

Delayed Delivery

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In the last year, the Insurance Regulatory and Development Authority (IRDA) have issued new guidance on several aspects of the insurance regulatory framework. Some of the most significant developments have been the guidance for ULIPs and ULPs, the IRDA (Sharing of Database for Distribution of Insurance Products) Regulations 2010 and the guidelines for Credit Insurance of December 2010.

Alongside, however, there have been several proposed changes which have not yet been notified despite a considerable time lapse from the deadline for submission of stakeholders' comments. There is no indicative timeframe for notification. An illustrative list of the proposed, but unfinalised guidance is below:

- Amendment to the IRDA (Protection of Policyholders' Interests) Regulations 2002 (issued on 4th June 2010) to mandate the issue of a key feature document in simple language for certain insurance policies. The actual text of the proposed amendment has not yet been indicated.
- The Distance Marketing Guidelines (issued on 4th June 2010) to cover distance marketing activities (over voice, electronic and physical mode) of Insurers and brokers at the stage of offer, negotiation and conclusion of the sale.
- Amendment to the IRDA (Protection of Policyholders' Interests) Regulations 2002 (issued on 18th June 2010) to introduce standards and procedures for 'needs analysis' for the sale of life insurance policies. The actual text of the proposed amendment has not yet been indicated.
- Guidelines for persistency of life insurance policies by agents (issued on 16th July 2010) which suggested guidance for increasing persistency by insurance agents, including a claw back on commission.
- Regulations for electronic transaction and settlement system (issued on 29th August 2010) to encourage Insurers to shift to a computerised system of administration and settlement of accounts, including for co-insurance and reinsurance.
- Composite package product for rural and social sectors (issued on 9th September 2010) which will include life and general insurance covers.
- Guidelines on Outsourcing Activities by Insurers (issued on 8th November 2010) defining core activities (which shall not be outsourced) and non-core activities which may be outsourced to third party service providers in accordance with the norms for outsourcing arrangements specified therein.

Apart from the foregoing which includes exposure drafts or circulars issued by the IRDA indicating the proposed changes, press reports have carried statements by IRDA officials indicating that guidance on other subjects may also be in the offing. An illustrative list of the other proposed guidance is below:

- Guidelines on portability of health insurance;
- Guidelines on health insurance for Insurance companies;
- Guidelines on M&A for Insurance companies; and
- Guidelines of IPOs of Insurance companies.

At the end of December 2010, press reports indicated that the IRDA would not be introducing any new guidance as the industry needs to stabilise following the new regulations introduced.

For further information on this topic please contact Tuli & Co by telephone

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