

## **CONSULTATION PAPER ON PROPOSED IFSCA (INSURANCE PRODUCTS AND PRICING) REGULATIONS, 2022**

### **Objective:**

The objective of this consultation paper is to seek comments / views/ suggestions from public on the proposed International Financial Services Authority (Insurance Products and Pricing) Regulations, 2022.

### **Background:**

1. The International Financial Services Centres Authority (IFSCA) is the unified regulator for the development and regulation of financial products, financial services and financial institutions in the International Financial Services Centres (IFSCs) in India.
2. To strengthen the insurance eco-system and encourage retail participation in insurance sector at IFSC the IFSCA proposes to enact a comprehensive regulatory framework on Insurance Products and Pricing. These regulations focuses on principal based approach to be followed by the insurers.
3. The proposed IFSCA Insurance Products and Pricing) Regulations, 2022 Regulations, 2022 *inter alia* provide for :
  - (i) Product approval process,
  - (ii) Product Management,
  - (iii) Policy Servicing.
4. The draft regulations are placed on the website of the IFSCA at <https://ifsca.gov.in/PublicConsultation>. General public and stakeholders are requested to forward their comments / suggestions through e-mail to Department of Insurance, IFSCA at [insurance-dept@ifsca.gov.in](mailto:insurance-dept@ifsca.gov.in) with copy to Mr. Bhaskar Khadakhavi at [bhaskar.khadakhavi@ifsca.gov.in](mailto:bhaskar.khadakhavi@ifsca.gov.in) and Rishi Kale at [rishi.kale@ifsca.gov.in](mailto:rishi.kale@ifsca.gov.in) by 09<sup>th</sup> December, 2022 in the attached format. It is further requested to provide comments in MS Word or MS Excel format only.

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# INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY

## NOTIFICATION

Gandhinagar, the \_\_/\_\_, 2022

### **DRAFT - International Financial Services Centres Authority (Insurance Products and Pricing) Regulations, 2022**

F. No. IFSCA/2022-23/GN/REGxxx. - In exercise of the powers conferred by Section 28 read with section 3, Section 12 and Section 13 of the International Financial Services Centres Authority Act, 2019, the International Financial Services Centres Authority hereby makes the following regulations, namely -

#### **Chapter I**

#### **General**

#### **1. Short title and commencement -**

- (1) These regulations may be called the International Financial Services Centre (Insurance Products and Pricing) Regulations, 2022.
- (2) These regulations shall come into force on the date of their publication in the Official Gazette.

#### **2. Objectives –**

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

#### **3. Definitions –**

- (1) In these regulations, unless the context otherwise requires –
  - (a) ‘Act’ means the International Financial Services Centres Authority Act, 2019 (50 of 2019);

- (b) **‘Authority’ or ‘IFSCA’** means the International Financial Services Centres Authority established under sub-section (1) of Section 4 of the Act;
- (c) **‘board’** means the board of directors of an IIO, or the Board of the Parent Entity of an IIO, in case the IIO is not incorporated in IFSC;
- (d) **“Digital Signature”** shall have the same meaning as assigned to it in Information Technology Act, 2000;
- (e) **“e-Insurance Account” or “eIA”** is an electronic account opened by a person with an insurance repository where the portfolios of insurance policies of a policyholder are held in electronic form;
- (f) **“e-signature or electronic signature”** shall have the same meaning as assigned to it in Information Technology Act, 2000;
- (g) **“e-proposal” or “electronic proposal”** means a proposal form for an insurance policy filed in electronic form by the prospect with his electronic signature.
- (h) **“e-insurance policy” or electronic insurance policy”** shall mean an insurance policy that is digitally signed in accordance with the applicable provisions prescribed by law and issued in an electronic form either directly to the policyholder by the IIO or through the platform of registered Insurance repository.
- (i) **‘insurance policy’** means a document which is an evidence of insurance contract issued by an IIO;
- (j) **‘insurer or ‘International Financial Services Centre Insurance Office (IIO)’** shall have the meaning assigned to it under clause (k) of sub-regulation (1) of regulation 3 of the International Financial Services Centres Authority (Registration of Insurance Business) Regulations 2021;
- (k) **‘intermediary or insurance intermediary’** shall have the same meaning as assigned to it under clause (r) of sub-regulations (1) of regulation 3 of the International Financial Services Centres Authority (Insurance Intermediary) Regulations, 2021.
- (l) **“inspection”** means inspection of returns or their certified copy thereof submitted to the Authority;
- (m) **‘insurance product’** means any contract of insurance sold or proposed to be sold to a policy holder or prospect, as the case may be;

