sale of insurance products and includes insurance advertisements and institutional advertisements.

- (3) **“Authority”** means the Insurance Regulatory and Development Authority of India established under the provisions of section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999).
- (4) **“Competent Authority”** means
 - (i) Chairperson or
 - (ii) such whole-time member or such committee of the whole-time members or such officer(s) of the Authority, as may be determined by the Chairperson.
- (5) **“e-Insurance Account”** or “eIA” means an electronic insurance account for maintaining insurance policies issued in electronic form.
- (6) **“e-proposal”** or “electronic proposal” means a proposal form for an insurance policy filed in electronic form and the free consent of the prospect obtained in accordance with the guidelines issued from time to time.
- (7) **“e-insurance policy”** or “electronic insurance policy” shall mean a digitally signed policy document evidencing the insurance contract issued to the policyholder by an insurer in an electronic form.
- (8) **“e-signature or electronic signature”** shall have the same meaning as specified in the Information Technology Act, 2000 as amended from time to time.
- (9) **“Foreign Branch Office”** shall mean a ‘branch office’ of the insurer set up outside India which includes (a) any establishment described as a branch by the insurer; and (b) any establishment carrying on either the same or substantially the same activity as that carried on by the Head Office of the insurer.
- (10) **“Insurance advertisement”** means and includes any communication issued by insurers, insurance intermediaries, through any mode, related to an insurance product and intended to result in the eventual sale or solicitation of an insurance product from the members of the public, or which urges a prospect or a policyholder to purchase, a policy of insurance.
- (11) **“Institutional advertisement”** means an advertisement which is not intended to solicit the purchase of insurance policies, but only promotes the brand image of the insurers and/or its intermediaries or insurance intermediaries.
- (12) **“Material Outsourcing”** means outsourcing of such activities which are assessed by the insurers as “material”, based on the factors as may be specified by the Competent Authority.
- (13) **“Misleading Advertisement”** shall have the meaning ascribed to such term in the Consumer Protection Act, 2019, as amended from time to time.
- (14) **“Outsourcing”** is defined as the use of third party services by the insurer to perform activities that would normally be undertaken by the insurer, either now or in future, but does not include services which are generally not expected to be carried out internally by the insurers such as Legal services, Banking Services, Courier Services, Medical examination, Forensic analysis.
- (15) **“Outsourcing Service Provider”** means third party service provider who carries out the activities outsourced, for insurers.
- (16) **“Outsourcing Agreement”** means a written agreement entered into between the insurer and outsourcing service provider outlining the terms and conditions for services which may be rendered by the Outsourcing service provider.
- (17) **“Outsourcing Committee”** shall be a Board constituted committee within the insurer with functions as per these regulations.
- (18) **“Place of Business”** means, a regional office, a zonal office, a divisional office, branch office or any subordinate office or any other office by whatever name called set up within India or a representative or a liaison office of Indian insurer or a Foreign Branch Office set up outside India by the insurers registered in India.
- (19) **“Representative or a Liaison Office”** means an office outside India of an ‘insurer’, to act as a channel of communication with the principal place of business or Head Office or by whatever name called, and also to interact with different entities, but which does not undertake any commercial or

trading or solicitation or industrial activity, directly or indirectly, and also maintains itself out of the remittances received from the parent organization through normal banking channels.

- (20) **“Trade Logo”** for the purpose of these regulations is a name or a mark, such as symbol or monogram or logo which uses the name of an insurer as an acronym for the purpose of promoting, canvassing and publicizing the insurer or the products and services offered.
- (21) All words and expressions used and not defined in these regulations, but defined in the Act, or the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999) or the Insurance Rules, 1939 or any other Rules or Regulations made thereunder shall have the meanings respectively assigned to them in those Acts or Rules or Regulations.

