

## Public Comments

The consultation paper seeking comments/views from public on the draft IFSCA (Insurance Products and Pricing) Regulations, 2022 was issued by IFSCA on 18.11.2022.

The following comments have been received:

Sr. No.	Reg. No.	Sub-Regu No. /Para No.	Comments / Suggestions / Suggested modifications	Rationale
1	1		Applicability of the regulations to reinsurance branches set up as unincorporated IIOs may be clarified	IIO includes reinsurance branches. However, product regulations may not be applicable to them as the insurers are required to issue to products in the market.  Hence the Authority is requested to provide clarity on applicability of the regulations to the insurer and not to the reinsurance branches.
2	3	1(d)	Global signature certificates may be permitted under the definition of Digital Signature	Global reinsurance entities procure global certification for their employees to enable them digitally sign any document. The Authority is permitted to grant recognition to such globally certified digital signatures which carry date and time stamp.
3	3	1(f)	OTP option may also be included along with e-signature or electronic signature	In the wake of digitisation and mobile phone penetration, we note that there is a shift in usage of physical to digital interface by the customers in general. We further note higher customer participation in e-commerce by the customers. In this regard, customers have an option to avail financial products on click of a button through simple digital onboarding experience, viz., authentication through secured log-in/ one time passwords from registered phone/ email ids.  sWe additionally note that given the cost involved for maintaining an e-signature, the prospective customers may not possess an e-signature. We thus believe that mandating e-signature for customers availing insurance may act as deterrent in digitising customer on-boarding process. In this regard, recognizing OTP based consent as signature equivalent would certainly help in ease of day to day functioning and greater customer experience.

4	3	1(n)	Submission of “return” in physical form may be omitted	For better control and ease of doing business, we request the Authority to consider allowing the submission of “return” in electronic form and discontinue the submissions in physical form.
5	4	-	<p>Additional Points to be inserted on Explanation Under Sub Regulation 4:</p> <p>The Authority will accept that the IIO shall market their products in the IFSC jurisdiction, only on the basis of a certificate issued by the IIO, under its “Product Oversight and Governance Policy”, under the following conditions:</p> <p>(1) The IIO has a 3-year track record in having operated out of a foreign jurisdiction that has a Double Tax Avoidance (DTAA) agreement with India, and</p> <p>(2) The IIO has maintained an investment grade global rating for at least three consecutive years at the time of its incorporation in the IFSC, and</p> <p>(3) The IIO is able to demonstrate adequate experience in managing investments of policyholder or shareholder funds in USD denominated bonds/structures/equities or similar such asset classes, and</p> <p>(4) The IIO is able to demonstrate adequate experience/actuarial multi-currency capability in pricing of risks in overseas jurisdictions and</p> <p>(5) The IIO is able to demonstrate their experience in investigating and settling claims outside the geographical boundaries of India, and more so specifically in jurisdictions and areas where there is a higher concentration of NRI clients.</p>	<p>While we welcome this light touch approach towards product approval, we would also like to submit that proceeding with product sales, on the basis of the Product Oversight and Governance Policy should be made applicable to IIOs based on their experience in having operated in a multi-currency and multi-geography environment, in the areas of pricing/claims management/investments etc.</p> <p>We respectfully submit that the Authority should mandate this, as it will ensure that serious players with demonstrated capabilities will commence operations from the IFSC. Smaller players that may not have strong governance structures and even larger players that do not have relevant experience may end up commencing operations with products and processes that are not in line with international standards, that befit the stature of the IFSC. This could potentially lead to a reputation risk to the IFSC and is thus not in the interest of the Authority.</p> <p>The mentioned filters that we have inserted can be objectively and subjectively assessed by the Authority on an ongoing basis, for each IIO. As the experience builds up for the IIO and they are able to manage the complexities of a multi-jurisdiction, multi-currency environment, the Authority could decide to relax the same over a period of time.</p> <p>We do appreciate that the Authority has mentioned that a series of punitive steps can be taken against an IIO that is lax on product design/structure, but would again respectfully submit that a post facto regulatory action may potentially have already been preceded by reputation risk for the IIO and the Authority</p>

