



April – June 2024

This newsletter captures the key regulatory developments in the insurance sector between April - June 2024. The Insurance Regulatory and Development Authority of India (“**IRDAI**”) and the International Financial Services Centres Authority (“**IFSCA**”) have introduced various measures to promote ease of doing business and to ensure the protection of the interest of the policyholders. This Newsletter describes the relevant developments which have changed and enhanced the structure of the insurance sector in the second quarter of 2024.

## Master Circulars:

### Master circular on rural, social sector and motor third party obligations

This master circular is issued in line with the IRDAI (Rural, Social Sector and Motor Third Party Obligations) Regulations, 2024, and specifies that life, general and stand-alone health insurers will mandatorily insure a minimum percentage of lives (for life, health and accident insurance), dwelling and shops, and vehicles towards meeting rural, social sector and motor third-party obligations.<sup>1</sup> Some of the key provisions of the circular are as follows:

1. all life insurers must insure a minimum percentage of lives in identified and allocated gram panchayats. Similarly, general insurers must insure (i) minimum percentage of dwelling and shops under fire insurance; (ii) minimum percentage of vehicles under motor insurance; and (iii) minimum percentage of lives under health insurance and personal accident insurance to achieve complete saturation of the identified gram panchayats;
2. detailed methodology is provided for arriving at the obligations with respect to rural, social sector and motor third party coverage; and
3. processes to check compliance and essential reporting requirements are prescribed.

### Master circular on submission of returns

Certain IRDAI regulations and their corresponding master circulars require insurers and reinsurers, to submit certain returns on a periodical basis. This master circular aims to create a single reference for all such returns to be filed and harmonise the timelines and instructions for filing of these returns into a unified framework.<sup>2</sup> It is applicable to every life insurer, general insurer, health insurer and reinsurers and foreign reinsurance branches transacting reinsurance business in India.

<sup>1</sup> Circular dated May 10, 2024. F. No. IRDAI/NL/CIR/RSS/77/5/2024.

<sup>2</sup> Circular dated June 14, 2024. IRDAI/NL/MSTCIR/RT/93/6/2024.

## **Master circular on registration, capital structure, transfer of shares and amalgamation of insurers, 2024**

This master circular is issued to specify various forms and provide clarifications on various provisions prescribed under the IRDAI (Registration, Capital Structure, Transfer of Shares and Amalgamation of Insurers) Regulations, 2024,<sup>3</sup> such as details of various applications to be submitted for including registration as an insurance company, submissions of returns and transitory provisions, listing of equity shares, scheme of amalgamation, issuance of capital, compliance with regards to shares allotted pursuant to ESOP or any other similar scheme for the benefit of the employees or directors of the insurer. It is applicable to all insurers (excluding foreign reinsurer's branches) and applicants seeking registration to carry on insurance business.

## **Master circular on expenses of management, including commission, of insurers, 2024**

This master circular is issued to supplement the IRDAI (Expenses of Management, including Commission, of Insurers) Regulations, 2024.<sup>4</sup> It is applicable to life, general and health insurers. Some of the key provisions of the circular are as follows:

1. every insurer must formulate a policy, approved by the board, for payment of commission;
2. every insurer must prepare a business plan, which will be monitored by the board at regular intervals;
3. every insurer must place the return and the statutory auditor's certificate before the board for approval. The return of expenses of management and specified documents duly adopted by the board as well as the certified true copy of minutes of the approving these documents must be filed with the IRDAI along with annual financial statements; and
4. every insurer must place the return on payment of commission before the board for approval and submit the same to the IRDAI.