Chapter 1

ADVERTISEMENT

27. Advertisements

- (1) The information being advertised shall be fair and true and shall reflect potential risks within the products offered and shall not mislead or misrepresent the facts or features.
- (2) Every insurer, while publishing advertisements, shall necessarily include its registered name along with its trade name or monogram or logo visible prominently.
- (3) Every distribution channel shall publish advertisements only as soliciting insurance products offered by insurers and not give any impression in the advertisement, as if the products are offered by it directly.
- (4) No insurer or distribution channel shall publish or cause to publish any misleading advertisement. No advertisement shall make any claim or display such information which:
 - (a) affects the ability of a prospect to identify and discern the benefits of insurance products;
 - (b) disguises or obscures terms and conditions of insurance product;
 - (c) makes claims beyond the ability of the policy to deliver beyond the reasonable expectation of performance;
 - (d) uses words or phrases such that it hides or underplays the risks inherent in the policy from the prospect;
 - (e) omits to disclose or discloses insufficiently the important exclusions, limitations and conditions of the policy;
 - (f) contains illegible text (including on account of font size) forming part of the advertisement, including a reference to conditions where applicable;
 - (g) contains false or fabricated facts, figures and features.
- (5) All insurers and distribution channels shall ensure that mandatory disclosures as specified by these regulations and applicable circulars are clear, conspicuous and legible.
- (6) All insurers and distribution channels shall ensure that static or interactive content posted by them on their social media platform or page complies with the provisions of these regulations and the circulars issued in this regard.
- (7) All insurers shall ensure that advertisement activities that are conducted through their distribution channels are subject to adequate controls and oversight such that all such advertisements that pertain to the insurer or its products or performance are not unfair, deceptive or misleading.
- (8) Every insurer and distribution channel shall ensure that they do not engage in any unfair trade practices.

28. Every advertisement must be approved by the insurer in writing prior to its issue if the advertisement is issued by

- (a) A distribution channel representing the insurer; or
- (b) An insurance intermediary representing the customer if it relates to any insurance product.

29. Compliance and Control of Advertisements

Every insurer and distribution channel shall ensure that it establishes such internal controls, compliances and such other measures as may be specified.

Chapter 2

PLACES OF BUSINESS OF INSURERS

30. Opening Place of Business Within India

- (1) All the insurers shall have in place the Board approved plan on “Places of Business” and to be reviewed on periodic basis.
- (2) The plan on places of business, for the next five years, shall contain the following:
 - a. the total number of new places of business proposed to be opened within India in the Metro, Urban, Semi-Urban and Rural centres.
 - b. the locations of places of business proposed to be opened within India.
 - c. the proposed capital and operational expenditure expected to be incurred initially and subsequently at regular intervals in opening and running each of the places of business.
 - d. the staff requirement for each of the places of business and its associated costs.
 - e. the premium revenue expected to be generated from each of the proposed places of business.

31. Every insurer shall have in place Board approved Annual Business Plan at the beginning of the financial year.

32. Except otherwise specifically prohibited by the Authority, insurers that fulfil the following conditions are permitted to open places of business within India and inform the Authority in a manner as specified:

A – For insurers who have completed five (5) years of operations:

- (1) Minimum control level of solvency in the preceding three financial years.
- (2) Expenses of Management are within the limits specified under the Regulations on Expenses of Management in the preceding Financial Year.

B – For insurers who have not completed five (5) years of operations

- (1) Minimum control level of solvency to be maintained.
- (2) As proposed in the business plan submitted in IRDAI/R1 and IRDAI/R2 applications and/or has received forbearance under the Expenses of Management Regulations within the first five years of commencement of its operations.

33. If the insurer is not compliant with the conditions stipulated at **regulation 32**, such insurer shall open places of business only after obtaining approval of the Competent Authority in accordance with these Regulations. Proposals for opening places of business shall be submitted in such form and in such manner as may be specified.

34. (1) New places of business proposed under **regulation 33** and approved by the Competent Authority shall be opened within a period of one year from the date of approval.

(2) After the expiry of the time limit, the approval of the Competent Authority stands lapsed.

35. Closure or Relocation of Places of Business within India

- (1) Closure or relocation of the places of business within India by the insurers shall be after due consideration of all the factors, including the possible inconvenience to its policyholders.
 - a. Closure of any place of business or relocation of any place of business, shall be approved in advance by the Board appointed Policyholder Protection, Grievance Redressal and Claims Monitoring Committee.
 - b. Relocation or change of any place of business, otherwise than within the same city, town or village shall be subject to the prior approval of the Competent Authority. Every insurer shall submit the proposal of such relocation or change to the Competent Authority's consideration in the form as may be specified.
 - c. Minimum of two months advance notice shall be given to the policyholders serviced, on all the proposed relocations or the closures, whether within the same city, town or village or otherwise, along with the information on alternate arrangements made to service the existing policyholders.
- (2) The conditions on closure of places of business and relocation of places of business are also applicable to the places of business opened by the insurers in accordance to **regulation 32 or 33**, as the case may be.