			In absence of the IIO meeting the aforesaid criteria, the Authority may on a case-to-case basis have the discretion of directing the IIO to submit a specific formal approval by the parent regulator, at a product level, before the IIO is allowed to distribute the same from the IFSC.	
6	4	2	Clarification required on role of current regulation mentions board policy be formed under <b>relevant regulatory framework</b> however, there is not prescriptive/guidance in document per se. Does this mean local framework (IRDAI in our case) needs to be followed	Formulating products as per IRDAI guidelines would require overall all process and approval process for overall company level for both domestic and foreign products (GIFT). If IFSCAI has a different framework details on process is required for planning
7	4	-	It is suggested that the Authority may evaluate to introduce a specific provisions that may be applicable for the IIO which is operating as branch office of the Insurer. Such, IIO's may be permitted to adopt its existing product related policy(es)/procedures by carrying out suitable modification in terms of the requirements as may be stipulated under the said Regulations.	The Guidelines on product filling procedure, 2016 as stipulated by IRDAI requires insurers to adopt an Underwriting policy as approved by its board. The Underwriting policy covers underwriting philosophy, product design, rating, terms and conditions, activities to be performed by Product management committee (PMC) and many other features which make the Underwriting policy a comprehensive guidance note to deal with all the product related aspects. Accordingly, adopting a separate Product Oversight and Governance Policy may lead to duplicity on matters which can be dealt in common parlance.
8	4		The Authority may provide further Guidance on whether the <b>“relevant regulatory framework”</b> mentioned under said clause refers only to the regulations pertaining to IFSCA.	With repeal of the product filing regulations on health and general insurance business it is understood that no pricing criteria like CoR (Combined operating Ratio) of 100% is relevant anymore. The IFSCA regulations will be instead completely principle based for product filing and pricing with some of the key principles laid down in points (2)(1), (2)(2), 4,5,6,7 and 8 under the draft proposed IFSCA(Insurance Products and Pricing) Regulations 2022.

9	7	-	<p>Additional Points to be inserted Under Sub Regulation 7:</p> <p>(4) ensure that in case where the IIO is not incorporated in IFSC, any product being offered by it, carrying an implied or explicit element of guaranteed returns for the customer, has been duly filed with the parent regulator;</p>	<p>While we welcome this light touch approach towards product approval, we would also like to submit that proceeding with product sales, on the basis of the Product Oversight and Governance Policy should be made applicable to IIOs based on their experience in having operated in a multi-currency and multi-geography environment, in the areas of pricing/claims management/investments etc.</p> <p>We respectfully submit that the Authority should mandate this, as it will ensure that serious players with demonstrated capabilities will commence operations from the IFSC. Smaller players that may not have strong governance structures and even larger players that do not have relevant experience may end up commencing operations with products and processes that are not in line with international standards, that befit the stature of the IFSC. This could potentially lead to a reputation risk to the IFSC and is thus not in the interest of the Authority.</p> <p>The mentioned filters that we have inserted can be objectively and subjectively assessed by the Authority on an ongoing basis, for each IIO. As the experience builds up for the IIO and they are able to manage the complexities of a multi-jurisdiction, multi-currency environment, the Authority could decide to relax the same over a period of time.</p> <p>We do appreciate that the Authority has mentioned that a series of punitive steps can be taken against an IIO that is lax on product design/structure, but would again respectfully submit that a post facto regulatory action may potentially have already been preceded by reputation risk for the IIO and the Authority</p>
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10	8	-	<p>The given regulation mandates testing of product before marketing and distribution.</p> <p>As this entire eco-system is evolving and is at a very nascent stage, it might not be possible to test the products in the given circumstances. Hence, we are of the view that the testing provisions be kept optional for insurers. Insurers shall be allowed to directly market and distribute the products without undergoing testing requirement. However, a provision can be inserted that marketing &amp; distribution of product by insurers should be based on a proper research and study of a particular jurisdiction.</p>	<p>This will enable insurers to promote and explore new jurisdictions with new innovative products, without any restriction of undergoing testing requirement.</p>
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11	8	-	<p>Additional Points to be inserted Under Sub Regulation 8:</p> <p>All such testing of the product, under various scenarios and assumptions must be duly signed off by the Appointed Actuary of the IIO. Where the IIO is not incorporated in IFSC, the same needs to be signed off by the Appointed Actuary of the parent company</p>	<p>While we welcome this light touch approach towards product approval, we would also like to submit that proceeding with product sales, on the basis of the Product Oversight and Governance Policy should be made applicable to IIOs based on their experience in having operated in a multi-currency and multi-geography environment, in the areas of pricing/claims management/investments etc.</p> <p>We respectfully submit that the Authority should mandate this, as it will ensure that serious players with demonstrated capabilities will commence operations from the IFSC. Smaller players that may not have strong governance structures and even larger players that do not have relevant experience may end up commencing operations with products and processes that are not in line with international standards, that befit the stature of the IFSC. This could potentially lead to a reputation risk to the IFSC and is thus not in the interest of the Authority.</p> <p>The mentioned filters that we have inserted can be objectively and subjectively assessed by the Authority on an ongoing basis, for each IIO. As the experience builds up for the IIO and they are able to manage the complexities of a multi-jurisdiction, multi-currency environment, the Authority could decide to relax the same over a period of time.</p> <p>We do appreciate that the Authority has mentioned that a series of punitive steps can be taken against an IIO that is lax on product design/structure, but would again respectfully submit that a post facto regulatory action may potentially have already been preceded by reputation risk for the IIO and the Authority</p>
12	8	-	<p>The Authority may share some guidance on the scenario analysis or testing proposed to be conducted by the IFSC/IIO</p>	<p>We seek guidance of the Authority on testing aspect of the product. Whether the sandbox approach needs to be followed in such cases or product can be launched on a pilot basis.</p>
13	9	-	<p>The Authority may list down the indicative list of documents that the IIOs would be required to maintain</p>	<p>The list of documents to be maintained by the IIO needs to be clearly defined to avoid any ambiguity</p>

