



THE INSTITUTE OF  
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(Under the jurisdiction of Ministry of Corporate Affairs)

# SUPPLEMENT ROFESSIONAL PROGRAMME (OLD SYLLABUS)

*for*

*December, 2021 Examination*

## INSURANCE - LAW & PRACTICE

### MODULE 3

### ELECTIVE PAPER 9.3

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## **Lesson 2**

### **General Principles and Concepts of Insurance**

#### **IRDAI (Insurance Advertisements and Disclosure) Regulations, 2021 (Regulation no. F. No. IRDAI / Reg / 2 / 174 / 2021 date April 12, 2021)**

The Insurance Regulatory and Development Authority of India (IRDAI) has issued above guidelines to ensure that the insurers, intermediaries or insurance intermediaries adopt fair, honest and transparent practices while issuing advertisements and avoid practices that tend to impair the confidence of the public and the advertisement is relevant, fair and in simple language enabling informed decision making.

##### **Brief Analysis:**

The objective of the regulations are to ensure that the insurers, intermediaries or insurance intermediaries adopt fair, honest and transparent practices while issuing advertisements and avoid practices that tend to impair the confidence of the public and to ensure that the advertisement is relevant, fair and in simple language enabling informed decision making.

For more details:

[https://www.irdai.gov.in/ADMINCMS/cms/whatsNew\\_Layout.aspx?page=PageNo4444&flag=1](https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4444&flag=1)

#### **IRDAI (Manner of Assessment of Compensation to Shareholders or Members on Amalgamation) Regulations, 2021 (Regulation no. IRDAI/Reg/4/176/2021 dated April 26, 2021)**

The Insurance Regulatory and Development Authority of India (IRDAI) has issued above regulations to provide for the manner of assessment of compensation for the shareholders or members whose interests in, or rights against, the transferee insurer resulting from amalgamation are less than his interest in, or rights against the original insurer.

##### **Brief Analysis:**

Every person who, immediately before the appointed date, is registered as a shareholder or a member of the original insurer and the interest in, or rights of such shareholder or member against the transferee insurer are less than the interest in, or rights against the original insurer, shall be eligible for compensation in accordance with these regulations.

Provided that the eligible shareholders or members shall be considered for payment of such compensation only where the residual value of the assets is positive.

The compensation assessed in accordance with the provisions of these regulations shall be paid either in cash or in kind or partially in cash and partially in kind. The Authority shall assess the compensation payable to the shareholders or members of the original insurer, whose interest in, or rights against the transferee insurer are less than their interest in or rights against the original insurer, on the basis of the residual value of the assets as arrived at in accordance with stipulated regulation.

For more details:

[https://www.irdai.gov.in/ADMINCMS/cms/whatsNew\\_Layout.aspx?page=PageNo4461&flag=1](https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4461&flag=1)

**Exercise of Employee Stock Options (ESOPs) – Applicability of provision of Section 6A (4) (b) of the Insurance Act, 1938 (Ref. No: IRDA/F&I/MISC/CIR/ 134/05/2021 dated May 11, 2021)**

The Authority, while approving the remuneration of Whole-time Director, Chief Executive Director and Managing Director, is also considering the granting and / or vesting of ESOPs. However, in a few cases, it has been observed that the exercise of ESOP by one or more KMPs whether singly or jointly is beyond the threshold limits specified in Section 6A (4) (b) of Insurance Act, 1938. Accordingly, the exercise of such ESOPs results in invocation of the provisions of the said section.

