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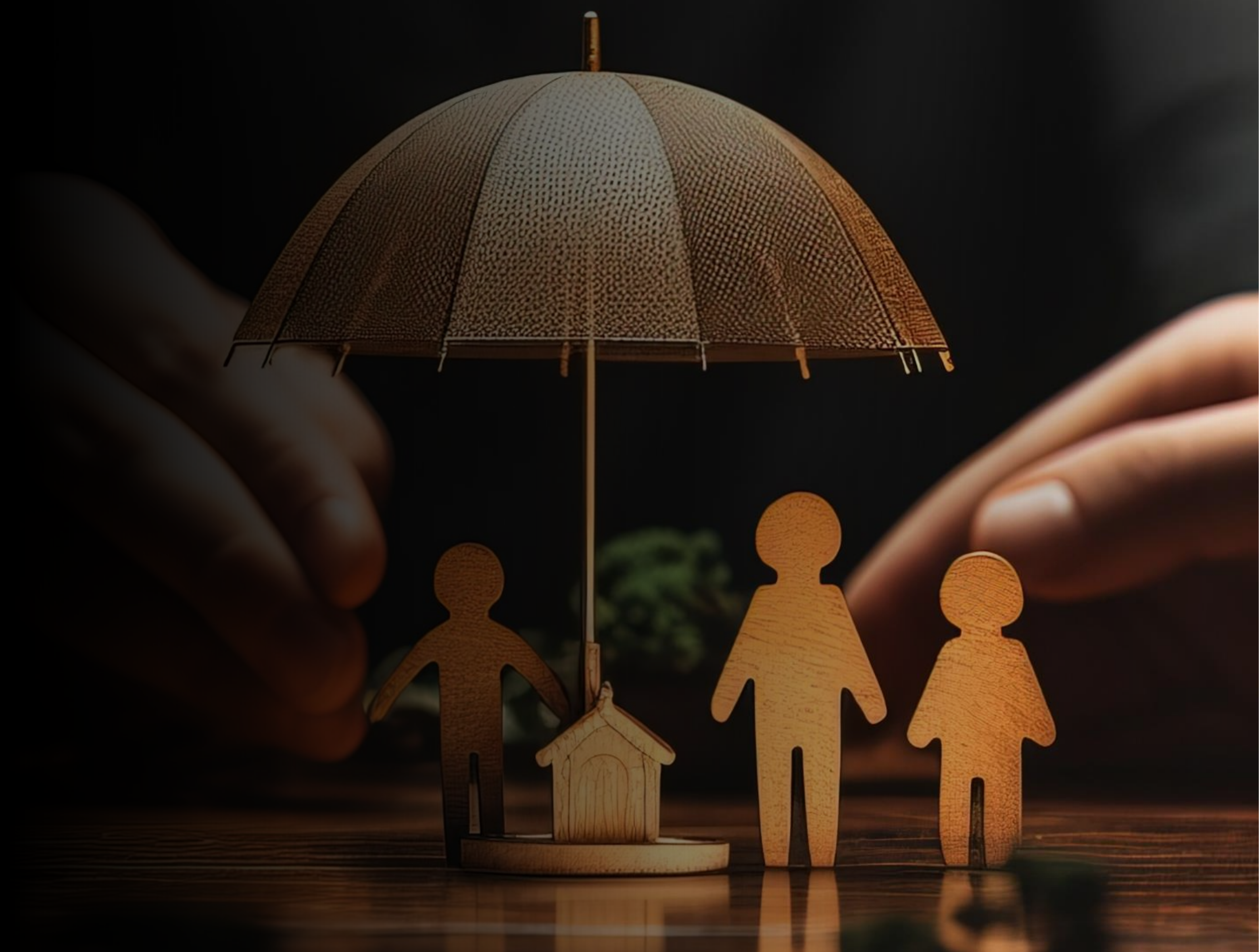


Knowledge Management

Semi-Annual Insurance Compendium 2024

January – June 2024

Semi-Annual Insurance Compendium 2024

Introduction

This Compendium consolidates all key developments pertaining to Insurance Sector which were circulated as JSA Newsletters/ Prisms from January 2024 till June 2024. The Insurance Regulatory and Development Authority of India ("**IRDAI**") introduced various measures to promote ease of doing business, and to ensure protection of the interests of the policyholders.

