

IRDA Update: Clarification on Guidelines on Outsourcing

19 May 2011

By way of an update, please find below the IRDA's Circular of 18th May 2011 clarifying ¶5.1 of the Outsourcing Guidelines of 1st February 2011:

Reference is invited to point no. 5.1 of Guidelines on Outsourcing of Activities by Insurance Companies (Circular No: IRDA/Life/CIR/GLD/013/02/2011 dated 01st February, 2011) wherein it is prescribed that entities engaged for the activities referred at Column (4) of Sl. No. 3 of Annexure - 1 (Cheque pick and Banking) shall be only a Company registered under Indian Companies Act, 1956 with a net worth of at least Rs 10 Cores.

It is now clarified that these conditions are not applicable to the entities that are permitted by RBI to facilitate collections using technology platform. Entities permitted by RBI for collection may be allowed to carry out the activity of 'Cheque pick and Banking' in accordance to the provisions of the within referred outsourcing guidelines and also in compliance with those prescribed by RBI. The insurers shall put in place procedures for issuance of simultaneous receipts to the policyholders through such entities. It is further clarified that insurers shall remain responsible for the receipts issued and date and time of such receipt shall be taken into account for considering the underlying benefits of an insurance contract.

This issue's with the approval of the Competent Authority.

For further information on this topic please contact Tuli & Co

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