14	12	3	We request the Authority to consider allowing IIOs to maintain algorithm at their end, as long as a unique identification number is allotted while filing with the Authority.	We believe the operational aspects with regard to allocation of UIN be maintained by the IIOs.
15	12	2 & 3	Under Chapter III 12(2), it is mentioned that for modification of products, a revised UIN to be allotted and existing IIOs can market the products for a period of 1 month from the application of these regulations without a UIN, while under 12(3), it is mentioned that existing IIOs shall device a methodology for issuance of UINs within 1 month and submit to the authority. The Authority may provide further Guidance/clarification with respect to the above provisions.	It is to seek clarification if the regulation mean that all IIOs whether new or existing should device a methodology for allocation of UIN to both existing, revised as well as new products by themselves and then submit it to the Authority.
16	13	1	We are of the view that the provisions related to 3 months' prior intimation to existing policyholders before withdrawal of product should be omitted as this would unnecessarily delay the implementation of strategic decision, without serving any purpose. Even the withdrawal of product will not have any impact on the existing policyholders as their contracts will continue till the expiry of the policy term or on occurrence of any other event resulting into termination	Company has adopted a product withdrawal process, as laid down by IRDAI, as per which insurers are required to furnish product withdrawal details with IRDAI and simultaneously update the same on its website for the convenience of existing policyholders. There is no such requirement of prior intimation to policyholders. It is better to have a uniform process of product withdrawal.
17	13	2	We are of the view that instead of prior intimation, it should be changed to intimation. The clause can be amended as under: "inform the Authority, within seven days after the date of withdrawal of insurance product".	This clause has been amended in line with the current IRDAI stipulations, as prior intimation of 3 months' is too long period in today's fast evolving circumstances.

18	13	1	The sub clause may be omitted	IIOs to cater to ever changing needs of the customers, may undertake product modifications, and thereby discontinuing the old product(s). In this regard, such modification of product structure shall not impact the policy status of the existing policyholders, and they shall continue to be covered till the policy tenure. With the given understanding, we believe that such customers shall not have any impact on discontinuation of an existing product for new business. Thereby mandating existing policyholder intimation with regard to discontinuation of product can be omitted.
19	13	2	Inform the Authority, at least 15 days before the scheduled date of withdrawal of insurance product.	We refer to our submission made in point 5 with regards to need for product innovation to cater to ever-changing customer needs. In this regard, planning a product discontinuation 3 months in advance would only lead to congesting the product innovation process. We thus request the Authority to consider a shorter time frame for ease of doing business.
20	14	1 & 3	We are of the view that sub-regulation (1) & (3) shall be amended appropriately by restricting the cancellation rights of policyholder, to free look cancellation and that too within FLC period. Further, the nomenclature in sub-regulation (3) should be changed to surrender or withdrawal of policy, with appropriate provisions related to payment of surrender value as per the policy contract. Hence, these clauses shall be made in line with IRDAI Regulations providing for free look cancellation, surrender and termination of policy.	In case of cancellation of policy ab-initio by the policyholder at any time during the policy life cycle, the company has to reverse all the transactions and refund the entire collected premium to policyholder. This provision can be misused and would have an adverse impact on the company's financials.
21	14	2	It is the international practice to prescribe a time limit for calling the policy in question. Please clarify if this clause is open ended	
22	14	2	We request the Authority's guidance on the treatment of policies in case the fraud or misrepresentation is identified at the claims stage	We refer to Clause 14 (2) that specifies the cancellation of the policy mid-term. We understand that in the instances of fraud or misrepresentation identified at the time of claim stage, IIOs shall be allowed to cancel the policy based on proven fraud/ misrepresentation at claims stage.

