

Item No. 22

Regulatory Facilitations/Relaxations to Insurers

Resubmission of Agenda Item with information called for:

- 1) For Ratification by the Authority.
- 2) Extension of these facilitations upto 31st March 2022.

Sub: Regulatory facilitations/relaxations announced regarding

- (i) Obtaining consent through mobile phone One Time Password(OTP) dispensing with wet signature of the proposer and physical proposal form**
- ii) Issue of electronic policy documents without having to issue physical copy of the same**
- iii) Issue of Standard Immediate Annuity-Saral Pension Plan with only option of Life Annuity with purchase price**

The above agenda item was taken up in Authority meeting dated 28th June 2021 for ratification. After deliberations, it was advised to examine provisions in the existing regulations for enabling above relaxations and put up the same in the next Authority meeting.

In this regard, the Life Dept examined the matter and consulted the Legal dept. The following are the enabling provisions

- (i) Dispensing with wet signature and physical proposal form and obtaining customer consent for insurance policy through mobile OTP.**

Regulation 8(1) of Protection of Policyholders Interests Regulations, 2017 states that a proposal for grant of insurance cover must be evidenced by a document in written or electronic or **any other format** as approved by the Authority. Vide circulars dated 05-08-2020 and 10.09.2020, Chairman has dispensed with wet signature and physical proposal form and has allowed to obtain customer consent through mobile phone One Time Password(OTP).

Thus the Authority has the powers to approve the power to allow obtaining customer consent through mobile OTP dispensing with wet signature or physical proposal form.

Legal dept Opinion: The consent through OTP can be construed as “any other format” under Regulation 8(1) of the Protection of Policyholders Interests Regulations, 2017. As the power to approve any other format vests with the Authority, it is appropriate to seek ratification from the Authority. Obtaining consent through an OTP is not an exemption from the existing regulatory provision.

- (ii) Issue of electronic policy documents without having to issue physical copy of the same**

Regulation 4(iii) of IRDAI (Issuance of e-insurance policies) Regulations 2016 reads as under: All policies issued in electronic form by the Insurer directly to the policyholder shall also be issued in physical form. In all such cases copies of the proposal form etc., shall also be sent in physical form.

Regulation 4(iii) Proviso expressly says: Provided that the Authority, on being satisfied that it is in the interests of policyholders and for orderly growth of Insurance Industry, exempts such issuance in physical form.

Thus the Proviso to Regulation 4(iii) expressly provides for such exemption/waiver by the Authority on being satisfied that it is in the interests of policyholders and for orderly growth of Insurance Industry. This exemption is announced in the wake of Global pandemic as part of encouraging digital processes and reduce dependence on physical processes.

Legal Dept Opinion: It agreed that the Authority has powers to exempt issuance of policies in physical form under regulation 4(iii) as the power to exempt is expressly stated in the Proviso to 4(iii).

(iii) Issue of Standard Immediate Annuity-Saral Pension Plan with only option of Life Annuity with return of purchase price on death

a) Under the immediate annuity and deferred annuities including group deferred and group immediate annuities, the following guaranteed for life annuity options may be permitted under individual and group business:

i. Life annuity.

ii. Life annuity with Return of Purchase Price.

iii. Annuity Certain for a specific period (period as approved under the product filing procedure) and life thereafter.

iv. Joint Life annuity with a provision of 100%, 50% or such other percentages of annuity to Secondary Annuitant on death of the Primary Annuitant and Return of Purchase Price on death of Last Survivor.

v. Joint Life annuity with a provision for 100% or 50% or such other percentages of annuity to Secondary Annuitant on death of the Primary Annuitant.

vi. Any other annuity, as approved by the Authority.

Provided every annuity product shall have at least options (i) and (ii) mentioned above.

While here there is no provision explicitly stating that the Authority has the powers to exempt these annuity options, Option (vi) provides for any other annuity as approved by the Authority.

However, in the note approving the design of standard product on 5th January 2021, Chairman specifically wrote for seeking ratification of the Authority for not having the option of “pure annuity” in the next Authority meeting. We have noticed that we missed

out putting up in March 2021 Authority meeting-therefore we have placed it in Authority Meeting dated 28th June 2021.

Legal Dept opinion: The IRDAI (Non-Linked Product Regulations,2019 does not have a specific provision empowering the Authority to exempt Insurers from the requirements of the Regulations. The Legal dept pointed it out that the circular dated 25th January 2021 on Standard Immediate Annuity Plan, Saral Pension Plan is issued under Section 34(1)(a) of the Insurance Act,1938. While saying that the product is in line with the requirements of Section 34(1)(a), legal Dept has advised that the nodal dept may initiate the amendment to the Non-linked Product Regulations,2019 to provide such options for standard products in future.

Conclusion on (iii): It is observed that as such there is a valid delegation of powers of the Authority under Section 34 to Chairman. Further while approving the circular on standard product has advised in writing to seek the ratification of Authority on this aspect. Thus the matter was brought before the Authority in its meeting dated 28th June 2021. Therefore

1) The Authority may consider the above information and ratify the three facilitations announced in the wake of Global pandemic of Covid-19.

2) Further, as the Pandemic circumstances continue to prevail in various parts of the country, it is submitted that Authority may extend all the three facilitations up to 31st March 2022.

Submitted for ratification and approval of the Authority.