36. NORMS FOR PLACES OF BUSINESS OUTSIDE INDIA

- (1) An insurer registered with the Authority may open a 'Foreign Branch Office' or a 'Representative or a Liaison Office' outside India subject to prior approval granted by the Competent Authority. The cost of opening and

maintaining the 'Representative or a Liaison Office' outside India shall be met out of insurer's shareholders' funds beyond solvency margin.

- (2) Opening of 'a Representative or a Liaison Office' or a 'Foreign Branch Office' by an insurer shall be subject to obtaining approval or a clearance from the regulator of the host country, as applicable.
- (3) **Norms for Opening a Liaison Office or a Representative Office.** — Insurers desirous of opening a representative or a liaison office outside India shall apply to the Authority in specified Form if they are compliant with:
 - (a) control level of solvency in the preceding Financial Year;
 - (b) Having a satisfactory track record on market conduct, regulatory compliances, redress of complaints, etc.

Provided that Liaison Office or Representative Office shall be engaged only in such activities as specified.

37. At the close of the financial year, insurers, as a part of its annual report, shall furnish such details of representative or liaison office outside India or Foreign branches, as may be specified.

38. Norms for Opening a Foreign Branch Office or Office at International Financial Services Centres (IFSC)

- a. The insurer desiring to open a foreign branch office shall make an application in the form and manner as may be specified.
- b. The insurer shall seek approval of the Competent Authority to open a Foreign Branch Office or an office at the International Financial Service Centre.

Eligibility Criteria of insurers for Opening a Foreign Branch Office

39. The insurers seeking to set-up foreign branch office or office at IFSC shall comply with the following norms:
 - (1) have been in operations at least for three (3) years. The number of years of operations shall be reckoned from the date of issuance of R3.
 - (2) have been compliant with control level of Solvency, have Profits after Tax, track record, no adverse report or any other requirements as may be specified.
 - (3) Where the insurer is closely held, the Board Resolution in support of the commitment to support the operations of the foreign branch office shall be furnished. Where the insurer is widely held, a resolution of the shareholders to support the operations of the foreign branch office shall be furnished.

Terms and Conditions Governing the Approval of the Foreign Branch office or office at IFSC

40. The approval to open a foreign branch office of the insurers shall be subject to the following terms and conditions:
 - (1) Initial and further augmentation of capital and liabilities of the Foreign Branch Office shall be met out of the Insurer's Shareholders' funds beyond solvency margin requirements.
 - (2) Compliance with Foreign Exchange Management Act, 1999 and any other law in force governing the operations of such offices outside India.
 - (3) Compliance with host country's solvency requirements.
 - (4) The Insurer shall file a copy of the license or the certificate of registration upon receipt of the same from the host country.
 - (5) The Insurer shall immediately report to the Authority any regulatory or supervisory action taken by the host country regulator with full details along with the penalties imposed and other administrative actions, if any, and the remedial steps taken thereafter.
 - (6) The Competent Authority may impose any other terms and conditions while granting the approval for opening the foreign branch office.
41. The insurer shall immediately inform the Authority any adverse findings on the foreign branch office operations by the host country regulator.

Sources of Meeting the Capital Requirements of the Foreign Branch Office

42. The insurer shall have in place appropriate arrangements to ensure that the policyholder's liabilities that arise out of:
 - (1) foreign operations are adequately ring-fenced in order to protect the Indian policyholder.

- (2) Wherever the Insurer's foreign branch office operations have resulted into a loss or are likely to result into a loss, then additional capital requirements for meeting such loss or for meeting the capital or other regulatory requirements shall be contributed out of the Shareholders' funds of the insurer beyond solvency margin, and no contributions from the policyholders' funds shall be utilized to meet the capital requirement of the foreign branch office.