## **Master circular on actuarial, finance and investment functions of insurers**

This master circular is issued to provide guidance on various provisions of the IRDAI (Actuarial, Finance and Investment Functions of Insurers) Regulations, 2024.<sup>5</sup> It is applicable to all insurers including those engaged exclusively in re-insurance business, unless otherwise specified. The master circular is divided into 3 (three) broad heads – Actuarial Function, Finance Function and Investment Function. Some of the key provisions of the circular are as follows:

1. Actuarial Function: it details provisions relating to appointment of appointed actuary/mentor actuary/consulting actuary/certifying actuary; prescribes valuation provisions and returns to be filed for life, general, standalone health insurance and reinsurance business;
2. Finance Function: all insurers must furnish the annual financial statements and other filings with the IRDAI within 3 (three) months from end of the financial year, or within 30 (thirty) days from the date of adoption of accounts by the board, whichever is earlier;
3. Investment Function: it prescribes the various categories of investments and the valuation methodology for investment in such categories by insurers. Insurers must ensure that there are proper risk management systems with respect to investment. Insurers must build an adequate expertise in equity research by establishing a dedicated equity research department, corresponding with the scale of their operations. They must ensure robust internal credit rating systems to ensure continuous monitoring of the rating migration of the issuers/issues.

<sup>3</sup> Circular dated May 15, 2024. IRDAI/F&I/CIR/78/5/2024.

<sup>4</sup> Circular dated May 15, 2024. IRDAI/F&I/CIR/79/5/2024.

<sup>5</sup> Circular dated May 17, 2024. IRDAI/ACTL/CIR/MISC/80/05/2024.

## Master circular on corporate governance for insurers

The main objectives of the master circular are, to provide a framework for insurers to: (a) adopt sound and prudent principles and practices in their governance structure, and (b) define the roles and responsibilities of the board of directors and management of insurers and establish stewardship principles to protect the interests of all stakeholders, particularly policyholders.<sup>6</sup>

For a detailed analysis, please refer to the [JSA Prism of May 2, 2024](#).

## Master circular on health insurance business

This master circular provides guidance on various provisions of the IRDAI (Insurance Products) Regulations, 2024 relating to health insurance.<sup>7</sup> It is applicable to all life, general and health insurers. Some of the key provisions of the circular are as follows:

1. existing products which are not complying with the IRDAI (Insurance Products) Regulations, 2024 and this master circular must be modified on or before September 30, 2024;
2. wider choice must be provided by insurers by making available products/add-ons/riders by offering diverse insurance products catering to all ages, regions, occupational categories, medical conditions/ treatments, all types of hospitals and health care providers to suit the affordability of the policyholders/prospects;
3. insurers should endeavor to cover technological advancements and treatments;
4. guidelines on insurance product which include free look period, payment of premium, renewal, portability, cashless facility, settlement of claims, and no claim bonus.
5. introduction of 'Customer Information Sheet', which is to be provided by the insurer, along with every policy document, which explains the basic features of insurance policies in simple words; and
6. customer must be provided with the flexibility to choose products/add-ons/riders as per his/her medical conditions/specific needs.

## Master circular on general insurance business

This master circular provides guidance on various provisions of the IRDAI (Insurance Products) Regulations, 2024 relating to the operational aspects of general insurance products.<sup>8</sup> It is applicable to all general insurers and to every existing general insurance product and add-on covers. Some of the key provisions of the circular are as follows:

1. availability of wider choices of products/add-ons covering customer assets, risks, properties, liabilities against various perils, exposures and lines of business;
2. possibility of customisation of products and flexibility to choose products as per customer's needs;
3. guidelines on insurance product which include payment of premium, renewal, cashless facility, settlement of claims, and no claim bonus.
4. introduction of a 'Customer Information Sheet' to provide clear and concise policy details, including scope of coverage, exclusions, warranties, and claim settlement processes;
5. broad principles introduced for compliance by insurers, by providing oversight and governance mechanism to be strengthened for various stages of insurance contract; and

<sup>6</sup> Circular dated May 22, 2024. IRDAI/F&I/CIR/MISC/82/5/2024.

<sup>7</sup> Circular dated May 29, 2024. IRDAI/HLT/CIR/PRO/84/5/2024.

