

EXPOSURE DRAFT ON

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (*Places of Business*) REGULATIONS, 2012

Objective / Rationale of Proposed Regulations: Section 64 VC of Insurance Act, 1938 requires all insurers to obtain the prior permission of the Insurance Regulatory and Development Authority (Authority) before opening new place of business in India or change otherwise than within the same city, town or village, the location of an existing business. The proviso to the section further specifies that the '*place of business*' includes a branch, a sub-branch, inspectorate, organisation office and any other office, by whatever name called. As specified in the proviso to the section any office proposed to be opened by the insurance companies by whatever name they are referred to viz., Regional Office, Divisional Office etc. shall have in place a prior approval from IRDA.

It is clarified vide IRDA letter 51/1/F&A/Misc/119/Sept./2005-06 dated September, 26th 2005 that an insurance company shall put in place a board approved annual branch expansion policy to be filed with IRDA. Vide Circular No. 035/IRDA/LIFE/JAN-06 dated 20th January, 2006 it is specified that the validity period for opening a new place of business is one year from the date of approving such new place of business. Vide IRDA Circular No. 041/IRDA/BOO/Dec-06 dated 28th December, 2006 norms were specified before closing /relocating a place of business and all places of business were directed to be classified into Metro, Urban, Semi Urban and Rural etc. Further Authority is calling for certain data relating to geographical spread of places of business of various Insurers as part of the periodical returns.

The existing regulatory approach of requiring the insurers to follow certain requirements while opening / closing / relocating various places of business through various circulars deserves to be strengthened. Further in order to enhance the accountability on the data forwarded by Insurers, it is desired to bring such requirements through the regulations. In addition to this, in the proposed regulations the following issues are considered in order to facilitate the regulatory process of according approvals to New Places of Business.

1. An Insurer that is having a solvency ratio of 1.5 and expenses of management within the extant limits (Rule 17 D/E of Insurance Rules, 1939) in the preceding three financial years are proposed to be permitted to open new places of business, in places where population is not more than 1, 00,000, 15 days after submitting the information on the same. The objective is to let insurers penetrate in rural and semi urban areas. The proposed limit of 1, 00,000 on population is, to encourage the opening of places of business in Tier 2 and below towns / villages.

2. An insurer that has completed ten years of business is proposed to be mandated to open at least 25% of new places of business in places where population is not more than 1,00,000
3. In respect of all other places of business, the Insurers will be accorded approvals on an aggregate basis once in a financial year, based on interactive model as an Insurer is supposed to have expansion plans in advance. This approach also lets Insurers concentrate better on infrastructure arrangements than deploying resources for regulatory compliances. The objective of interactive / consultations is to commence the formal consultations with the industry, so as to understand and appreciate the business proposals of the Insurers and to elicit the possible gaps, if any, in the extant regulatory architecture and compliance procedures adopted by Insurers.
4. However, Insurers are allowed to approach IRDA for any urgent business proposals for opening any other places of business.
5. It is proposed to mandate Insurers to offer minimum policyholders' services in all the places of business.
6. In light of above it is proposed in the draft regulations that the objective of opening a new place of business shall be for long run, shall not be for short term durations.

Taking into consideration various developments, draft Regulations on Places of Business are attached for further comments.

**INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (Places of Business)
REGULATIONS, 2012**

F. No. IRDA/Reg/xx/xxxx—In exercise of the powers conferred by section 114A (2) (zd) of the Insurance Act, 1938 (4 of 1938) read with sections 14 and 26 (2) (e) of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999) the Authority in consultation with the Insurance Advisory Committee, hereby makes the following regulations, namely:-

1. Short title and commencement — (1) These regulations may be called the Insurance Regulatory and Development Authority (Places of Business) Regulations, 2012.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. Definitions — (1) Unless the context otherwise requires, —

(a) "Act" means the Insurance Act, 1938 (4 of 1938);

(b) "Advisory Committee" means the Advisory Committee constituted under section 25 of the Insurance Regulatory and Development Authority Act (41 of 1999);

(c) "Authority" means the Insurance Regulatory and Development Authority established under sub-section (1) of section 3 of Insurance Regulatory and Development Authority Act, 1999 (41 of 1999);

(d) "Return" means the returns specified under these regulations;

(e) "regulations" means Insurance Regulatory and Development Authority (Places of Business) Regulations, 2012;

(f) "Quarter" means the three months period ending June, September, December and March of a financial year.

