



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

Innovative Regulations in Insurance – Regulatory Sandbox

19th 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 have 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** –
 - 13th September, 2019 – CII, Mumbai
 - 18th September, 2019 – City of London, Hyderabad
 - 9th 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

THANK YOU