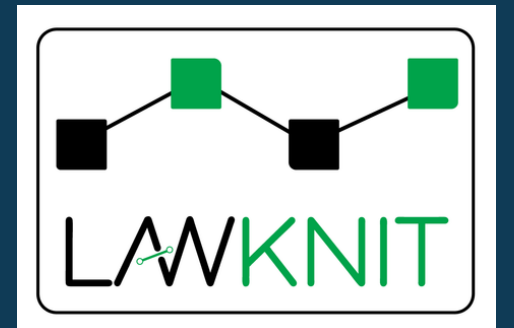


LAWKNIT ANALYSIS

IRDAI PROTECTION OF POLICYHOLDERS' INTERESTS AND ALLIED MATTERS OF INSURERS





INTRODUCTION

IRDAI (Protection of Policyholders' Interests And Allied Matters of Insurers) Regulations, 2024 ("**Regulation**") has been introduced to replace eight existing IRDAI regulations with a primary aim to strengthen the protection and security of policyholders' and prospective policyholders' rights and interests.

KEY OBJECTIVES

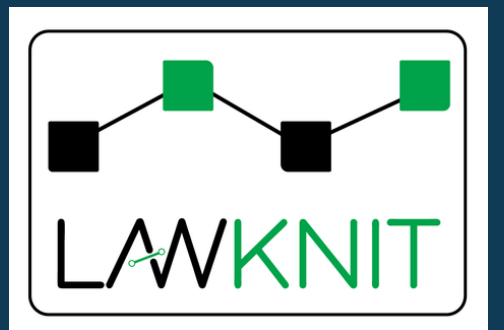
- **Fair Treatment and Transparency:** Ensure that insurance policies are sold transparently, with fair treatment for all potential and current policyholders
- **Protection of Policyholders' Interests:** Protect policyholders' rights at every stage, from solicitation to claims settlement.
- **Regulation of Insurers and Distribution Channels:** Regulate how insurers and their intermediaries operate, ensuring they act in the best interests of policyholders.
- **Outsourcing Management:** Set standards for insurers outsourcing activities, ensuring this does not compromise service quality.
- **Policyholder Governance:** Promote grievance redressal and policyholder-centric practices.

STRUCTURAL BREAKDOWN OF THE REGULATIONS

Part A - Protection of the interest of the Policyholders

- **Pre-Sale Activities:** Insurers must have a board approved policy for protection of policyholder's interests and shall ensure transparent, accessible, and inclusive access to information for potential buyers. Mis-selling and unfair trade practices are prohibited. The Regulation makes a provision for distant modes of solicitation which shall be done as per the specifications provided by IRDAI later.
- **Proposal for Sale:** Proposals must be clear, with informed consent and written forms detailing the insurance cover. Insurers and distributing channels must take care to explain the policy terms to policyholders. It makes a special provision for marine cover and other similar covers where proposal form is not issued, then within 7 days, the insurer shall record the collected oral information in the cover note or policy.



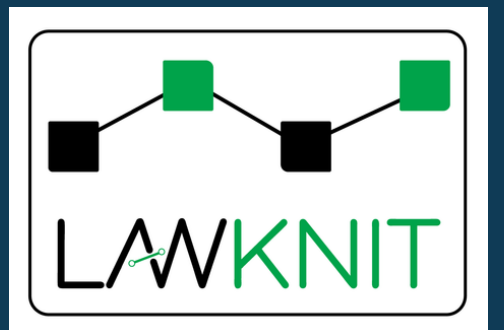


- Issuance of Policies: Policies should be issued in plain, simple language, and in electronic format where the sum insured exceeds Rs.100 or the single/annual premium is not less than Rs.10. The security of electronic policies and data must be safeguarded. A board approved policy is essential for issuing policy in electronic form. There is also a special provision for issuance of group insurance policies.
- Payment and Refund of Premium, nomination & assignment: Payment can be made in any RBI recognized mode unless it does not violate PMLA, 2002 and other appropriate laws. Insurers must facilitate refunds in case of policy cancellations or alterations. No proposal to be accepted without nomination.
- Free-Look Period: This provides policyholders with 30 days to cancel their policies if unsatisfied for policy of term not less than one year.
- Claims Settlement: Insurers are required to settle claims efficiently and fairly. No undue pressure should be placed on claimants.
- Grievance Redressal: Insurers must have a grievance system in place to handle complaints effectively, ensuring that no policyholder is discouraged from lodging complaints.

Part B - Operation and allied matters of the insurers

- Advertisements: Insurers must ensure their advertisements are truthful, non-misleading, and approved internally before publication.
- Business Locations: Insurers must seek approval for opening and closing business places, ensuring that policyholders are not inconvenienced. The Regulation also focuses upon certain norms for establishing place of business outside India.
- Outsourcing of Activities: Insurers are prohibited from outsourcing key functions like investment management, fund management, and underwriting. Outsourced activities must meet high standards of security, confidentiality, and compliance. Insurers must have contingency plans to manage disruptions in outsourced activities.





HIGHLIGHTS AND IMPLICATIONS

- **Policyholder Rights and Transparency:** The Regulation emphasizes upon ensuring potential buyers are fully informed thereby reducing instances of mis-selling. Policyholders will have greater transparency regarding their products, claims, and refunds.
- **E-Policies and Data Security:** Insurers are encouraged to issue policies electronically. However, they must ensure that electronic policies are secure, and data privacy is maintained. Outsourcing Management: The Regulation places firm control over outsourcing activities to ensure that policyholder services are not compromised. Insurers are ultimately responsible for the quality of outsourced services.
- **Grievance Redressal and Claims Handling:** The Regulation enforces an essential duty on the Insurers to ensure quick and efficient resolution of complaints and claims to avoid policyholder dissatisfaction. A robust grievance redressal system with specific timelines and mechanisms is crucial for securing the vital interests of the policyholders.
- **Advertisements and Marketing:** Insurers and distributing channels are required to make sure their advertisements are clear, factual, and not misleading. This includes both traditional and digital advertising, including social media. This will ensure that the prospective policyholders may know and understand the benefits, risks and other crucial information of the insurance products before purchasing it.

LAWKNIT ANALYSIS

This Regulation is a prospective and comprehensive document that addresses both the evolving technological landscape and the need for enhanced consumer protection in the insurance sector. The Regulation, if implemented, will provide policyholders with greater protection, transparency, and service quality, while also holding insurers to higher operational and ethical standards.

In case of any queries/clarifications, please feel free to reach out to Mr. Arunabh Choudhary at arunabh@lawknit.co; Mr. Amol Apte at amol.apte@lawknit.co; Ms. Tanvi Muraleedharan at tanvi.muraleedharan@lawknit.co; Ms. Renu Sirothiya at renu.sirothiya@lawknit.co

Disclaimer: This document has been made for generic information perspective and shall not be considered as legal advice. No one should act or advise to act on it without seeking proper legal advice.