23	16	1(a)	<p>It is recommended that the insurers be allowed to maintain proposal form either in physical or electronic mode.</p> <p>Accordingly, it is proposed that clause (c) be amended</p>	<p>Maintaining the forms in both modes would not be economical for insurers. Rather from the administrative convenience perspective and considering the target clients, insurers would prefer to maintain all records in electronic form. The proposition is made in line with the digitization process which provides administrative ease &amp; faster processing to the prospect as well as IIO.</p>
24	16	1(d)	<p>This provision mandates facilitation by IIO for creation of eIA number for prospect. However, since the target customers would be NRIs or foreign nationals, as the case may be, they might not be willing for opening of eIA in India. Hence, we recommend that clause be amended by including other electronic means as well apart from eIA.</p>	<p>This provision may not be feasible if the policies are issued to individuals who are of foreign national. As part of e-IA account opening process, PAN is a mandatory document and thus may defeat the overall objective of the activity. Instead the IIO may choose to send the policy contract in electronic form at the registered email ID of the applicant or provide option to the applicant to download the same through the website of the IIO using secured login process or any other recognized electronic mode.</p>
25	16	2(a)	<p>We recommend that the mentioned ceiling be removed from the draft.</p>	<p>In the recent exposure draft notified by IRDAI on Issuance of e-Insurance policies, IRDAI has removed the ceiling and mandated issuance of insurance policies in electronic form irrespective to whether the proposal form is filled in electronic mode or physical mode.</p>
26	16	1(a)	<p>Every IIO shall create and maintain proposal forms either in physical or electronic mode which shall be in accordance with the 'Product Oversight and Governance Policy' of the IIO</p>	<p>In the wake of digitization, for better control and ease of doing business, we request the Authority to not mandate IIOs to create and maintain the proposal forms in physical mode.</p>
27	16	1(a)	<p>We would request if the option of maintenance of Proposal Form in physical mode should be repealed, as this would defeat the purpose of e-Insurance policy</p> <p>Further we would recommend inserting one more sub-point under Proposal Form:</p> <p>Pre-Issuance Customer Verification, to rule out any mis-selling or customer identity fraud, will need to be an integral part of the proposal assessment process</p>	<p>To ensure that the IFSC is sufficiently positioned as a new age and tech savvy regulator, we recommend that the proposal form be maintained only in electronic format. To ensure that mis-selling is curtailed, we are anyway suggesting an additional point (e) under the sub heading "Proposal form"</p>

28	16	2(b)	<p>Provided that the IIO shall provide physical copy of the policy and proposal form if so requested by the policy holder;</p> <p>To be replaced with</p> <p>Provided that the IIO shall provide a printed physical copy of the policy document and data extracts from the proposal form, if so requested by the policy holder;</p>	<p>To ensure that the IFSC is sufficiently positioned as a new age and tech savvy regulator, we recommend that the proposal form be maintained only in electronic format. To ensure that mis-selling is curtailed, we are anyway suggesting and additional point (e) under the sub heading "Proposal form"</p>
29	16	1(a)	<p>IIO shall be allowed to create and maintain proposal Either in Electronic Mode or Physical Mode</p>	<p>As we are moving toward digital frame work for operational convenience, the IIOs should be allowed to maintain records in electronic mode.</p>
30	16	1(a)	<p>It is suggested that all records including proposal forms may be required to be maintained in physical or electronic mode, as the case may be.</p>	<p>It is not possible and feasible to store all the documents in both physical and electronic mode and electronic documents cannot be converted into physical form. It is therefore requested to modify the provision accordingly.</p>
31	17	-	<p>We request the Authority to consider allowing IIOs to obtain consent of the transferor or assignor through "one time password (OTP)", in addition to the other modes of signature.</p>	<p>In the wake of digitisation and mobile phone penetration, we note that there is a shift in usage of physical to digital interface by the customers in general. We further note higher customer participation in e-commerce by the customers. In this regard, customers have an option to avail financial products on click of a button through simple digital onboarding experience, viz., authentication through secured log-in/ one time passwords from registered phone/ email ids.</p> <p>We additionally note that given the cost involved for maintaining an e-signature, the prospective customers may not possess an e-signature.</p> <p>We thus believe that mandating e-signature for customers availing insurance may act as deterrent in digitising customer on-boarding process. In this regard, recognizing OTP based consent as signature equivalent would certainly help in ease of day to day functioning and greater customer experience.</p>
32	18	1	<p>The words "on his own name" may be omitted</p>	<p>Change of nominee's name cannot be on policy holder's name</p>

