



Institute of Actuaries of India  
Statutory body established under an Act of Parliament

# Innovative Regulations in Insurance – Regulatory Sandbox

13<sup>th</sup> December, 2019

Institute of Actuaries

# Agenda

- Regulatory Sandbox Regulations – Salient Features
- Operational Guidelines – Salient Features
- Further Steps

# Objective – Time period of Regulations

- **Objectives** of Regulations

- To have **orderly development** of Insurance sector and **protection of interests of policyholders**, while at the same time **facilitating innovation**.
- To **facilitate creation of regulatory sandbox environment** and if deemed fit to **relax** such provisions of any **Regulations for a limited scope and limited duration**
- Regulations to remain in force for a period of **2 years**

# Applicants – categories - approach

- **Who can apply** - a) an insurer; or b) an insurance intermediary; or c) any person other than an individual having a minimum **net-worth of Rs 10 lakhs for last 1 financial year**; or d) any other person recognized by the Authority  
seeking **singly or jointly** permission for promoting innovation in insurance in India
- **Categories of application** - a) Insurance Solicitation or Distribution; b) Insurance Products; c) Underwriting; d) Policy and Claims Servicing; e) Any other  
in **any one or more** of the categories
- **Approach for consideration of application** - **cohort** approach

# Conditions – Validity – Time extension

- **Conditions for Grant of permission** – a) promotes innovation beneficial to insurance; b) is in interest of policyholders; c) conducive for orderly growth; d) promotes insurance penetration; e) meets the requirements specified in the regulations (**Regulatory relaxation needed/ exit strategy/ economic viability of proposal**)
- **Validity** - valid for 6 months
- **Extension of first permission** - another 6 months
- **Review of proposal approved by the Authority** - Chairperson, through single point of contact (SPOC), to review progress at regular intervals

# Conclusion-Regulatory Relaxation – Op Guidelines

- **Conclusion of the proposal** - On completion, Chairperson may **accord** permission to **adopt** the **proposal or discontinue**
- **Regulatory Relaxation** – Chairperson may **relax** the applicability of **one or more provisions** of any Regulation(s) notified by the Authority

However, **no relaxation** shall be offered in respect of compliance with the **Insurance Act, 1938** or **IRDA Act, 1999** or any other **applicable statutes**

- **Further Powers** - Chairperson may issue **Guidelines on Operational Issues**

# Operational Guidelines – Salient Features

- **Application Form** – Form RG-1-apply in one or more categories given in Reg 4
- For **underwriting or product** category – application in association with insurer
- **Other than above** – singly or jointly by any applicant
- **Innovation** – increase insurance penetration – provide enhanced services to policyholders – not for sake of regulatory relaxation – economic viability
- Specify what **regulatory relaxation** required – to follow PPHI and grievance redressal procedures - relaxation not prejudicial to PPHI & increase penetration
- Applicant to identify **potential risk** and furnish **risk mitigation strategy**

# Operational Guidelines – Salient Features

- **Approval of Board** – periodic monitoring by Board of applicant
- **Single point of contact** – Authority and applicant
- **Upfront disclosure** and **prior consent** of customer to participate in the proposal – **voluntary** and conscious choice of customer
- **Size of proposal** – max 10,000 customers/ Rs 50 lakhs premium/ any other parameter
- **Accounting Treatment** – shareholders funds or equivalent – **separate line item in schedule of accounts**
- **Migration of policies** and services at end of proposal period after approval of Authority



# Operational Guidelines – Salient Features

- Applicant to **honour existing liabilities**
- **Confidentiality of personal information** and **data security** – applicant to pave mechanism in place for maintaining confidentiality of personal information, prevent misuse and prevent manipulation of records and transactions on continuous basis
- **Third party not to retain information/ data** – responsibility on insurer/ insurance intermediary
- **Reporting Formats** – to be designed

# Other important aspects

- **Innovative Products / Services** – Digital KYC/ Smart contracts/ Cyber security products/ Financial Inclusion/ Market place/ Financial advisory/ Retail platforms
- **Innovative Technology** – Mobile Tech/ Apps/ Data Analytics/ APIs/ Blockchain/ Artificial Intelligence/ Machine Learning/ Chatbot
- **Regulatory Relaxations** – capital/ networth, training/ examination, management experience/ track record, financial strength
- **No relaxations** – customer privacy/ data protection, KYC/ AML/ CFT, statutory restrictions, protection of policyholders / grievance redressal

# Other important aspects

- **Applicant** – No negative list, No PI policy, No payment to consumer for loss incurred during the experiment – Disclosure based
- **Stages & Timelines** – Preliminary Screening/ Test Design/ Application Assessment/ Testing/ Evaluation

# Advisory to applicants

- **Don't be in a hurry to file the application**
- **Think through and cover all aspects**
- **Engage with the Authority right from filing of application** – more you interact, more you explain, better is the understanding of the Authority help is proper evaluation of the proposal
- **Don't file for sake of filing – think all aspects – cover all issues – Singapore example**

# Further Steps

- **Receipt of applications** – 15.9.2019 till 14.10.2019
- **Filing of application** online on IRDA website
- **Single Point of Contact** nominated
- **Outreach programme** –
  - 13<sup>th</sup> September, 2019 – CII, Mumbai
  - 18<sup>th</sup> September, 2019 – City of London, Hyderabad
  - 9<sup>th</sup> October, 2019 – NASSCOM & FICCI, Bengaluru

# Nature of Applications

- **Applications** – Total - 173 – Life – 29 – General – 109 – Stand-Alone Health – 9 – Insurance Intermediaries – 18 – InsurTech - 14
- **Categories of Applications** – Insurance Solicitation and Distribution – 56 – Insurance product - 76 – Insurance underwriting – 8 – Policy & Claims servicing – 31 – Any other – 12
- **Concepts** – Wellness – Wearables – Group insurance - Usage Based Insurance – Loyalty / Rewards programmes – electronic platforms – KYC onboarding – Distribution - Products

# Applications filed - Total

<b>Category of Applications</b>	<b>General</b>	<b>Std Alone Health</b>	<b>Life</b>	<b>Ins Brk</b>	<b>Web Agg</b>	<b>Insur Tech</b>	<b>Total</b>
<b>Insurance Solicitation or Distribution</b>	22	1	6	4	4	3	40
<b>Insurance Solicitation or Distribution &amp; Insurance product</b>	5	1	4	0	0	0	10
<b>Insurance Solicitation or Distribution &amp; Policy &amp; Claims &amp; Servicing</b>	1	0	0	3	1	1	6
<b>Insurance products</b>	56	4	14	2	0	0	76
<b>Insurance products &amp; underwriting</b>	0	0	0	0	0	1	1
<b>Underwriting</b>	4	1	2	0	0	0	7
<b>Policy &amp; Claims Servicing</b>	12	2	1	1	1	4	21
<b>Any Other</b>	3	0	2	2	0	5	12
<b>Total</b>	103	9	29	12	6	14	173

THANK YOU