**Brief Analysis:**

The provisions are therefore reiterated as under:

- a. All ESOPS, at the time of grant, shall be reported to the Authority preferably as a part of the application filed under IRDAI (Remuneration of Chief Executive Officer / Whole-time Director / Whole-time Director / Managing Director of Insurers) Guidelines, 2016;
- b. Exercise of ESOP is subject to provision of Section 6A (4) (b) of Insurance Act, 1938 read with IRDAI (Transfer of Equity Shares of Insurance Companies) Regulations, 2015;
- c. Where specific trust has been formed by an insurer for issuance of ESOPs to their employees, the issue of shares to such trust and exercise of option by one or more employees shall also fall within the ambit of the Section 6A of the Insurance Act, 1938 read with IRDAI (Transfer of Equity Shares of Insurance Companies) Regulations, 2015;
- d. Where exercise of ESOP by one or more KMPs whether singly or jointly is beyond the threshold limit specified in Section 6A (4) (b) of Insurance Act, 1938, the prior approval of the Authority shall be sought before such exercise.

For more details:

[https://www.irdai.gov.in/ADMINCMS/cms/whatsNew\\_Layout.aspx?page=PageNo4482&flag=1](https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4482&flag=1)

**Insurance Regulatory and Development Authority of India (Preparation of Financial Statements and Auditor's Report of Insurance Companies) (First Amendment) Regulations, 2021 (Ref. No:F. No. IRDAI / Reg / 5 / 177 / 2021 dated May 12, 2021)**

Insurance Regulatory and Development Authority of India has issued above regulations to provide the manner in which the premium and unearned premium reserve should be recognized by insurers carrying on general insurance business.

**Brief Analysis:**

**A. Recognition of Premium**

- (i) Premium shall be recognized as income over the contract period or the period of risk, whichever is appropriate.

- (ii) “Premium received in Advance” is the premium where the period of inception of the risk is outside the accounting period and is to be shown under current liabilities.
- (iii) “Unallocated premium” includes premium deposit and premium which has been received but for which risk has not commenced. It is to be shown under current liabilities.

#### **B. Unearned Premium Reserve**

A reserve for unearned premium shall be created as the amount representing that part of the premium written which is attributable to, and allocated to the succeeding accounting periods. Such Reserves shall be computed as under:

- (i) Marine Hull - 100 percent of Net Written Premium during the preceding twelve months;
- (ii) Other Segments - 50 percent of Net Written Premium during the preceding twelve months; or on the basis of 1/365th method on the unexpired period of the respective policies.

However, Insurers shall follow the method of provisioning of Unearned Premium Reserve in a consistent manner. Any change in the method of provisioning can be done only with the prior written approval of the Authority.”

For more details:

[https://www.irdai.gov.in/ADMINCMS/cms/whatsNew\\_Layout.aspx?page=PageNo4486&flag=1](https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4486&flag=1)

#### **Indian Insurance Companies (Foreign Investment) Amendment Rules, 2021 (Notification no. G.S.R. 337(E) dated May 20, 2021)**

The Finance Ministry on May 20, 2021 had notified the amendment to the Indian Insurance Companies (Foreign Investment) Rules, 2015 and clarified on the final rules for increasing the foreign direct investment limit in the insurance sector to 74% from the existing 49%. Every Indian insurance company having foreign investment, existing on or before the date of commencement of the Indian Insurance Companies (Foreign Investment) Amendment Rules, 2021, shall within one year from such commencement, comply with the requirements of the provisions.

#### **Brief Analysis:**

In an Indian Insurance Company having foreign investment exceeding forty-nine per cent,—

- (a) for a financial year for which dividend is paid on equity shares and for which at any time the solvency margin is less than 1.2 times the control level of solvency, not less than fifty per cent of the net profit for the financial year shall be retained in general reserve; and
- (b) not less than fifty per cent of its directors shall be independent directors, unless the chairperson of its Board is an independent director, in which case at least one-third of its Board shall comprise of independent directors.”.

For more details:

[https://www.irdai.gov.in/ADMINCMS/cms/whatsNew\\_Layout.aspx?page=PageNo4493&flag=1](https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4493&flag=1)

## **Lesson 7- Life Insurance - Practices, Procedures**

### **Guidelines on Standard Personal Accident Insurance Product (Guidelines reference no. IRDA/HLT/GDL/MISC/036/02/2021 dated February 25, 2021)**

The Insurance Regulatory and Development Authority of India (IRDAI), has issued Guidelines on Standard Personal Accident Insurance Product.

#### **Brief Analysis:**

The insurance market is having a wide variety of personal accident insurance products. Each product has unique features and the insuring public may find it a challenge to choose an appropriate product. Therefore, with the objective of having a standard product with common coverage and policy wordings across the industry, the Authority has decided to mandate all general and health insurers to offer the standard personal accident insurance product. The insurer may determine the price keeping in view the covers proposed to be offered subject to complying with the norms specified in the IRDAI (Health Insurance) Regulations, 2016 (HIR, 2016) and all other applicable Regulations, Consolidated Guidelines on Product filing in Health Insurance Business (Ref: IRDAI/HLT/REG/CIR/194/07/2020 dated 22nd July, 2020), Master Circular on Standardization of Health Insurance Products (Ref: IRDAI/HLT/REG/CIR/193/07/2020 dated 22nd July, 2020) and other applicable Guidelines as amended from time to time.

For more details:

[https://www.irdai.gov.in/ADMINCMS/cms/whatsNew\\_Layout.aspx?page=PageNo4381&flag=1](https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4381&flag=1)

## **Lesson 11- General Insurance Products**

### **Health Insurance**

#### **Guidelines on Standard Vector Borne Disease Health Policy (Circular no. IRDAI/HLT/REG/CIR/25/02/2021 dated February 03, 2021)**

In order to make available Vector Borne Disease specific health insurance product addressing the needs of insuring public for getting health insurance coverage to specified Vector Borne Diseases, the Insurance Regulatory and Development Authority of India (IRDAI), encourages all general and health insurers to offer Standard Vector Borne Disease Health Policy.

#### **Brief Analysis:**

The Coverage of Standard Product offered on fixed benefit basis as specified in the guidelines. The total amount payable in respect of the coverages offered should not exceed 100% of the Sum Insured during a policy period. The Standard Product offers policy tenure of one year (12 Months).

Insurers are allowed to offer Standard Product as group product by duly complying with the norms specified hereunder.

- a. Insurers are allowed to use the standard product name for the group policy after adding the word “group”, provided all terms and conditions as applicable to the Standard Product remain the same except premium rate and specification on operation of group policy.
- b. The insurers determine the price keeping in view the cover proposed to be offered subject to complying with the norms specified in the IRDAI (Health Insurance) Regulations, 2016.

For more details:

[https://www.irdai.gov.in/ADMINCMS/cms/whatsNew\\_Layout.aspx?page=PageNo4360&flag=1](https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4360&flag=1)

#### **Modified guidelines on product filing in health insurance business (Circular no. IRDAI/HLT/REG/CIR/29/02/2021 dated February 08, 2021)**

The Insurance Regulatory and Development Authority of India (IRDAI), has issued modified guidelines on product filing in health insurance business. The following categories of the individual products or add-ons or riders of health insurance business offered by General and Health Insurance Companies (hereafter referred as insurers) are permitted to be launched through Use and File Procedure by duly complying with the norms specified in these guidelines.

- a. Personal Accident insurance products
- b. Overseas Travel insurance products
- c. Domestic Travel insurance products
- d. Benefit Based health insurance products

#### **Brief Analysis:**

The above referred categories of individual products are allowed to be launched under use and file subject to the following conditions:

- i.1 In respect of the personal accident, domestic and overseas travel products “use and file” is allowed only if the coverage offered both under base covers and add-on covers or riders is contingent upon an accident and/or travel as relevant.
- i.2 Where combination of covers from different lines of health insurance business, is proposed with products other than those mentioned above or with combination of products mentioned above but not in accordance with (i.1) above, insurers should continue to file such products under “file and use” procedure, as specified in the guidelines
- i.3 Any modification of the above referred products filed under “use and file” continue to be under “file and use” procedure as specified in the guidelines.
- ii. Insurers should continue filing the products referred at Clause (1) above, using the Form –IRDAI – FNU-HIP specified in the guidelines under Use and File Procedure as well. UIN should be obtained before launching the product.
- iii. Where any Insurer is found to be non-compliant with the guidelines specified herein while launching the products under use and file procedure, the Authority notwithstanding the action that may be taken under the provisions of Insurance Act 1938, may take one or more of the following actions.
  - a. Direct the insurer to withdraw the product.
  - b. Withdraw the Use and File facility for such insurer for a period as may be determined.

For more details:

[https://www.irdai.gov.in/ADMINCMS/cms/whatsNew\\_Layout.aspx?page=PageNo4368&flag=1](https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4368&flag=1)

**Communications on basic information on health insurance policies to the policyholders (Circular no. IRDAI/HLT/REG/CIR/038/03/2021 dated March 01, 2021)**

While the policy document of health insurance policy is forwarded with relevant information, in order to continue the relationship with policyholders and to ensure information flow, it is considered important to periodically notify the policyholders certain relevant and key details relating to health insurance coverage available to the policyholders.

**Brief Analysis:**

In order to ensure flow of relevant information to policyholders the following norms are specified:

- (i) All the general and health insurers as part of policy servicing, shall communicate the following basic information about the health insurance policy to the policyholders:
  - a. Name of Product and policy number,
  - b. Extent of coverage available by way of available Sum Insured and Cumulative Bonus,
  - c. Number of insured people covered under policy,
  - d. Policy period,
  - e. Number and amount of claim settled (under relevant period), if any,

- f. Balance Sum Insured and Accrued cumulative bonus available, if any,
  - g. Due date of renewal and premium payment frequency,
  - h. Premium amount due on renewal (to be specified at the time of renewal)
  - i. Grace Period (within 5 days after renewal due date)
  - j. Contact details (for any query or other issues) of customer support service of Insurer, Toll Free No. or e-mail Id etc.
- (ii) The above information to be communicated by insurers to all the policyholders twice in a year, i.e., 6 months after issuance of policy and at least 1 month prior to the renewal due date. However, in case of a multiyear policy, the information can be shared with a frequency of 6 months from the date of issuance of policy.
  - (iii) In addition to the above, in the event settlement of any claim under a health insurance policy, the insurer also communicate the details of balance sum insured along with the cumulative bonus available, if any, to the policyholder. This is to be notified to the policyholders within 15 days of settlement of claim.
  - (iv) The insurer may choose any mode of communication (message, e-mail, letter etc.) for the purpose of notifying the above referred information. The sample messages / communications that all the insurers to notify to the policyholders is placed at Annexure-1 for illustration purpose only. Insurers can improve on the same while refraining from making the message complex, unintelligible or too long with unnecessary information. These norms are applicable to all individual (both indemnity and benefit based) health insurance policies.

For more details:

[https://www.irdai.gov.in/ADMINCMS/cms/whatsNew\\_Layout.aspx?page=PageNo4384&flag=1](https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4384&flag=1)

**Modified guidelines on product filing in health insurance business (Circular no. IRDAI/HLT/REG/CIR/049/ 03/2021 dated March 16, 2021)**

The Insurance Regulatory and Development Authority of India (IRDAI), has issued modified guidelines for Chapter III of Consolidated Guidelines on Product filing in Health Insurance Business specifying the File and Use and Use and File Procedure in respect of various categories of individual Products or Add-ons or Riders of Health Insurance Business.

**Brief Analysis:**

**1. Additional norms on modification of health products (including PA and Travel):**

In addition to the norms specified at Clause (C) of Chapter-III of the guidelines, general and health insurers should adhere to the following norms while effecting modification of existing products.

- a. General and health insurers are not allowed to modify the existing benefits, add new benefits in the existing products which leads to imposing an increase in premium.
- b. Appointed Actuary should review the financial viability of every health insurance product at the end of every financial year in accordance to the provisions of Regulation 6 of IRDAI (Health Insurance) Regulations, 2016.
- c. A status report should be submitted by 30th September of every financial year to the Authority along with the Board's suggestions and the corrective actions to be taken in the specified format. The status report for FY 2020-21 should be filed by 30th September, 2021.



## 2. Norms on Presentation of Policy Contract:

In order to enable all sections of policyholders easily understand the contents of policy contract, all insurers should arrange the policy contracts of all health insurance products in the following order with clear heading so as to draw the attention of policyholders. This format should be adopted in respect of all policies issued from 01 October, 2021 onwards.

- a. Policy Schedule
- b. Preamble
- c. Definitions (to be divided into the following parts with clear demarcation and sub title as under)
  - i. Standard Definitions (Definitions whose wordings are specified by IRDAI)
  - ii. Specific Definitions (Definitions other than those mentioned under c(i) above)
- d. Benefits covered under the policy
- e. Exclusions (to be divided into the following parts with clear demarcation and sub title as under)
  - i. Standard Exclusions (Exclusions for which standard wordings are specified by IRDAI)
  - ii. Specific Exclusions (Exclusions other than those mentioned under e(i) above).
- f. General Terms and Clauses (to be divided into the following parts with clear demarcation and sub title as under)
  - i. Standard General Terms and Clauses (General terms and clauses whose wordings are specified by IRDAI)
  - ii. Specific terms and clauses (terms and clauses other than those mentioned under f(i) above)
- g. Other terms and conditions  
(Explanation: Customizing the policy contracts of the existing product in order to comply with the above format is not considered as modification.)
- h. The wordings of all the standard exclusions, standard terms and clauses and standard definitions used in the policy contract should comply with the wordings as specified by the Authority.

For more details:

[https://www.irdai.gov.in/ADMINCMS/cms/whatsNew\\_Layout.aspx?page=PageNo4397&flag=1](https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4397&flag=1)

### **Standard Technical Note (Template) - Health Insurance (Circular no. IRDAI/ACT/CIR/MISC/069/04/2021 dated April 01, 2021)**

In order to expedite the product clearance process, it has been decided to standardize the Technical Note so that insurers can provide all necessary details in a prescribed standard format. This will help to ensure uniformity amongst insurers in the matter of filing pricing and product related information for health insurance products.

#### **Brief Analysis:**

Insurers submit Technical Note providing complete information and duly signed by the Appointed Actuary as per the prescribed format.

For more details:

[https://www.irdai.gov.in/ADMINCMS/cms/whatsNew\\_Layout.aspx?page=PageNo4434&flag=1](https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4434&flag=1)

## **Motor Insurance**

### **Standard Technical Note (Template) - Motor Insurance (Circular no. IRDAI/ACT/CIR/MISC/070/04/2021 dated April 01, 2021)**

In order to expedite the product clearance process, it has been decided to standardize the Technical Note so that insurers can provide all necessary details in a prescribed standard format. This will help to ensure uniformity amongst insurers in the matter of filing pricing and product related information for general insurance products.

#### **Brief Analysis:**

Insurers submit Technical Note providing complete information and duly signed by the Appointed Actuary as per the prescribed format.

For more details:

[https://www.irdai.gov.in/ADMINCMS/cms/whatsNew\\_Layout.aspx?page=PageNo4436&flag=1](https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4436&flag=1)

## **Aviation Insurance**

### **Product Structure for Insurance of Remotely Piloted Aircraft System (RPAS) / Drones (Circular no. IRDA/CIR/MISC/031/02/2021 dated February 11, 2021)**

Currently, only a few general insurers in the Indian Market are offering insurance cover for RPAS/Drones through existing products under Aviation Insurance. Considering the unique characteristics of Drones that differentiate them from other aircrafts and taking into account the phenomenal growth in the usage of Drones for multiple purposes, there is a need to augment the current insurance availability customized to the requirement of drone owners and operators. In line with the above objective of making basic insurance covers available by the general insurers for Drones and to facilitate flexibility and innovation in the development of insurance coverage for evolving technology requirements, the following product construct is provided.

For more details:

[https://www.irdai.gov.in/ADMINCMS/cms/whatsNew\\_Layout.aspx?page=PageNo4375&flag=1](https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4375&flag=1)