Item No. 18

Amendment to Regulation 3(5) of IRDAI's (Issuance of e-insurance policies) Regulations, 2016 dealing with electronic signatures

Attention is drawn of all stakeholders to Regulations 3(5) of IRDAI's (Issuance of e-insurance policies) Regulations, 2016 dealing with electronic signatures. Regulation 3(5) states that where the prospect furnishes details in e-Proposal form, it shall carry his electronic signature. Electronic signature is defined under Section 2(ta) of the Information Technology Act, 2000 as follows:

"electronic signature" means authentication of any electronic record by a Subscriber by means of the electronic technique specified in the Second Schedule and includes Digital signature.

Under the Second Schedule only e-authentication technique using only Aadhar e-KYC Services has been recognised. Therefore, the requirement of either a digital signature or Adhaar e-KYC on the prospect is onerous and may not facilitate the issuance of e-insurance policies.

In light of the above, an exposure draft proposing changes to Regulation 3(5) of IRDAI's (Issuance of e-insurance policies) Regulations, 2016 by proposing to add the words "or be authenticated by One Time Password" after the words "electronic signature" were issued on 1st September, 2016 giving time till 12th September, 2016 to all the stakeholders to give their comments.

The Authority received comments from 22 stakeholders. The draft regulations were also placed before the Insurance Advisory Committee in its meeting held on 17th October, 2016. The major comments and their response are as under:

1. Majority of the stakeholders have welcomed the proposed amendment.
2. Couple of them have questioned the legal validity and the security vulnerability. It is submitted that the OTP is for validation of the e-proposal form which is one of the documents that forms part of the insurance contract and the not the contract itself and therefore there are no legal hurdles. Secondly as regards the security vulnerability,

even in current scenario and even in the banking transactions, OTP is valid and widely prevalent. The methodology is tested, well recognised and has wide acceptability. Therefore, there would be easy acceptance and help promote electronic issuance of policies.

3. Do not make mandatory the issuance of policies in physical form. It is submitted that as per the Authority "Revised Guidelines on Insurance Repositories and issuance of e-insurance policies" physical form is to be issued only when the insurer issues the electronic policy. In case the electronic insurance policies are issued by insurance repositories, then there is no need to issue insurance policies in physical form.
4. Replace the word "authentication" with "validation" as authentication is used for electronic signature as defined in the IT Act whereas validation through OTP is a separate process. The suggestion is being accepted.

Therefore, the following changes are proposed in the Regulation 3(5) of IRDAI's (Issuance of e-insurance policies) Regulations, 2016.

Regulation 3(5): to add the words "or be validated by One Time Password" after the words "electronic signature".

Accordingly, the draft amendment to IRDAI's (Issuance of e-insurance policies) Regulations, 2016 is placed before the Authority.