<sup>8</sup> Circular dated June 11, 2024. IRDAI/NL/MSTCIR/MISC/90/6/2024.

- work allocation to be done on a random basis in an automated manner without human intervention through a tech-based solution, to ensure equitable and fair opportunities to the surveyors and loss assessors.

### Master circular on life insurance products

This master circular provides guidance on various provisions of the IRDAI (Insurance Products) Regulations, 2024.<sup>9</sup> It is applicable to all life insurers. Some of the key provisions of the circular are as follows:

- a 'Customer Information Sheet' must be provided with every policy in the prescribed format along with the policy document explaining in simple words the basic features of a policy;
- facility of policy loan is now mandatory for all life insurance savings products, enabling policyholders to meet liquidity requirements;
- guidelines on insurance product which include free look period, payment of premium, renewal, cashless facility, settlement of claims, and no claim bonus.
- the free look period, allowing policyholders to review the terms and conditions, has been extended from 15 (fifteen) days to 30 (thirty) days.

### Master circular on reinsurance

This master circular provides guidance on various provisions of the IRDAI (Registration and Operations of Foreign Reinsurers Branches and Lloyd's India) Regulations, 2024 and IRDAI (Reinsurance) Regulations, 2018.<sup>10</sup> It is applicable to all insurers, reinsurers, foreign reinsurers branches and Lloyd's India. It details provisions relating to registration of foreign reinsurers branches, Lloyd's India, service companies and syndicates of Lloyd's India and their operations. It also prescribes conditions for placement of reinsurance business with Cross Border Reinsurers ("CBRs"). CBRs accepting re-insurance business from India cedants are required to maintain collateral in India. The collateral can be either in the form of irrevocable Letter of Credit from the CBR or premium / funds withheld by the ceding insurer. These provisions are applicable for all the reinsurance placements with CBRs by cedants from India, for reinsurance programs for FY 2025-26 onwards.

### Master circular on operations and allied matters of insurers

This master circular is issued to strengthen the governance measures on the operations and allied matters of insurer and to boost the policyholder centric reform in the insurance sector.<sup>11</sup> It is in line with the IRDAI (Protection of Policyholder's Interests, operations and allied matters of Insurers) Regulations, 2024 and is applicable to all life insurers, general insurers, health insurers and distribution channels. Some of the key provisions of the circular are as follows:

- insurers must have a tech based robust mechanism for efficient and speedy grievance redressal of policyholders, while also striving to move towards "zero grievances". Insurers must strengthen the resolution processes with internal escalation matrix and Internal Ombudsman Schemes;
- Advertisement Committee, approved by the IRDAI, and/or a senior level officer of the distribution channel must examine and approve the advertisements to ensure that they are true and are not misleading;
- insurers are required to adopt a phygital approach (both physical and digital) to open places of business, to make insurance accessible at remote locations of the country;

<sup>9</sup> Circular dated June 12, 2024. IRDAI/ACTL/MSTCIR/MISC/89/6/2024.

<sup>10</sup> Circular dated May 31, 2024. IRDAI/REIN/MSTCIR/MISC/87/5/2024.

<sup>11</sup> Circular dated June 19, 2024. IRDAI/PPGR/CIR/MISC/97/06/2024.

4. insurers can outsource permitted activities only if they are economical and efficient in providing services to the customers and/or enhance value to their business; and
5. provisions to streamline group insurance business, such as:
  - (i) insurers to issue 'Certificate of Insurance' to all the members of a non-employer-employee group scheme;
  - (ii) consent of nominee/policyholder/beneficiary is necessary for repayment of outstanding loan amount from the proceeds of an assigned policy; and
  - (iii) no claim will be denied for non-availability of details of members of the group, in case of group mediclaim policies.