33	19	2	A provision of and/or can be inserted appropriately	There are jurisdictions that may only have either of the two. For example, the DIFC only has Articles of Association for incorporated entities
34	24	1	Below sub-clause (i) may be added to Reg. 24(1): “(1) On and from the commencement of these regulations, following regulations and guidelines cease to apply in the International Financial Services Centre - (i) the Insurance Regulatory and Development Authority (Health Insurance) Regulations, 2016.”	<p>The insurers would be required to design health as well as non-health products for the IIO. While the IRDAI (Non-Linked Insurance Products) Regulations, 2019 and IRDAI (Unit Linked Insurance Products) Regulations, 2019, the IRDAI (Health Insurance) Regulations (Health Regulations), 2016 have not been repealed under the proposed draft. Repealing the Health Regulations would:</p> <ul style="list-style-type: none"> <li>- provide flexibility to the insurers to design products in line with the Board policy. As per the proposed regulations, the insurers would be required to design products in line with the Board policy, thereby ensuring Board’s supervision on the design and pricing. Therefore, the flexibility may be accorded for health products as well.</li> <li>- ensure parity amongst all class of insurance business since the Health Regulations does not allow life insurers launch indemnity-based health products (Ref. Section 3(b) of Health Regulations).</li> <li>- India is highly underpenetrated. Repealing Health Regulations would enhance penetration of health insurance through indemnity products launched by life insurers.</li> <li>- Life insurers are well positioned to offer health insurance; inherent synergy in the holistic proposition of human life and health and the distributors’ proposition to customer.</li> <li>- International Practice: <ul style="list-style-type: none"> <li>o In countries such as Malaysia, life insurers are the sole providers of health insurance, including indemnity-based health products.</li> <li>o In countries such as Singapore, Indonesia, and South Korea, both life as well as general insurers are allowed to sell health insurance.</li> <li>o In countries such as Hong Kong and Japan, general insurers are not allowed to sell those classes of health insurance which life insurers are allowed to sell.</li> <li>o No express restrictions on life insurers offering indemnity-based health insurance is noted in the above geographies.</li> </ul> </li> </ul>

35	24	1(h)	It is suggested to add below regulations under the said clause which shall cease to apply in IFSC (i) Consolidated Guidelines on Product filing in Health Insurance Business 2020	Along with IRDAI Product Filing Procedures for General Insurance Products, Product filing guidelines with respect to health insurance will also cease to apply.
36	-	-	<p>While a Principle-based approach (which is adequately thought through) certainly provides a higher degree of flexibility to the market participants and rests the ownership on governance with Board of Directors and Relevant Persons.</p> <p>However, in our view a Risk based approach is likely to provide market participants with a framework which necessitates application of consistency, uniformity and prudence while adhering to compliance at all times and future periods</p>	A Risk-based approach will likely have enabling provisions for market participants to consider risks in totality while applying judgement and taking decisions on every transaction/activity (which possibly could be ignored in a Principle-based approach, where element of convergence between top-down and bottoms-up is limited).

37	-	-	<p>Insert a new section in Chapter III/Product Management on System capabilities</p> <p>(1) The IIO must demonstrate existing capabilities to administer and manage multi-currency insurance products across new business and customer servicing</p> <p>(2) The policy administration system and applications deployed by the IIO for managing the insurance products should be exclusively and separately licensed to the IIO.</p> <p>(3) The IIO should be able to demonstrate a clear segregation of database and customer information, in line with the data protection guidelines of the Authority</p> <p>(4) The IIO should be able to demonstrate globally accepted cyber security standards and practices for its overall systems, application and infrastructure architecture deployed at IFSC</p>	<p>Our experience over the last 6 years has cemented the fact that servicing of policies in a multi-currency and multi-jurisdiction environment, brings with it subtleties and nuances that make a strong policy administration system that can manage long term insurance contracts, an absolute necessity. Hence, we are requesting the insertion of a few capabilities that the IIO should be in a position to demonstrate</p>
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The above comments were considered suitably and the revised draft of the IFSCA (Insurance Products and Pricing) Regulations, 2022 was placed before the Authority in its meeting held on December 23, 2022.