Submission of advance reinsurance programme

To ensure compliance with the provisions of IRDAI (Re-Insurance) Regulations, 2018, IRDAI reiterated that every insurer is required to submit the advance reinsurance programme at least 45 (forty-five) days before the commencement of a financial year. A certificate confirming the information in the programme must be duly signed by the CEO and CFO of the insurer.[1]

Subsequently, a master circular providing guidance on various provisions of IRDAI (Registration and Operations of Foreign Reinsurers Branches and Lloyd's India) Regulations, 2024 and IRDAI (Reinsurance) Regulations, 2018[2] was released. It applies to all insurers, reinsurers, foreign reinsurer branches and Lloyd's India. It details provisions relating to registration of foreign reinsurer 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 apply to all reinsurance placements with CBRs by cedants from India, for reinsurance programs from the financial year 2025-2026 onwards.

Regulations on expenses of management consolidated

To promote a favorable business environment and empower Board of Directors ("**Board**") of insurers in

[1] Circular dated January 5, 2024. F. No. IRDAI/REIN/CIR/RISF/4/1/2024.

[2] Circular dated May 31, 2024. F. No. IRDAI/REIN/MSTCIR/MISC/87/5/2024.

taking operational decisions with sufficient flexibility, IRDAI issued IRDAI (Expenses of Management("**EoM**"), including Commission, of Insurers) Regulations, 2024 ("**EOM Regulations**")[3]. They apply to insurers transacting life insurance business, general insurance business or health insurance business in India. The EOM Regulations repeal and consolidate 3 (three) regulations.[4]

Subsequently, a master circular was issued to supplement the EOM Regulations.[5] It applies to life, general and health insurers. Some of the key provisions of the master 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 EoM and specified documents duly adopted by the Board as well as the certified true copy of the minutes approving these documents must be filed with IRDAI along with the 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 IRDAI.

Regulations on registration, capital structure and transfer of shares of insurers

To promote ease of doing business, IRDAI issued IRDAI (Registration, Capital Structure, Transfer of Shares and Amalgamation of Insurers) Regulations, 2024[6], ("**RCTA Regulations**"). The RCTA Regulations repeal 7 (seven) regulations[7] and streamlines the process of registration, acquisition and transfer of shares, and amalgamation of insurers. Some of the key provisions are as follows:

1. **Registration of insurer**: Under the RCTA Regulations, an applicant may make a requisition for registration for any one of the following classes of insurance business: (a) life insurance business; (b) general insurance business; (c) health insurance business; and (d) reinsurance business. On receiving the application, the Competent Authority (chairperson, or a member determined by the chairperson) issues the certificate of registration. The certificate of registration becomes invalid if the applicant does not commence insurance business within 12 (twelve) months from the grant of such certificate.
2. **Capital structure**: The amount of minimum paid-up equity capital for each type of business is detailed. It also details the lock-in period for issuers not having their shares listed on any stock exchange recognised in India. Further, the investment limits, lock-in period and other share issuing related requirement are also prescribed under the RCTA Regulations.
3. **Transfer of shares**: the RCTA Regulations detail the manner of obtaining prior approval of IRDAI for certain transfer of shares. An application for transfer of shares is required to be accompanied by a declaration from the proposed shareholder and a certificate from category-I merchant banker registered under SEBI, certifying the fair value per share of the insurer. Any transfer of shares executed beyond the stipulated threshold limits without the prior approval of IRDAI will attract regulatory action.
4. **Amalgamation and transfer of insurance business**: Any transfer or amalgamation of insurance business must be in accordance with a scheme prepared under the Insurance Act, 1938 ("**Insurance Act**") and approved by IRDAI in