43. Further Powers of the Competent Authority

- (1) The Competent Authority reserves the right to call, inspect or investigate any document, record or communication pertaining to the foreign branch office set up by the insurer. The insurer shall furnish such requirements within the timelines specified therein.
 - (2) Notwithstanding the above, where the Competent Authority is of the opinion that the operations of a foreign branch office are not in the interests of the insurer or the policyholders in India, the Authority reserves the right to direct the insurer to close the said foreign operations or to completely divest its stake in the said foreign branch office after giving an adequate opportunity of being heard to the insurer.
- 44.** All insurers shall comply with the directions as may be specified while opening, closing or relocating the places of business.

Chapter 3

OUTSOURCING OF ACTIVITIES BY INSURERS

45. Applicability

- (1) The Regulations contained in this schedule are applicable to all insurers registered with the Authority excluding those engaged in reinsurance business.
- (2) These regulations are applicable to outsourcing arrangements entered into by an insurer with an outsourcing service provider located in India or outside India as allowed by the Competent Authority.

46. Activities prohibited from Outsourcing

- (1) Every insurer shall be prohibited from Outsourcing such business activities as may be specified by the Competent Authority from time to time.
- (2) These regulations shall not be construed to be authorizing any activity which otherwise is prohibited by any law or regulation or guidelines of the Authority for the time being in force.

Responsibilities of the Board of Directors

47. The Board of the Insurer shall be responsible for the following functions under these regulations:

- (1) The Board of Directors shall evaluate the need for outsourcing and shall approve and put in place an Outsourcing Policy. The Board of Directors, may delegate, the mandate of approving the outsourcing policy, to the Outsourcing Committee. The Board approved outsourcing policy shall cover the following:
 - i. Framework for assessment of risks involved in outsourcing including the confidentiality of data, quality of services rendered under outsourcing contracts;
 - ii. Parameters for determining the cost-benefit analysis for each outsourced activity;
 - iii. Guiding principles for evaluation of the outsourced service provider including its ability and capability to provide the required services;
 - iv. Norms for implementation and review of the outsourcing policy, determining the management's responsibility for approving, determining the consideration amount involved and monitoring the outsourcing arrangements, and delegation of authority within the insurer's hierarchy;
 - v. The degree of due diligence required for other than-material outsourcing activities.
- (2) Annual review of the summary of the outsourced activities of the insurer and approval of changes to the policy on the basis of the reviewed report.
- (3) Review of exceptions, if any, arising out of the annual review of outsourcing contracts by the Outsourcing Committee.
- (4) Ensuring that the pricing for outsourcing arrangements with related parties or group entities are consistent with arms' length principles and as per the Board approved policy in this regard.
- (5) There shall be no Conflict of interest with related parties of insurers and distributional channels.

48. Outsourcing Committee

- (1) Composition: The Board of Directors of the insurer shall constitute an Outsourcing Committee comprising of key management persons of the insurer, and shall at the minimum, include the Chief Risk Officer, Chief Financial Officer and Chief of Operations.

- (2) The Board constituted Outsourcing Committee shall be responsible for implementation of the Board approved policies and shall inter-alia be responsible for:
- i. Effective implementation of the policy on outsourcing.
 - ii. Evaluation of insurer's need to perform the activities proposed for outsourcing and key risk associated with outsourcing contracts.
 - iii. Scope of services of the outsourcing service provider.
 - iv. Evaluation of the cost and benefits of outsourcing activities.
 - v. Ensuring that the approval to the outsourcing arrangements entered into / proposed to be entered into by the insurer is as per the Outsourcing Policy approved by the Board of Directors.
 - vi. Annual Review of performance of each of the outsourcing service providers.
 - vii. Ensuring compliance with the Outsourcing Policy and applicable laws, regulations.
 - viii. Annual review of Outsourcing Policy.
 - ix. Identifying risks associated with activities proposed to be outsourced.
 - x. Communicating information pertaining to risks associated with material activities to the Risk Management Committee of the Board in a timely manner, and
 - xi. Ensuring that outsourcing activities in any way, do not prejudice the interests of policyholders.

Due Diligence of Outsourcing Service Provider

49. An outsourcing arrangement shall, inter alia, be considered material if the estimated annual expenditure under an outsourcing contract is likely to exceed 5 % of the total expenditure incurred during preceding financial year on all outsourcing activities. All insurers shall evaluate the outsourcing arrangements based on the detailed parameters for materiality assessment as may be specified.
50. All outsourcing arrangements assessed as material shall be subject to evaluation of the risks. The Competent Authority shall specify:
- (1) the risks which, at minimum, shall be evaluated by the insurer;
 - (2) due diligence criteria and documentation to be maintained for due diligence process carried out.