(2) Words and expressions used and not defined in these regulations but defined in the Insurance Act, 1938 (4 of 1938), or the Life Insurance Corporation Act, 1956 (31 of 1956) or the General Insurance Business (Nationalisation) Act, 1972 (57 of 1972), or Insurance Regulatory and Development Authority Act, 1999 (41 of 1999) shall have the meanings respectively assigned to them in those Acts or the rules and regulations made there under, as the case may be.

(3) All the Insurers shall follow these regulations while complying with the requirements of Section 64 VC of the Act.

- (4) Insurers shall have in place the Board approved Business Expansion Programme for every Financial Year. The Business Expansion Programme shall, in addition to the business plans of the Insurer, contain the proposals, if any, for opening new places of business taking into account the need for opening new places of business not only in the urban centers but also in semi-urban and rural centers.
- (5) The Business Expansion Programme shall also specifically contain the names of places of business proposed to be opened during the said period for which an approval is required in accordance to the provisions of Section 64 VC of the Act.
- (6) While considering applications for new places of business in accordance to the provisions of Section 64 VC of the Act, the Authority accords aggregate approvals on an annual basis, through a consultative and interactive process. Discussions will be held every Financial Year, with the insurance companies on their business strategies and expansion programme.
- (7) Every insurer shall submit their business expansion programme for Financial Year April – March before the end of February of preceding financial year.
- (8) Proposals for opening of places of business shall be submitted in Form – PB 1 of Schedule -1 of these regulations along with the Business Expansion Programme.
- (9) Substitution of the places submitted in the annual plan is not allowed.
- (10) Notwithstanding herein referred provisions Four, Five and Six, Insurers may approach IRDA for any urgent proposals regarding opening of new places of business, in rural/ semi urban areas, anytime during the year in addition to the proposals submitted under the annual Business Expansion Programme, which would be considered on merit.
- (11) Insurance Companies that fulfil the following conditions are permitted to open the places of business after Fifteen days from the date of filing the particulars referred at provisions four, five and ten above in respect of those places where the population is not more than 1, 00,000 as per the latest decennial population census records.
 - a) An Insurer shall have a Solvency Ratio of at least 1.50 in the preceding three financial years.
 - b) Expenses of Management of the Insurer is within the applicable norms prescribed in Rule 17D and Rule 17 E of Insurance Rules, 1939, as the case may be or any other

conditions as specified by IRDA from time to time in accordance to the provisions of Section 40 B and 40 C of Insurance Act, 1938 in the preceding three Financial Years.

- c) Where the above referred requirements are not available for three Financial Years, the Insurers shall fulfill the norms in respect of all the available financial years.
 - d) In respect of the first business year, Insurers are permitted to open new places of business, as per the expansion programme revealed at point no. 1 of Form IRDA – R2 of IRDA (Registration of Insurance Companies) Regulations, 2000.
- (12) While submitting the proposal the insurers shall keep in view the long-term nature of insurance business that warrants the continuous presence in the proposed new places of business throughout and shall avoid opening the new places of business for shorter durations.
- (13) New places of business approved should be opened within a period of one year from the date of approval letter of the Authority and after the expiry of the time limit, the approval stands expired.
- a. In respect of places referred at Regulation (11) above, where Insurers are permitted to open the places of business fifteen days after filing the said information, the date of expiry of fifteen days shall be regarded as the date of approval of the Authority.
- (14) Insurers shall submit to the Authority, the monthly statistics on the places of business along with date of opening of the newplace of business, in Form – PB 2.
- (15) All insurance companies that have completed ten years of business are required to ensure that at least 25% of thenew places of business proposed are in places where population is not more than 1,00,000 as per the latest decennial population census.
- (16) All the new places of business opened shall atminimum offer policy holders’ services such as collection of premiums/proposal deposits and status confirmation of policy service requests.
- (17) Relocation of places of business which requires approval in accordance to the provisions of Section 64 VC may be submitted for Authority’s consideration as and when required.