[3] Notification dated January 22, 2024. F. No. IRDAI/Reg/2/196/2024
[4] The repealed regulations are IRDAI (EoM of Insurers transacting General or Health Insurance Business) Regulations, 2023; IRDAI (EoM of Insurers Transacting Life Insurance Business) Regulations, 2023; and IRDAI (Payment of Commission) Regulations, 2023.
[5] Circular dated May 15, 2024. IRDAI/F&I/CIR/79/5/2024
[6] Notification dated March 20, 2024. F. No. IRDAI/Reg/6/200/2024
[7] The repealed regulations are IRDAI (Registration of Indian Insurance Companies) Regulations, 2022; IRDAI (Other Forms of Capital) Regulations, 2022; IRDAI (Manner of Assessment of Compensation to Shareholders or Members on Amalgamation) Regulations, 2021; IRDAI (Issuance of Capital by Indian Insurance Companies transacting other than Life Insurance business) Regulations, 2015; IRDAI (Issuance of Capital by Indian Insurance Companies transacting Life Insurance business) Regulations, 2015; IRDAI (Scheme of Amalgamation and Transfer of Life Insurance Business) Regulations, 2013; and IRDAI (Scheme of Amalgamation and Transfer of General Insurance Business) Regulations, 2011.

accordance with the RCTA Regulations. RCTA Regulations lists the factors on which applications can be examined, and the final approval be given by IRDAI.

Subsequently, a master circular was issued to specify various forms and provide clarifications on various provisions prescribed under RCTA Regulations,[8] such as details of various applications to be submitted for including registration as an insurers, 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 applies to all insurers (excluding foreign reinsurer's branches) and applicants seeking registration to carry on insurance business.

Effective discharge of actuarial, finance and investment functions of reinsurance business

IRDAI issued IRDAI (Actuarial, Finance and Investment Functions of Insurers) Regulations, 2024 ("**AFIF Regulations**")[9] which are applicable to all insurers, including reinsurers. They prescribe management practices for actuarial, finance and investment functions and conditions for loan and advances by insurers in India. Pursuant to these regulations, insurers are required to formulate policies for actuarial, finance and investment functions, such as bonus distribution philosophy, asset-liability management, investment and risk management. These regulations repeal 9 (nine) regulations.[10]

Subsequently, a master circular was issued to provide guidance on various provisions of AFIF Regulations.[11] It applies to all insurers including those engaged exclusively in re-insurance business, unless otherwise specified. The master circular is divided into 3 (three) broad heads: (a) actuarial function; (b) finance function; and (c) investment function. Some of the key provisions of the master 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 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.

Promoting prudent practices in risk management related to outsourcing activities by insurers

To safeguard the interest of policyholders and offer guidelines to insurers while outsourcing certain activities, IRDAI issued IRDAI (Protection of Policyholders' Interests and Allied Matters of Insurers) Regulations, 2024 ("**PPIA Regulations**").[12] These regulations consolidate 8 (eight) regulations[13] into a

[8] Circular dated May 15, 2024. IRDAI/F&I/CIR/78/5/2024
[9] Notification dated March 20, 2024. F. No. IRDAI/Reg/10/204/2024
[10] The repealed regulations are IRDAI (Actuarial Report and Abstract for Life Insurance Business) Regulations, 2016; Insurance Regulatory and Development Authority (Distributions of Surplus) Regulations, 2002; IRDAI (Assets, Liabilities and Solvency Margin of Life Insurance Business) Regulations, 2016; IRDAI (Assets, Liabilities and Solvency Margin of General Insurance Business) Regulations, 2016; IRDAI (Appointed Actuary) Regulations, 2022; IRDAI (Investment) Regulations, 2016; IRDAI (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2002; IRDAI (Inspection and Fee for Supply of Copies of Returns) Regulations, 2015; and IRDAI (Loans or Temporary Advances to Full Time Employees of the Insurers) Regulations, 2016.
[11] Circular dated May 17, 2024. F. No. IRDAI/ACTL/CIR/MISC/80/05/2024
[12] Notification dated March 20, 2024. F. No. IRDAI/Reg/11/205/2024
[13] 8 regulations have been repealed, namely, IRDAI (Manner of Receipt of Premium) Regulations, 2002; IRDAI (Places of