51. Confidentiality and Security

- (1) The insurer shall satisfy itself that the outsourcing service providers' security policies, procedures and controls will enable the insurer to protect confidentiality and security of policyholders' information even after the contract terminates.
- (2) The insurer shall ensure that the data or information parted to any outsourcing service provider under the outsourcing contracts remains confidential at all times.
- (3) An insurer shall take into account any legal or contractual obligations on the part of the outsourcing service provider to disclose the outsourcing arrangement and circumstances under which insurer's customer data may be disclosed. In the event of termination of the outsourcing agreement, the insurer should ensure that the customer data is surrendered by the service provider to insurer and ensure there is no further use or misuse of customer data by the service provider.
- (4) Outsourcing service providers shall handle data shared by insurers in such manner as may be specified.

Internal Controls for outsourcing

52. All insurers shall establish systems and effective internal controls in relation to outsourcing as may be specified by the Authority, considering the interests of the insurer, policyholders and the insurance industry.

53. REGULATORY ACCESS

- (1) Insurers shall, in all cases, obtain an undertaking from their outsourcing service providers or include a provision within the outsourcing agreement, giving authorized representatives of the Authority the right to: -
 - a. examine the books, records, information, systems and the internal control environment in the outsourcing service provider (or sub-contractor as applicable), to the extent that they relate to the service being performed for the insurer, and
 - b. access any internal audit reports or external audit findings of the outsourcing service provider that concern the service being performed for the insurer.

- (2) In cases where insurer outsources to the service providers outside India, if permitted by the Competent Authority, the insurers shall ensure that the terms of the agreement are in compliance with respective host country regulations governing the outsourcing service provider and laws of the country concerned and such laws and regulations do not impede the regulatory access and oversight by the Authority. All original policyholder records continue to be maintained in India.

54. REPORTING REQUIREMENTS

- (1) Insurers shall make such disclosure on outsourcing activity/arrangement in its annual report as may be specified.
- (2) Notwithstanding the above, the Competent Authority may call for details, cause inspection in respect of any outsourcing arrangements.

Chapter 4

MISCELLANEOUS

55. Trade logo

An insurer using the trade logo shall comply with the guidelines specified in this regard from time to time.

56. Powers to issue circular, guidelines and directions

The Competent Authority may issue circulars, guidelines and directions, if necessary, from time to time, relating to Part A and Part B of these regulations including, but not limited to, transitory provisions regarding implementation process of these regulations.

57. Power to remove difficulties and issue clarifications

In order to remove any doubts or difficulties that may arise in the application or interpretation of any of the provisions of these regulations, the Competent Authority may issue appropriate clarifications or guidelines as and when deemed necessary.

58. Repeal and Savings:

- (1) The following regulations shall be repealed from the date these regulations come into force:
- a) The Insurance Regulatory and Development Authority (Manner of Receipt of Premium) Regulations, 2002
 - b) The Insurance Regulatory and Development Authority of India (Places of Business) Regulations, 2015
 - c) The Insurance Regulatory and Development Authority of India (Fee for registering cancellation or change of nomination) Regulations 2015
 - d) The Insurance Regulatory and Development Authority of India (Fee for granting written acknowledgement of receipt of Notice of Assignment or Transfer) Regulations, 2015
 - e) The Insurance Regulatory and Development Authority of India (Issuance of e-Insurance Policies) Regulations, 2016
 - f) Insurance Regulatory and Development Authority of India (Outsourcing of Activities by Indian Insurers) Regulations, 2017
 - g) The Insurance Regulatory and Development Authority of India (Protection of Policyholders' Interests) Regulations, 2017
 - h) The Insurance Regulatory and Development Authority of India (Insurance Advertisements and Disclosure) Regulations, 2021
- (2) Unless otherwise provided by these regulations, anything done or any action taken or purported to have been done or taken in respect of the regulations mentioned in sub-regulation (1) above shall be deemed to have been done or taken under the corresponding provisions of these regulations.

DEBASISH PANDA, Chairperson