

The consultation paper seeking comments/views from public on the draft IFSCA (Manner of Payment and Receipt of Premium) Regulations, 2022 were issued by IFSCA on November 18, 2022. The following comments have been received:

Sr. No.	Reg. No.	Sub-Regu No. /Para No.	Comments / Suggestions / Suggested modifications	Rationale
1	1	1 (c)	It is suggested to modify definition of "cash deposit" as follows: 'cash deposit' means deposit of cash by the insured, policyholder or proposer to the insurer in advance towards payment or adjustment of premium;	The definition is too restrictive. Premium can be paid by the proposer, policyholder or insured having insurable interest in the subject of insurance. It is therefore suggested to modify the definition accordingly.
2	3	1(d)	It is suggested to modify definition of 'grace period' as follows: 'grace period' means the specified period of time immediately following the premium due date during which a payment can be made to renew or continue a policy in force to avoid a policy from getting lapsed. The term "in force" creates an ambiguity on whether grace period would be before expiry of the policy term.	We understand that the benefit of renewing the policy within a specified number of days will be subsequent to the expiry period and not during the subsistence of policy. Hence Authority may consider to modify the definition accordingly.
3	4	2	It is suggested to modify said clause as follows: (2) bank guarantee or an equivalent instrument issued by the bank or a regulated financial institute in favour of the Insurer for payment of premium in case the Insured or proposer fails to meet his or her obligations;	The reference to bank guarantee may vary from jurisdiction to jurisdiction. Hence, the language maybe modified to clarify considering it includes direct business from outside India. Reference to regulated financial institute included in light of direct business that maybe procured from outside India.
4	4	2	Capitalised term "Insured" to be defined.	The term "Insured" has not been defined, however the same has been capitalised. Further, considering the regulations deal with receipt of premium from the "Insured" persons, it may be pertinent to define the said term for the sake of clarity.
5	4	2	Bank guarantee as a mode of payment be reconsidered.	The proposed provision mentions "bank guarantee issued by the bank in favour of Insurer for payment of premium in case the Insured fails to meet his or her obligations". Herein, the term "bank" does not clarify whether this guarantee can be provided by any bank within or outside India or only specific banks located within IFSC. Further, bank guarantee as a mode of

				payment does not provide any guarantee of actual payment of premium, accordingly adding to the credit risk of the Insurer.
6	8	4	Request for Reinsurance premium payment in Indian Rupees also. One possible solution could be to denominate the reinsurance contract in foreign currency, however actual payment can be made by cedants in INR (Indian Rupee) equivalent	At present, the premium payments are to be made to the Reinsurers in freely convertible currency. Hereby, the currency conversion risk is on the reinsurer. This can help in providing a better currency stability (and less loss on conversion) to the reinsurer.
7	9		For reinsurance policies the premium should be refunded to insurance intermediary, who in turn will remit the refund to cedant.	In reinsurance transactions the premium is paid by Cedant to insurance intermediary, and depending on the share of each of the reinsurer the premium is remitted accordingly. Hence refund also should be done in the same manner as reinsurance premium.
8	9		The meaning and implication of the term “agent” needs to be clarified or defined in the context of IFSCs.	The general understanding of the term “agent” refers to “insurance agent” which is defined in the Insurance Act, 1938. Clarity is required as to whether the term “agent” here refers to such insurance agents or is broad enough to include intermediaries (IIIOs)/other entities.
9	9		It is suggested to modify said clause as follows: Any refund of premium, which may become due to an insured, on account of cancellation of a policy or alteration of any term and condition of the contract of insurance or otherwise, shall be paid by the insurer directly to the insured, or to the premium financing entity which has undertaken premium financing in accordance with the premium financing agreement with the insured, as the case maybe, in any manner specified in sub-regulation (1), (3) and (4) of regulation 4 of these regulations and shall in no case be credited to the account of the agent.	Premium financing is prevalent in foreign jurisdictions whereby premium is paid by premium financing entities by way of premium financing agreements. Proposed changes will facilitate refund of premium to the premium financing firms for cases where premium financing is opted by the customer.
10	9	1	We request the Authority to consider allowing refund of premium to the source of funds.	We request the Authority to consider allowing refund of premium to the source of funds, from where the payment is received by the IIO. This would help in faster settlement of refund for customers.

11	10	--	Reinsurance branches established as unincorporated IIOs may be permitted to adapt their Parent Credit risk policies	The branch as an extension of the parent will be subject to all policies of the Parent Board. Hence the Authority is requested to consider permitting reinsurance branches established as unincorporated IIOs to adapt their Parent Credit risk policy .
12	10	--	The contents of Credit Risk Policy need to be clarified further.	The proposed construct of credit risk policy only contains one mandated subject, being downsides of non-payment of premium by the insured. The contents of the policy beyond such subject need to be clarified for effective regulation.
13	--	--	Assignees should be allowed to be located across jurisdictions	Increase customer participation