unified structure, focusing on several key objectives that ensure fair treatment of prospects during solicitation and sale of insurance policies as well as protects the interests of policyholders throughout their engagement with insurers and distribution channels. Some of the broad obligations of the insurers/ distribution channels are as follows:

1. provide the customer information sheet along with the policy document in the specified manner;
2. inform clearly and explicitly to the policyholder about the availability of the free look period;
3. ensure that the prospect or the policyholders are provided with necessary information about various services and widely disseminate information about all the services that may be availed, along with the procedure for availing such services including the turnaround times;
4. have a system, including IT systems, and a procedure for receiving, registering and disposing of grievances in each of its offices;
5. include their registered name along with their trade name or monogram or logo visible prominently while publishing their advertisements. All distribution channels must 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 them directly. No insurer or distribution channel will publish or cause to publish any misleading advertisement; and
6. have in place appropriate arrangements to ensure that the policyholder's liabilities that arise out of foreign operations are adequately ring-fenced to protect the Indian policyholder.

Subsequently, a master circular was 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.[14] It is in line with PPIA Regulations and is applicable to all life insurers, general insurers, health insurers and distribution channels. Some of the key provisions of the master circular are as follows:

1. 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;
2. Advertisement Committee, approved by 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;
3. 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;
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:
    a) insurers to issue ‘Certificate of Insurance’ to all the members of a non-employer-employee group scheme;
    b) consent of nominee/policyholder/beneficiary is necessary for repayment of outstanding loan amount from the proceeds of an assigned policy; and
    c) no claim will be denied for non-availability of details of members of the group, in case of group mediclaim policies.

IRDAI (Insurance Products) Regulations, 2024

The IRDAI (Insurance Products) Regulations, 2024 (“**Product Regulations**”),[15] were issued to facilitate the development of innovative insurance products and

Business) Regulations, 2015; IRDAI (Fee for registering cancellation or change of nomination) Regulations 2015; IRDAI (Fee for granting written acknowledgement of receipt of Notice of Assignment or Transfer) Regulations, 2015; IRDAI (Issuance of e-Insurance Policies) Regulations, 2016; IRDAI (Outsourcing of Activities by Indian Insurers) Regulations, 2017; IRDAI (Protection of Policyholders’ Interests) Regulations, 2017 and IRDAI (Insurance Advertisements and Disclosure) Regulations, 2021

[14] Circular dated June 19, 2024 IRDAI/PPGR/CIR/MISC/97/06/2024

[15] Notification dated March 20, 2024. F. No. IRDAI/Reg/8/202/2024

offer a swift response to the evolving market demands. They apply to insurers who have been granted certificate of registration to transact the business of life insurance or general insurance or health insurance. It encourages the development of products for different segments/strata of the society while protecting the interests of policyholders and maintaining regulatory compliance. It lays down the principles to be followed by an insurer in product design and development cycle of insurance products. These regulations repeal 6 (six) regulations.[16] Subsequently, 3 (three) master circulars on 'health insurance', 'general insurance', and 'life insurance' products were issued to supplement the Product Regulations. The key provisions of these master circulars are set out below.

Master circular on health insurance business

A master circular was issued providing guidance on various provisions of Product Regulations relating to health insurance.[17] It applies 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 Product Regulations 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 Product Regulations relating to the operational aspects of general insurance products.[18] It applies 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
6. work allocation to be done on a random basis in an automated manner without human intervention through a tech-based solution, to ensure equitable

[16] The repealed regulations are IRDAI (Micro Insurance) Regulations, 2015; IRDAI (Minimum Limits for Annuities and other benefits) Regulations, 2015; IRDAI (Acquisition of Surrender and Paid-up values) Regulations, 2015; IRDAI (Health Insurance) Regulations, 2016; IRDAI (Unit Linked Insurance Products) Regulations, 2019; and IRDAI (Non-Linked Insurance Products) Regulations, 2019.