- (n) “**return**” means any information, material, data or statement, financial or otherwise mandated to be submitted by the regulated entities to the Authority in physical and/or electronic form in uniform periodicity, whether monthly, quarterly, half yearly, or annually and the disclosure of which is not barred or exempted by any law for the time being in force but shall not include the information, material, data or statements called for by the Authority in exercise of its regulatory powers;
- (2) Words and expressions used and not defined in these regulations but defined in the Act or Acts mentioned in the First Schedule to the Act or any rules, regulations or notifications made thereunder, shall have the same meanings respectively assigned to them in those Acts, rules or regulations or any statutory modification or re-enactment thereto, as the case may be.

## **CHAPTER II**

### **Product Approval Process**

4. Every IIO shall have a board approved ‘Product Oversight and Governance Policy’ which shall be in compliance with relevant regulatory framework and shall detail methods and processes for designing, approval, monitoring, reviewing and distributing insurance products, including corrective steps that are required to be taken for insurance products that are detrimental to prospects or policy holders;

*Explanation:* The ‘Product Oversight and Governance Policy’ shall govern all aspects of an Insurance Product to be marketed and distributed by a IIO and no approval for an Insurance Product is required from the Authority, unless so specified.

*Provided that* the IIO shall submit the final policy wording to the Authority, before marketing of an insurance product, other than a reinsurance product, including any modified or revised product, in such manner as may be specified by the Authority.

5. The IIO shall design and market insurance products considering the understanding of the prospects about the product and ensure that products are compatible with the needs, characteristics and objectives of the prospects .
6. The IIO shall maintain the documents, records and relevant actions taken by insurers in relation to their product approval process in line with ‘Product Oversight and Governance Policy.’
7. While designing, marketing or distributing an insurance products, the IIO shall:
- (1) take into account the objectives, interests and needs of the prospect;

- (2) ensure that the terms and conditions of the product does not adversely affect the interest of prospect; and
  - (3) ensure proper management of conflict of interest, if any, with the intermediary or insurance intermediary involved in distribution of the products.
8. The IIOs before marketing or significantly adapting the insurance products, shall test the products appropriately, including but not limited to, scenario analysis where relevant. Such test shall also be carried out in case of significant change in the target market.
9. The IIO shall submit to the Authority requisite information, documents or data relating to a product, as and when sought by the Authority, including justification of the rates, terms and conditions of insurance product offered;
10. If the Authority is of the view that the product is not in conformity with these requirements and/or not in the interest of prospects or policy holders, it may take appropriate action, including suspension, mandating modification or withdrawal of the product.
11. Upon receipt of direction of the Authority referred to in regulation 10, the insurers shall forthwith stop marketing or distributing such product either in the same name or under any other name.

### **CHAPTER III**

#### **PRODUCT MANAGEMENT**

12. **Insurance Product title and Unique Identification Number:**
  - (1) The IIO shall ensure that the insurance product carries the IIO's name and product's name in all pages of all the documents. It is also necessary that separate documents must carry page numbers as that of the total number of pages of each document (i.e. 1 of 30, 2 of 30 and so on if for example the total pages in the documents are 30).
  - (2) The IIO shall not market any insurance product without allotting a Unique Identification Number (UIN);

*Provided that* in case of modification or revision of an existing insurance product, a separate UIN shall be allotted, clearly indicating that the insurance product being marketed is revised version of an earlier insurance product.

*Provided further that* the existing IIOs may continue to market insurance products for a period of one month from notification of these regulations, without UIN.

- (3) The existing IIOs shall devise a methodology / algorithm for issuance of UIN, which shall be submitted with the Authority within one month from issuance of these regulations;
13. **Product Withdrawal:** In case, an IIO decides to withdraw an insurance product, it shall –
- (1) inform the existing policy holders at least 3 months before the expiry date of such policy.
- Provided that* the policies in force shall be valid till their respective expiry dates.
- (2) inform the Authority, at least 3 months before the scheduled date of withdrawal of insurance product.
14. **Cancellation of Policies:**
- (1) Every insurance policy shall contain the cancellation clause and grounds leading to cancellation of an insurance policy along with the timelines for cancellation.
- (2) The IIO may cancel the policy mid-term only on the grounds of fraud, misrepresentation or moral hazards.
- (3) The policyholder may cancel the policy at any time by giving prior notice to IIO as required under the policy.
15. **Grievance Management:** Every insurance policy shall necessarily specify the grievance management procedures of the IIO, which shall be in accordance with the principles as specified by the Authority.

## CHAPTER IV

### POLICY SERVICING

16. **Issuance of e-Insurance Policies –**
- (1) **Proposal form –**
- (a) Every IIO shall create and maintain proposal forms in physical as well as electronic mode which shall be in accordance with the ‘Product Oversight and Governance Policy’ of the IIO;
- (b) The Proposal form shall also have a provision to capture the electronic Insurance Account (eIA) number, if available, ;

- (c) Where the information about the prospect is captured in physical form, the IIO shall make necessary arrangements to convert the information furnished by prospects into electronic version.
- (d) In case the prospect does not have an eIA number, the IIO shall facilitate the creation of eIA number wherever the electronic insurance policy is proposed to be issued through the Insurance Repository System.

(2) **Issuance of electronic Insurance Policies -**

- (a) Every IIO, shall issue electronic insurance policy where the sum assured is more than USD 100 and/or premium is more than USD 10, whichever is lower;
- (b) The IIO shall issue the electronic insurance policy to the policyholders directly or through the registered insurance repositories;

Provided that the IIO shall provide physical copy of the policy and proposal form if so requested by the policy holder;

- (c) The proposal form etc. may also be sent in electronic form to the insured along-with electronic insurance policies.
- (d) The Authority may specify operational framework for issuance of electronic insurance policies.

17. **Fee for granting acknowledgement of Notice of Transfer or Assignment of insurance policy:** An IIO shall collect fee not more than USD 5 (USD Five only) for granting acknowledgement of notice of transfer or assignment of the insurance policies issued by it (including e-insurance policies).

*Explanation:* The IIO shall not collect any other fee for rendering any other services referred to in section 38 of the Insurance Act, 1938, including recording the fact of the transfer or assignment.

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

*Explanation:*

- (1) The IIO shall not collect any other fee, towards any other services relating to nomination contained in section 39 of the Insurance Act, 1938;

- (2) The nomination effected by the policy holder at the inception of the policy through the proposal form and recorded by the IIO in the schedule of a policy document shall be considered as a valid acknowledgement by the IIO.