## **Denotification of tariffs**

IRDAI is empowered to de-notify tariffs previously notified by the Tariff Advisory Committee. In this regard, IRDAI, vide notification dated March 20, 2024, denotifies the following insurance tariffs with effect from April 1, 2024:

1. Fire Insurance Tariffs, namely, All India Fire Tariff, Industrial All Risks Tariff, Consequential Loss (Fire) Tariff, Petro-chemical Tariff, List of Hazardous Goods;
2. All India Motor Tariff;
3. Engineering Insurance Tariffs, namely, Contractors All Risk Insurance, Contractors Plant and Machinery Insurance, Machinery Breakdown Insurance, Electronic Equipment Insurance, Civil Engineering Completed Risks Insurance, Erection All Risk/Storage Cum Erection Insurance, Loss of profit (MB & BLOP) Insurance, Boiler and Pressure Vessels Insurance;
4. Deterioration of Stocks-(potato) Insurance;
5. Workmen's Compensation Insurance Tariffs; and
6. Tea Tariff.

The coverage of risks coming within the scope of the denotified tariffs are subject to the IRDAI (Insurance Products) Regulations, 2024 and the Master Circular (Guidelines) on products and procedures in general insurance business. It is clarified that an insurer cannot withdraw or discourage the use of or decline to offer to any customer any of the tariff products which are in existence, prior to this notification.

## **Insurers no longer required to submit information relating to cases**

IRDAI has withdrawn its circular dated December 17, 2009, which required all life and general insurance companies to submit, on a quarterly basis, details of the cases filed against insurers by policy holders in the various consumer courts challenging repudiation of claims and awards passed by the ombudsman in the different courts.<sup>12</sup>

## **Unsolicited Commercial Communications ("UCC") through telecom resources**

IRDAI has instructed all Regulated Entities ("REs"), insurance companies and insurance intermediaries not to call customers from an unauthorised 10-digit mobile number and landline numbers to curb UCC through voice calls or messages, in line with the guidelines of Telecom Regulatory Authority of India ("TRAI") dated May 4, 2024.<sup>13</sup> An IRDAI licensed RE, sending a commercial communication to their existing or prospective customers must fulfil TRAI prescribed regulatory requirements and get registered with any of the telecom service providers.

<sup>12</sup> Circular dated May 1, 2024. IRDAI/LGL/CIR/71/5/2024.

<sup>13</sup> Circular dated May 28, 2024. IRDAI/ PP&GR/CIR/MISC/83/05/2024.

## **Frequently Asked Questions ("FAQs") on IFSC Insurance Office**

FAQs on IFSC Insurance Office are updated as on May 30, 2024.

### **Using motor vehicles without valid motor third party insurance is a punishable offence**

The Ministry of Road Transport & Highways has declared that those who drive or allow an uninsured vehicle to be driven without a valid motor third party insurance will be liable to be punished.<sup>14</sup> Such offenders are punishable under Section 196 of the Motor Vehicles Act, 1988:

1. first offence: imprisonment upto 3 (three) months, or fine of INR 2,000 (Indian Rupees two thousand) or both; and
2. subsequent offence: imprisonment upto 3 (three) months, or fine of INR 4,000 (Indian Rupees four thousand) or both.

### **Insurance Practice**

JSA is a trusted advisor to leading insurers, reinsurers, brokers, underwriters and consultants on complex transactions, disputes, financing and regulatory and commercial matters. The team with domain-expertise in the sector has an unparalleled ability to assist insurance companies in their Indian operations. JSA has been keenly involved in advising private players both in life and non-life insurance sectors on diverse matters relating to: (a) Regulatory approvals; (b) Compliance requirements; (c) M&A transactions; (d) corporate and regulatory issues; (e) Litigation relating to insurance claims.

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<sup>14</sup> Press Release dated June 11, 2024.



		
<p>18 Practices and 25 Ranked Lawyers</p>	<p>14 Practices and 38 Ranked Lawyers</p>	<p>Recognised in World's 100 best competition practices of 2024</p>
		
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