

**CONSULTATION PAPER ON PROPOSED  
IFSCA (MANNER OF PAYMENT AND RECEIPT OF PREMIUM) REGULATIONS,  
2022**

**Objective:**

The objective of this consultation paper is to seek comments / views/ suggestions from public on the proposed International Financial Services Authority (Manner of Payment and Receipt of Premium) 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 facilitate the growth of insurance & reinsurance sector and to provide best in class regulatory framework, which is at par with top international jurisdictions, IFSCA has already issued relevant regulations. In order to further strengthen the regulatory framework and to promote ease of doing business so far as payment and receipt of premium, IFSCA is proposing to notify comprehensive regulations. These regulations focus on providing wide avenues for collection of premium by adopting international best practices.
3. The proposed IFSCA (Manner of Payment and Receipt of Premium) Regulations, 2022 *inter alia* provide for :

**Manner of Payment, Receipt of Premium and Assumption of Risk**

**(1) The proposer may pay premium through:**

- (a) recognized instrument of payment using banking channels;
- (b) bank guarantee in favour of the Insurer for payment of premium
- (c) cash deposit; or
- (d) any other method or manner of payment as may be specified by the Authority from time to time

**(2) Assumption of risk without receipt of premium in advance:**

An IIO may assume the risk, continue to assume the risk or terminate assumption of any risk, in accordance with the terms and conditions of the contract of insurance.

**(3) Payment of Premium for contracts of Reinsurance –**

- (a) the risk may be assumed without payment of premium in advance on insurances accepted under automatic reinsurance contracts;
- (b) for facultative reinsurance, risk may be assumed without payment of premium in advance as per the terms of the Premium Payment Warranty clause;
- (c) Reinsurers shall have appropriate to ensure timely receipt of the premium and are accounted.

4. The draft regulations are placed on the website of the IFSCA at <https://ifsc.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@ifsc.gov.in](mailto:insurance-dept@ifsc.gov.in) with copy to Mr. Bhaskar Khadakhbavi at [bhaskar.khadakhbavi@ifsc.gov.in](mailto:bhaskar.khadakhbavi@ifsc.gov.in) and Rishi Kale at [rishi.kale@ifsc.gov.in](mailto:rishi.kale@ifsc.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 (Manner of Payment and Receipt of Premium) Regulations, 2022**

F. No. IFSCA/2022-23/GN/REGxxx. - In exercise of the powers conferred by sub-section (1) of Section 28 read with subsection (1) of Section 12 and sub-section (1) of Section 13 of the International Financial Services Centres Authority Act, 2019, and clause (zaa) of sub-section (2) of Section 114A read with Section 27 of the Insurance Act, 1938, read with Ministry of Finance, Department of Financial Services, notification number S.O. 3035(E) dated 04<sup>th</sup> July, 2022, the International Financial Services Centres Authority hereby makes the following regulations namely: -

#### **CHAPTER – I**

#### **PRELIMINARY**

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

- (1) These regulations may be called the International Financial Services Centres Authority (Manner of Payment and Receipt of Premium) Regulations, 2022.
- (2) They shall come into force from the date of publication in the official Gazette.

**2. Objective:** The objective of these regulations is to put in place process for manner or guarantee of payment of premium on insurance policy, receipt or refund of premium and other terms and conditions for deposit amount of premium, in accordance with Section 64 VB of the Insurance Act, 1938, for carrying on the insurance business in the International Financial Services Centres.

**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) **‘cash deposit’** means deposit of cash by the insured to the insurer in advance towards adjustment of premium;
  - (d) **‘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.
  - (e) **‘Insurer’** means an International Financial Services Centre Insurance Office (IIO) under clause (k) of sub-regulation (1) of regulation 3 of the International Financial Services Centres Authority (Registration of Insurance Business) Regulations 2021;
  - (f) **‘premium’** refers to the consideration paid or payable under a contract of insurance to cover the risk.
  - (g) **‘premium payment warranty clause’** refers to a clause incorporated in the contract of insurance, relating to the time and manner of payment of premium;
- (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 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**

### **Manner of Payment, Receipt of Premium and Assumption of Risk**

4. The premium to be paid by any person proposing to take an insurance policy (referred to as the proposer) or by the policyholder to an insurer may be made through any of the following manner(s), namely:-
- (1) recognised instrument of payment using banking channels including payment made through electronic mode;
  - (2) bank guarantee issued by the bank in favour of the Insurer for payment of premium in case the Insured fails to meet his or her obligations;
  - (3) Cash Deposit; or
  - (4) Any other method or manner of payment as may be specified by the Authority from time to time.

5. **Assumption of risk without receipt of premium in advance**  
For the purposes of these regulations, an insurer may assume the risk, continue to assume the risk or terminate any assumption of risk, in accordance with the terms and conditions of the contract of insurance entered into.
6. An insurer and prospect or insured, as the case may be, may mutually agree for payment of premium in instalments, time schedule and manner of payment of such instalments by incorporating a premium payment warranty clause in the contract of insurance.
7. The contract of insurance shall, *inter-alia*, specify the following:
  - (1) the manner and time schedule of payment of premium in full or in instalments;
  - (2) grace period, if any and consequence of non-payment of premium within such grace period;
  - (3) conditions for the revival of lapsed policy, if any;
  - (4) date of commencement of risk ;
  - (5) date of termination of risk upon non-payment or non-realization of premium taking into account the line of business, duration of the insurance policy;
  - (6) Premium Payment Warranty clause, if any, as agreed upon by the Insurer and the Insured; and
  - (7) any other information as may be specified by the Authority from time to time.
8. Payment of Premium for contracts of Reinsurance –
  - (1) the risk may be assumed without payment of premium in advance on insurances accepted under automatic reinsurance contracts;
  - (2) In the case of facultative reinsurance, risk may be assumed without payment of premium in advance in accordance with the terms of the Premium Payment Warranty clause, if incorporated in the contract of insurance;
  - (3) Reinsurers shall have systems in place to ensure that all premiums receivable are duly received and accounted for.

## **CHAPTER – III**

### **Refund of Premium to the Insured**

9. 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 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.

## Chapter IV

### MISCELLANEOUS

10. **Board Approved Credit Risk Policy:** Insurer at all times shall have a Board approved policy on mitigation of credit risk, *inter-alia*, indicating therein the downsides of non-payment of premium by the insured.
11. **Power to specify procedures and issue clarification:** For the purpose of implementation of these regulations and matter incidental thereto, or in order to facilitate and regulate financial services related to insurance and re-insurance in an International Financial Services Centre (IFSC), the Authority may specify norms, procedures, processes, manners including relaxations therefrom, if any, by way of guidelines or circulars.
12. **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) The Authority, for reasons to be recorded in writing, may in the interest of development of financial market, relax the strict enforcement of any requirement of these regulations, upon payment of fee, if any, as may be specified by the Authority.
13. **Repeals and saving:**
  - (1) On and from the commencement of these regulations:
    - (a) The provisions of the Insurance Regulatory and Development Authority (Manner of Receipt of Premium) Regulations, 2002, shall cease to apply in an International Financial Services Centre; and
    - (b) Clause (2) under Chapter – 2 of International Financial Services Centres Authority (Operations of International Financial Services Centres Insurance Offices) Guidelines, 2021, shall stand omitted.
  - (2) An insurer 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 six months from the commencement of these regulations or within such extended period as may be permitted by the Authority.

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

Format for providing comments / suggestions

**Proposed International Financial Services Centres Authority (Manner of Payment and Receipt of Premium) 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>