## **CHAPTER V**

### **MISCELLANEOUS**

19. **Fee for inspection and supply of copies of returns:**
  - (1) **Inspection and supply of copy of return –**
    - (a) Any person seeking inspection or copy of any return under sub-section (1) of section 20 of the Insurance Act, 1938, shall make an application to the Authority,
    - (b) The Authority may charge fee of not more than USD 5 (USD Five only) for inspection or supply of copy of any return,
    - (c) The Authority shall indicate a date of inspection by the applicant or shall furnish a copy of the return, as the case may be, within thirty (30) working days from the date of receipt of the fee.
  - (2) **Supply of a copy of Memorandum and Articles of Association by the IIO -**
    - (a) Any policyholder seeking a copy of Memorandum and Articles of Association or similar documents of an IIO under sub-section (3) of section 20 of the Insurance Act, 1938, shall make an application to the IIO,
    - (b) The IIO may charge fee of not more than USD 5 (USD Five only) for providing copy of each such document and shall furnish the same within thirty (30) working days from the date of receipt of the applicable fee.
  - (3) The fee referred to in sub-regulation (1) and (2), shall be remitted through electronic mode to the bank account, details of which shall be provided by the Authority or the IIO, as the case may be. The said fee shall be paid in net, excluding any bank charges or transaction fee.
20. **Referral arrangements:** Every IIO shall comply with regulatory framework on referral arrangements between the IIO and the referral entity, as may be specified by the Authority.
21. **Reporting requirements:** Every IIO shall furnish information related to its products to the Authority, in such manner, interval and in such format, as may be specified by the Authority.



22. **Power to specify procedures etc.:** For the purpose of implementation, facilitation and regulation of insurance products and matters incidental thereto, the Authority may specify norms, procedures, processes and manners for compliance by IIOs.
23. **Power to remove difficulties and relax strict enforcement of the regulations:**
- (1) In order to remove any difficulty in the application or interpretations of the provisions of these regulations, the Authority may issue clarifications through guidance notes or circulars.
  - (2) On an application, received along with the specified non-refundable processing fees, the Authority, may for the reasons to be recorded in writing, relax the strict enforcement of any of the provisions of these regulations.
24. **Repeals and saving:**
- (1) On and from the commencement of these regulations, following regulations and guidelines cease to apply in the International Financial Services Centre -
    - (a) the Insurance Regulatory and Development Authority (Sharing of Database for Distribution of Insurance Products) Regulations, 2010;
    - (b) the Insurance Regulatory and Development Authority of India (Fee for Registering Cancellation or Change of Nomination) Regulations, 2015;
    - (c) the Insurance Regulatory and Development Authority of India (Fee for granting written acknowledgement of the receipt of Notice of Assignment or Transfer) Regulations, 2015;
    - (d) the Insurance Regulatory and Development Authority of India (Inspection and Fee for Supply of Copies of Returns) Regulations, 2016;
    - (e) the Insurance Regulatory and Development Authority of India (Issuance of e-Insurance Policies) Regulations, 2016;
    - (f) the Insurance Regulatory and Development Authority of India (Non-Linked Insurance Products) Regulations, 2019;
    - (g) the Insurance Regulatory and Development Authority of India (Unit Linked Insurance Products) Regulations, 2019; and

- (h) the Insurance Regulatory and Development Authority guidelines bearing reference no. IRDAI/NL/GDL/F&U/030/02/2016 dated 18<sup>th</sup> February 2016 on Product Filing Procedures for General Insurance Products.
- (2) On and from the commencement of these regulations, Clause 4. of Chapter – 6 of International Financial Services Centres Authority (Operations of International Financial Services Centres Insurance Offices) Guidelines, 2021, shall stand omitted.
- (3) Unless otherwise provided for in these regulations, nothing in these regulations shall be deemed to invalidate contracts of insurance entered prior to these regulations coming into force.
- (4) IIOs operating in an IFSC prior to the commencement of these regulations, shall comply with the additional requirements specified in these regulations, within a period of one month from the commencement of these regulations or within such extended period as may be specified by the Authority.

INJETI SRINIVAS, Chairperson  
[ADVT. xxx/x/Exy./xxx/2021]

Format for providing comments / suggestions

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

<b>Name, Designation of the person</b>				
<b>Contact No.</b>				
<b>Name of Organization</b>				
<b>Page No. of Draft Regu.</b>	<b>Reg. No.</b>	<b>Sub-Regu No. /Para No.</b>	<b>Comments / Suggestions / Suggested modifications</b>	<b>Rationale</b>