[17] Circular dated May 29, 2024. IRDAI/HLT/CIR/PRO/84/5/2024

[18] Circular dated June 11, 2024. F. No. IRDAI/NL/MSTCIR/MISC/90/6/2024

and fair opportunities to the surveyors and loss assessors.

Master circular on life insurance products

This master circular provides guidance on various provisions of Product Regulations,[19] and applies to all life insurers. Some of the key provisions of the master circular are as follows:

1. 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;
2. facility of policy loan is mandatory for all life insurance savings products, enabling policyholders to meet liquidity requirements;
3. guidelines on insurance product which include free look period, payment of premium, renewal, cashless facility, settlement of claims, and no claim bonus; and
4. the free look period, allowing policyholders to review the terms and conditions, is extended from 15 (fifteen) days to 30 (thirty) days.

IRDAI issues regulations on corporate governance for insurers

On March 20, 2024, IRDAI issued IRDAI (Corporate Governance for Insurers) Regulations, 2024 ("**CG Regulations**") with a view to regulating the corporate governance practices of Indian insurers. The CG Regulations consolidate and update the corporate governance requirements issued under the 'Guidelines for Corporate Governance for Insurers in India'.

The stated objectives of these CG Regulations 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.

The CG Regulations cover various aspects of corporate governance, including the appointment of directors, key management persons ("**KMPs**"), and statutory auditors, the powers and role of the Board, stewardship requirements, and other governance requirements such as disclosure and reporting to IRDAI, and environmental, social and governance ("**ESG**"). Some key provisions of the CG Regulations are discussed below:

Applicability

The CG Regulations apply to all insurers except foreign companies engaged in re-insurance business through a branch established in India.

Board Composition

1. Every insurer will have a Board comprising of competent and qualified individuals as directors with qualifications and experience that are commensurate with the scale, nature, complexity of business and size of the insurer. The individuals comprising the Board should have financial and management expertise in various areas such as the line of business underwritten, actuarial and underwriting risks, finance, accounting, control functions, investment analysis and portfolio management, etc.
2. The chairperson of the Board will be appointed with the prior approval of the competent authority except in the case of public sector insurers.
3. In the event an independent director of the insurer resigns, the insurer must intimate IRDAI regarding

[19] Circular dated June 12, 2024. F. No. IRDAI/ACTL/MSTCIR/MISC/89/6/2024.

such resignation, along with reasons, within 30 (thirty) days of such resignation.

Independence of the Board

The CG Regulations require insurers to ensure an optimum composition of independent directors and non-executive directors on the Board, subject to a minimum of 3 (three) independent directors. In the event that an insurer has foreign investment, Indian Insurance Companies (Foreign Investment) Rules, 2015 will apply. Accordingly, if an Indian insurer has foreign investment exceeding 49%, at least 50% of the Board will consist of independent directors. However, under the said rules, if the chairperson of the insurer is an independent director, at least one-third of the Board will consist of independent directors. The CG Regulations further state that insurers will ensure the independence of the Board from management and promoters.

Committees

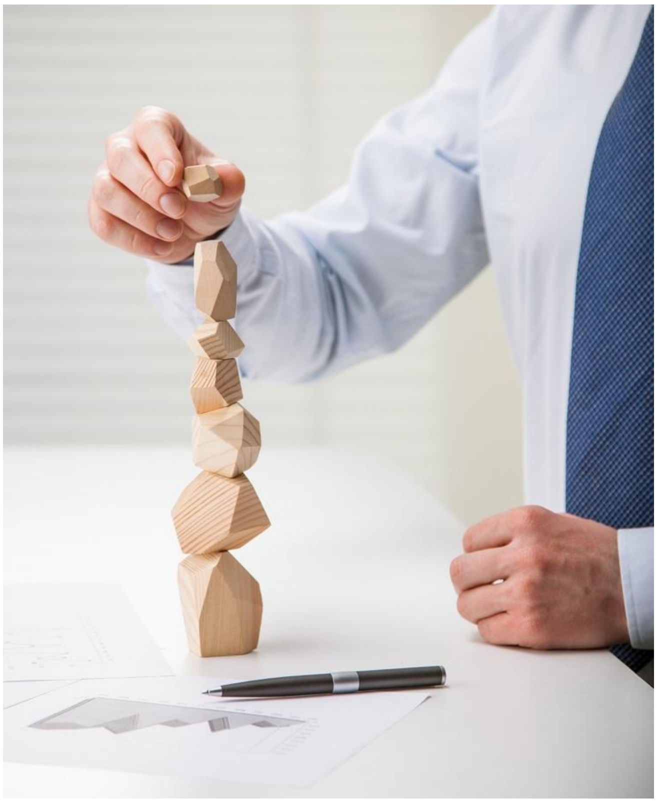
Insurers will ensure the constitution of below committees:

1. **Committees mandated by the Companies Act, 2013**: Insurers are required to constitute audit committee, nomination and remuneration committee, corporate social responsibility committee and any other committee as mandated by Companies Act, 2013;
2. **Risk management committee**: This committee will be responsible for implementing a risk management system to have strong risk management strategies including asset-liability management;
3. **Policyholder protection, grievance redressal and claims monitoring committee**: This committee is required to establish suitable systems and processes for protecting the interests of policyholders, creating insurance awareness, monitoring the claims settlement processes and establishing efficient and effective grievance redressal mechanism. In the event an insurer is carrying out solely the business of re-insurance, the composition of this committee is not mandatory for such insurer;
4. **Investment committee**: This committee is required to formulate and recommend an investment policy and the operational framework for the investment operations of the insurer; and
5. **'With profits committee'**: Every insurer transacting 'participating life insurance' business is required to constitute a 'with profits committee' with the objective of ensuring appropriate management of 'with profit business'.

Related party transactions

The CG Regulations mandate that the Board will constitute a policy on related party transactions which will include the definition of transactions in the ordinary course of insurance business, method of determination of arm's length pricing, list of items requiring approvals under applicable laws and/or from audit committee of the insurer, Board, shareholders and any other matter relevant to the related party transactions. The policy on related party transactions will be reviewed annually by the Board.

Succession planning



The Board of the insurer is required to adopt a succession plan which *inter alia,* will provide for a process for identifying and nurturing individuals to take up director and KMP positions in the insurers. Such plan will be reviewed by the Board on an annual basis.

Key Management Persons

The CG Regulations refer to the RCTA Regulations for the definition of KMPs. According to the RCTA Regulations, KMPs include members of the core management team of an insurer including all whole-time directors or managing directors or chief executive officer and the functional heads one level below the managing director or chief executive officer, including the chief financial officer, appointed actuary, chief investment officer, chief risk officer, chief compliance officer and the company secretary. All KMPs must be appointed on the recommendation of the nomination and remuneration committee. Every insurer will appoint a managing director/chief executive officer or whole-time directors after the Board carries out due diligence to ensure that such individual is 'fit and proper'.

A chief compliance officer ("**CCO**") will be appointed as the designated compliance officer for a minimum period of not less than 3 (three) years. The duties of such appointed CCO will include apprising the Board and senior management on the applicable laws, ensuring compliance with the same and designing the compliance framework.

IRDAI will be informed of any vacancy in the KMP positions, along with the reasons for the same. Such position will not remain vacant for more than 180 (one hundred and eighty) days continuously.

The CG Regulations also require insurers to ensure independence of control functions including compliance, risk, audit, actuarial and secretarial functions.

Remuneration of directors and KMPs

The Board of the insurer will formulate a remuneration policy for directors and KMPs. The Board must also ensure that the decision-making process in the remuneration policy identifies and manages conflicts of interest. Further, it must also be ensured that the members of the Board are not placed in positions of actual or perceived conflicts of interest with respect to remuneration decisions.

Auditors

Insurers will appoint a minimum of 2 (two) auditors appointed as joint statutory auditors with no conflict of interest in the appointment. Statutory auditors will be appointed by the Board with the audit committee's recommendation and subject to the approval of shareholders in the general meeting.

Stewardship

A stewardship policy will be formulated by the insurer with the approval of the Board to identify and define the stewardship responsibilities that an insurer wishes to undertake along with the process to fulfil the responsibilities to enhance the benefits to policyholders. Such policy will ensure that insurers are actively involved in general meetings of investee companies and engage with managements at a greater level to improve their governance.

Disclosing and reporting requirements

Compliance with the CG Regulations must be ensured by CCO, who will be the designated compliance officer for submitting returns, reports and applications for approvals to IRDAI, unless otherwise specified. An annual report will be submitted with details on status of compliance in the manner prescribed by the competent authority.

ESG framework

Insurers will put in place an ESG framework which will be approved by the Board and reviewed annually. The Board must also establish a specific climate risk management framework to facilitate climate risk management.

Conclusion

These CG Regulations mark the first instance where governance aspects under the existing guidelines are formalised into regulations. By covering various aspects such as independence of the Board, its roles and responsibilities, management of insurers, ensuring compliance with governance and disclosure requirements and adoption of stewardship policies, the regulations have emphasised transparency, accountability and protection of interests of stakeholders. It may be pertinent to note that the implementation of these regulations needs to be a dynamic exercise, requiring insurers to undertake effective planning, resource allocation and collaboration with IRDAI.

Subsequently, a master circular was issued 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.[20]

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

To ensure easy accessibility of insurance products to all, IRDAI issued IRDAI (Rural, Social Sector and Motor Third Party Obligations) Regulations, 2024 ("**RUSO & MTP Regulations**").[21] These regulations stipulate a minimum requirement of rural and social sector insurances, such as life insurance, general insurance, health insurance and motor insurance, that insurers must underwrite. The scope of social sector is extended to cover cardholders and beneficiaries under various schemes.

Subsequently, a master circular was issued in line with the RUSO & MTP Regulations, and it 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.[22] Some of the key provisions of the master 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 (a) minimum percentage of dwelling and shops under fire insurance; (b) 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.[23] It applies to every life insurer, general insurer, health insurer and reinsurers and foreign reinsurance branches transacting reinsurance business in India.

Framework for establishment, governance and functioning of the Bima Sugam - Insurance Electronic Marketplace

IRDAI issued IRDAI (Bima Sugam - Insurance Electronic Marketplace) Regulations, 2024[24] to enable the functioning of the 'Bima Sugam - Insurance Electronic Marketplace' and the company formed for this purpose. These regulations offer a one stop shop for insurance consumers, insurers, intermediaries/insurance intermediaries and agents. "Bima Sugam - Insurance Electronic Marketplace," is a resilient Digital Public Infrastructure built on open standards and interoperable platforms. Its primary objective is to facilitate seamless integration with various services, including but not limited to the purchase, sale, and servicing of insurance policies, settlement of insurance claims, grievance redressal, and other related matters, as permitted by IRDAI. The

[20] Circular dated May 22, 2024. F. No. IRDAI/F&I/CIR/MISC/82/5/2024
[21] Notification dated March 20, 2024. F. No. IRDAI/Reg/4/198/2024
[22] Circular dated May 10, 2024. F. No. IRDAI/NL/CIR/RSS/77/5/2024
[23] Circular dated June 14, 2024. F. No. IRDAI/NL/MSTCIR/RT/93/6/2024.
[24]Notification dated March 20, 2024. F. No. IRDAI/Reg/5/199/2024.

regulations provide the regulatory framework for establishment, governance and functioning of the marketplace.

Obligatory cession for the financial year 2024-25

In line with Section 101A of the Insurance Act, insurers are required to reinsure with Indian re-insurers a specified percentage of the sum assured on each policy ("**Mandatory Cessions**"). To facilitate this, IRDAI released a notification prescribing Mandatory Cessions applicable to Indian re-insurers and other applicable insurers.[25] The Mandatory Cession of the sum insured on each general insurance policy to be reinsured with the Indian re-insurer(s) is set at 4% of insurance attaching during the financial year beginning from April 1, 2024 to March 31, 2025, except for terrorism premium and premium ceded to nuclear pool (which will be NIL).

The percentage of commission on obligatory cession for different classes of business are as follows:

1. minimum 5% for motor TP and oil & energy insurance;
2. minimum 10% for group health insurance;
3. minimum 7.50% for crop insurance;
4. average terms for aviation insurance; and
5. minimum 15% for all other classes of insurance business.

Commission over and above these limits can be as mutually agreed between Indian re-insurer(s) and the ceding insurer. Further, the Indian re-insurer will share the profit commission, on 50:50 basis, with the ceding insurer based on the performance and surplus of the total obligatory portfolio of the ceding insurer.

Investments in Infrastructure Debt Fund - Non-Banking Financial Company

To encourage insurers to participate in the financing of the infrastructure sector, the Reserve Bank of India ("**RBI**") has done away with the requirement of case-to-case approval for an investment in an Infrastructure Debt Fund ("**IDF**"). Pursuant to this relaxation, insurers are allowed to make investments in IDF- Non-Banking Financial Company ("**NBFCs**"), which will be reckoned as infrastructure investments, subject to the following conditions:

1. the IDF-NBFC must be registered with RBI;
2. debt securities must have residual tenure of not less than 5 (five) years;
3. it must have a minimum credit rating of AA or its equivalent by a credit rating agency registered with SEBI to be eligible for approved investments; and
4. exposure norms as per Note 3 of Regulation 9 of IRDAI (Investment) Regulations, 2016 will be applicable.

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, denotified 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 IRDAI (Insurance Products) Regulations, 2024 and the Master Circular (Guidelines) on products and procedures in general

[25] Notification dated February 16, 2024. F. No IRDAI/RI/3/197/2024

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.

Denotification of arbitration clause in risk contracts

Further to the October 27, 2023,[26] notification issued by IRDAI providing directions as regards the arbitration clause in general insurance policies, IRDAI has clarified that risk contracts such as fire, motor, engineering, workmen's compensation, and other classes of insurance business must be governed by the aforementioned notification.[27]

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 insurers 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.[28]

Unsolicited Commercial Communications through telecom resources

IRDAI has instructed all Regulated Entities ("**REs**"), insurers and insurance intermediaries not to call customers from an unauthorised 10-digit mobile number and landline numbers to curb Unsolicited Commercial Communications through voice calls or messages, in line with the guidelines of Telecom Regulatory Authority of India ("**TRAI**") dated May 4, 2024.[29] 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.

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

The Ministry of Road Transport and 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.[30] 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.

Frequently Asked Questions on International Financial Services Centres Insurance Intermediary Offices

Frequently Asked Questions ("**FAQs**") on International Financial Services Centres ("**IFSC**") Insurance Intermediary Offices were updated as on January 10, 2024.

FAQs on IFSC Insurance Office

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

[26] Circular dated October 27, 2023. IRDAI/NL/CIR/MISC/188/10/2023
[27] Notification dated January 22, 2024. F. No. IRDAI/Gen Insurance/Tariff/1/195/2024
[28] Circular dated May 1, 2024. IRDAI/LGL/CIR/71/5/2024.
[29] Circular dated May 28, 2024. IRDAI/ PP&GR/CIR/MISC/83/05/2024
[30] Press Release dated June 11, 2024

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