- (18) Closure/relocation of the places of business (regardless of their nomenclature and/or the type of services provided thereat) by Insurers should be after due consideration of all the factors including the possible inconvenience to its policyholders. It is essential that the decision to close / relocate is to be approved by their respective Boards in advance.
- (19) A minimum of 2 months advance notice on the proposed relocation/closure should be notified to policyholders serviced by that place of business along with information on alternate arrangements being made to provide services to them.
- (20) As soon as the relocation, the details of these relocations (i.e. new address, date of shifting etc.) shall be reported to IRDA in Form – PB 3.
- (21) Closure of all places of business shall be reported to the Authority in Form – PB 4 as soon as such closure.
- (22) A consolidated monthly statistics shall be filed in Form – PB 5 every month.

Schedule – 1

Form – PB1

New Office Application Form (Online)													
Purpose and Objective													
Each insurer who seeks to open new offices will have to fill up the form for approval of IRDA													
The frequency of the form is as and when required													
Application for approval of new office location													
1. Name of insurer													
2. Proposed Office Location Details													
i. Address Line 1**													
ii. Address Line 2**													
iii. Address Line 3**													
iv. State/UT*													
Andhra Pradesh													
v. District*													

vi. City/Town*	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
vii. Pin Code**	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
3. Classification of Location																	
i. Location	Metro/urban/semi urban/others												<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
ii. Type of office	Branch / Regional etc.											<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>		
4. Application Submission Details																	
i. Date of submission of office application	D	D	M	M	Y	Y	Y	Y	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
ii. How many previously approved offices are pending for opening with the insurer?	<input type="text"/>												<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
iii. Whether the insurer complied with ceiling on expenses of management under rule 17(d), 1939 for the previous year?	<input type="text"/>												<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
iv. Proposed total capital expenditure involved in opening of the new offices	<input type="text"/>												<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
v. Whether the office would be connected to the insurer's IT network	<input type="text"/>												Yes/No	<input type="text"/>	<input type="text"/>	<input type="text"/>	
vi. Whether issue of online premium receipts is planned for the proposed offices	<input type="text"/>												Yes/No	<input type="text"/>	<input type="text"/>	<input type="text"/>	

vii. If connectivity is not provided, what alternative servicing arrangements have been made and what is the distance of the proposed office from the nearest supporting office																		
xi. Date of approval for opening of offices by the Board of Directors												D	M	M	Y	Y	Y	Y
xii. Copy of resolution enclosed Browse & attach)												Yes/No						
ix. Functions proposed to be handled at the proposed office (Please Describe)																		
5. Expected Business																		
Year	No. of new policies			Premium income from new business														
Year 1																		
Year 2																		
Year 3																		

6. Proposed manpower																	
Designation	No. of employees																
Attach Digital Signature	B	Attac															
	r	h															
	o																
	w																
	s																
	e																
Note																	
* Mandatory fields while mentioning proposed office location																	
** Optional fields while mentioning proposed office locations																	

Form - PB 2

New Office details for the Month of _____

Sno	Name of the Insurer	Distinctive Code of the Branch	Location of the place of business* as per latest decennial Population Census Classification						Geo-Classification of Place of business*			Classification of Office (such as HO, RO, Branch, Satellite, etc.)	Function of the office							Date of IRDA Approval (mm/dd/yyyy)	Date of Opening (mm/dd/yyyy)	Address	District Name	State/ Union Territory	Pin code
			Class I (with a population of 1,00,000 and above)	Class II (with a population of 50000 to 99999)	Class III (With a population of 20000 to 49999)	Class IV (with a population of 10000 to 19999)	Class V (with a population of 5000 to 9999)	Class VI (less than 5000)	Metropolis	Urban	Unclassified (PI specify)		Sales Support	Premium Collection	New Business Processing	Policy Servicing	Investment	Corporate Function	Others (PI specify)						

Form - PB 3

RELOCATIONS IN THE MONTH OF (Month / Year)

Sno	Name of the Insurer	Distinctive Code of the Branch	Date of Relocation (mm/dd/yyyy)	Address before Relocation	Relocation Address	District Name	State/ Union Territory	Pin code
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Form - PB 4

OFFICES CLOSED IN THE MONTH OF (Month) / (Year)

Sno	Name of the Insurer	Distinctive Code of the Office	Date of Closure	Closure Office Address	District Name	State/ Union Territory	Pincode
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Form P B 5

INSURER:

STATISTICS ON THE NO. OF OFFICES AT THE END OF THE MONTH OF

PARTICULARS	NO. OF OFFICES
Beginning of the month	
Opened during the month	
Closed during the month	
Total at the end of the month	0

Data to be entered in cells highlighted green.

Signature (Authorised Signatory):
Name & Designation:
Date: