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Exposure Draft

GUIDELINES ON "PRODUCT FILING PROCEDURES FOR GENERAL INSURANCE PRODUCTS"

Insurance Regulatory and Development Authority of India
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DRAFT GUIDELINES ON "PRODUCT FILING PROCEDURES FOR GENERAL INSURANCE PRODUCTS

The current guidelines on file and use requirement for general insurance products have been in operation since September, 2006. These guidelines were issued when general insurance business was de-tariffed. The guidelines on file and use requirements for general insurance products have been reviewed based on the experience gained so far and taking into account the feedback received from various stakeholders.

The core principle while reviewing the above guidelines was to take into account of varying needs of retail and commercial policyholders and bringing more efficiency in the current filing system. It thus becomes imperative to cater to the needs of the customers which are evolving and changing rapidly. It is critical that the insurance industry is alive to this reality and modernizes its procedures and policy forms in tune with the times.

In order to have a holistic and structured approach in devising appropriate revisions in guidelines, IRDAI, vide its circular No. IRDAI/NL/CIR/F&U/112/04/2014 dated 17th April 2014 constituted a Working Group to review the extant guidelines and to recommend changes to meet the above objectives.

The following were considered as the terms of reference for the working group.

A. Review of File and Use guidelines issued by the Authority vide 021/IRDAI/F&U/Sept.06, dated 28th September, 2006 and all other circulars related to the guidelines issued by IRDAI from time to time
B. Recommend new File and Use guidelines taking into account the changed requirements in the de-tariffed regime

The working group, as part of its methodology, met all the stakeholders of the general insurance products and collected their views. In addition to this, the working group also studied product approval process in some other countries as well as the Indian laws, regulations and regulatory guidelines that could have an impact on the filing process of general insurance products. The workgroup report has been placed on IRDA website and the comments of stakeholders were invited.

Keeping the above in view and after considering the comments of General Insurers, GI Council and others, the revised guidelines for filing of general insurance products have been formulated.

1. Short title and commencement

(i) These Guidelines may be called the Guidelines on Product Filing Procedures for General Insurance Products.

(ii) These Guidelines are issued under the provisions of Section 14 (2) (i) of the IRDAI Act 1999 and section 34(1)(c) of the Insurance Act, 1938. These guidelines replace the earlier guidelines. Notwithstanding, any action taken or under process in terms of guidelines 021/IRDAI/F&U/SEP-06 dated 28th Sep, 2006 and circulars issued thereafter on general insurance product matters shall remain valid. All circulars relating to filing of general insurance products shall stand repealed from the date of effective date of commencement of these guidelines.

(iii) These Guidelines shall come into force from the date.................

2. Scope and Applicability

(i) These guidelines provide a revised regulatory framework for the File and Use procedures and Use and File procedures for General insurance products in India

The Guidelines, unless specifically relaxed or exempted, shall be applicable to all insurers transacting general insurance business, licensed under the Insurance Act, 1938.

(ii) The present guidelines shall apply to all general insurance products whether or not governed by the erstwhile tariff and include all products those are in the market and approved by Authority under any of the earlier File & Use guidelines. But these guidelines shall not include any insurance product that is governed by IRDAI Health Insurance Regulations issued from time to time.

(iii) Notwithstanding any general insurance package product consisting non health covers/sections and health and / or Personal Accident and/or travel section/s complying with IRDAI Health Insurance Regulations, shall also be covered by these guidelines as far as non-health covers/sections are concerned.

(iv) With the reclassification of general insurance products and introduction of use and file process provided under these Guidelines, the responsibility is placed on the Product Management Committee (PMC) and senior management of insurers to ensure proper due diligence of product design and protection of the policy holders interests.

(v) The Authority may conduct reviews and enforce actions as deemed necessary to protect the policyholders' interests and other terms and conditions of contracts of general insurance and to ensure orderly growth of general insurance business.

3. Products filed under the earlier file and use guidelines:

The products which were filed by the insurer and noted by the Authority under the earlier file and use guidelines need not be re-filed under the present guidelines unless the insurer undertakes any change in the rates, terms or conditions of such products. However, the insurers shall classify the products either as RETAIL or COMMERCIAL products.

The insurers wishing to retain the existing products shall, within six months "from the date of notification of these guidelines, file a list of all the products with a certification by the CEO/Principal officer as well as by the Appointed Actuary in the format Annexure I-A & I-B classifying them in "retail" or "commercial" respectively..

The insurers wishing to withdraw one or more products, they can do so, by sufficiently notifying the existing customers individually before three months before the next renewal dates and by public notice in general about the withdrawal of product/s. The insurers shall within six months from the date of notification of these guidelines, submit a list of such withdrawn products in the format Annexure II.

Notwithstanding withdrawing the products, policies already issued shall have their normal expiry date and shall not be cancelled unless the insured chooses to do so. No motor policy can be cancelled either by the insurer or by the insured unless the vehicle has another policy with a minimum of motor liability cover at the time of cancellation.

4. Definitions:

(i) For the purpose of these guidelines the terms shall have the meaning assigned as per glossary in **schedule I** unless otherwise specified or the context otherwise requires.

(ii) The words or expressions used but not defined herein and defined in the Insurance Act, 1938 and Insurance Regulatory Development Act, 1999 shall have the same meaning as assigned to them in that Acts.

5. Classification of Products:

For the purpose of these guidelines, the products shall be classified into two broad classifications, namely **Retail products** and **Commercial products**. Both of these classifications are made on the basis of **"who buys the product"**. All categories of products called in whatever name, for the purpose of filing, irrespective of whether falling under 'File & Use' or 'Use & File' procedures, shall necessarily be classified under **"Retail"** or **"Commercial" products.**

(a) Retail Products:

Retail products are those products that are sold to individual customers including their families. However, there is no bar on selling a retail product to commercial customers if the insurer feels that the product meets the insurance needs of a segment of individuals/families of commercial customers.

Wherever there is a joint insurable interest in a subject matter of insurance and one of them is individual, they will also be treated as Individual customer for the purpose of this product classification.

(b) Commercial Products:

Commercial products are those that are sold to entities other than individuals and will include firms, companies, trusts etc. A product filed for commercial customers shall not be sold to retail customers.

6. Product Development

The General Insurers shall design and rate the insurance products keeping in view of the basic guiding principles but not limited to the following

(i) Evolving risk needs of the customer to be kept in mind while developing new products and revising existing products.

(ii) The product should be a genuine insurance product of an insurable risk with a real risk transfer. “Alternate risk transfer” or “financial guarantee” business in any form shall not be accepted including indirect insurance products such as insurance derivatives.

(iii) All products shall go through appropriate due diligence to ensure Protection of Policyholder Interests and should comply with the requirements of the IRDAI (Protection of Policyholders ‘Interests) Regulations issued from time to time.

(iv) Products should be fair and non-discriminatory to all stakeholders

(v) The product design should ensure adherence to the basic principles of insurance like Insurable Interest, Indemnity, Utmost Good Faith, and Proximate Cause.

(vi) Products should be need based so that unnecessary and superfluous coverage are not added and the necessary ones are not excluded. Suitability and affordability should be kept in mind.

(vii) The design of insurance product should take care of Policyholders’ Reasonable Expectations. Insurance product design should ensure transparency and clarity in wordings, terms, coverage, exclusions and conditions in order to devise a fair and balanced risk transfer mechanism through insurance.

(viii) Design and rating of products must always be on sound and prudent underwriting and actuarial basis and should provide clarity and transparency that is of value to the policyholder or prospect.

(ix) All literatures and documents relating to the product should be in simple language and should follow a similar sequence of presentation as far as possible, for easy understanding by the public and all technical terms should be sufficiently clarified for understanding by laymen. Words with ambiguity or with different meanings shall be defined, which shall carry the same meaning in any document of that particular product. The documents must maintain consistency.

(x) Insurers should use similar wordings (such as clauses on renewal of insurance, basis of insurance, due diligence, cancellation, arbitration, claim reporting etc) for describing the same cover or the same requirement across all their products.

(xi) The terms and conditions of cover shall be fair between the insurer and the insured. The conditions and warrantees should be reasonable and capable of compliance and in conformity with various laws, regulations, guidelines and circulars. The exclusions should not limit cover to an extent that the value and intent of insurance is lost.

(xii) There should be no effort to mislead the prospect or policyholder to assume that the product is offering protection that it really does not, or that it offers such protection subject to limitations and conditions that are not easily apparent in any document.

(xiii) The pricing of products should generally be based on appropriate data and/or technical justification. Insurers while pricing both individual and commercial products have to factor in risk exposure, experience, reinsurance, reserves, all expenses etc and a reasonable amount of surplus.

(xiv) The pricing and design of the product, as far as possible, should aim at making the product to stand of its own, generating a reasonable margin and without any cross subsidisation from any other product. This should be in line with the underwriting policy of the insurer.

(xv) The Expenses of Management including the commission, brokerage and fees shall conform to the requirements under the Insurance Act, 1938, IRDA Act, 1999 and the regulations, guidelines issued from time to time.

(xvi) Where the proposed schedule of rates is derived from an existing schedule of rates, there should be adequate statistical information on the claims experience backing the current schedule of rates.

(xvii) Where the rates are based on the generally prevailing market level of premium rates, the insurer should be able to demonstrate the reasonableness of the variation from the currently prevailing level of rates.

(xviii) Where the rates proposed are based on reinsurance market level of rates, the insurer should be able to demonstrate that the rates of the reinsurance markets have been properly ascertained and represent rates quoted by reinsurers of repute.

(xix) Where the rates are based on non-insurance technical data, the insurer should be able to justify the basis including the estimated claims costs.

(xx) All efforts should be made to incorporate Risk prevention and Mitigation processes at the very inception of developing a product so that the underlying risks can be appropriately managed by way of avoidance and minimization. Process for elimination/minimisation of fraud / abuse / leakage should be incorporated as risk mitigation measures in product design and monitoring to eliminate moral hazard.

(xxi) Insurer should take necessary steps in ensuring that competition will not lead to unprincipled rate cutting and other improper underwriting practices.

(xxii) In an emerging risk based solvency regime, efforts should be made to assign risk based capital to all products and monitor results to gauge the continuing need of capital for products. This will aid in developing an actuarially sound and robust internal economic capital model.

7. Filing Procedure:

7.1 Prerequisites for Filing Product:

(i) <u>Underwriting Policy:</u>

(a) The insurer must file the Underwriting Policy as approved by its Board.

(b) Any subsequent change made in the Underwriting Policy, the insurer shall submit the modified Board approved underwriting policy within 30 days of approval given by its board. It must be ensured that the impact of such changes on the existing products is well taken care. If such impacts warrant a change in the existing products, the insurer may decide to withdraw or shall file the impacted products under the present guidelines as a revision.

(c) If the insurer decides to withdraw any product after being noted under these guidelines or earlier guidelines, it can do so subject to prior information to the Authority.

(d) The Underwriting policy at the minimum shall cover the following:

(i) The underwriting philosophy of the company.

(ii) The Product design, rating, terms and conditions of cover and underwriting activity, which shall at all times be consistent with the Board approved underwriting policy.

(iii) The Underwriting policy remains relevant and updated at all points of time in line with the approvals given by Board from time to time.

(iv) The insurer in its Board approved underwriting policy shall indicate all the activities of Product Management committee including but not limited to :

- The constitution of the Product Management Committee
- The rights and responsibilities of the committee and its members of the committee
- The frequency of meetings of this committee
- The segment of commercial customers for which the insurer to adopt approved retail products.
- The product withdrawal, revision of terms and conditions and re-pricing philosophy, clearly stating the reasons and circumstances including the business volume and combined ratio threshold failing which it would like to withdraw/revise the terms and conditions /re-price the product.

(ii) Product Management Committee (PMC):

The insurer, in view of File & Use and Use & File procedures, shall set up a Product Management Committee to review and recommend (i) all the products that are in existence either to retain/withdraw/modify and (ii) new products proposed to be filed with the Authority. Deviations if any from the underwrirting policy shall be brought to the notice of the board for approval. Deviations should not be undertaken in a routine Manner, except in extreme exigencies by recording full facts.

The PMC shall submit reports independently to the insurer and assist in effective control over the risks posed, in particular, by insurance products being sold by the insurer. In order to be in consistence with the board approved underwriting policy, the PMC will carry out a due diligence process and record its concurrence/sign off on various product related risks for all products falling under File & Use and Use & File procedures. The Committee shall also review the performances of the products annually.

The PMC should necessarily include the high level officials, who are primarily responsible in product design, from departments like Underwriting, marketing, Actuary, Claims etc.

It is suggested to include the following designates in the PMC. If any of the following designates is included as a member in the PMC, then the role of such member shall include but not limited to the roles specified in **Schedule II**.

i. Appointed Actuary
ii. Chief Underwriting Officer
iii. Chief Financial Officer
iv. Chief Marketing Officer
v. Chief Risk Officer

However, the Principal Officer shall have an overall responsibility for ensuring that a robust due diligence process is in place to mitigate risks of new and current products.

The role of PMC is very important under these guidelines, which is required to act as a self regulatory body within the insurance company to ensure quality product design and filing with complete compliance of regulatory requirements. The role and activities of the Product Management Committee in view of the File & Use and Use & File procedures should include but not limited to the following:

a. Whether each product should stand on its own or cross-subsidy among products sold to one client will be acceptable. [It is important for the Board to note that even though a client's total portfolio may be profitable overall on gross basis, the position on net of reinsurance basis can be a loss because different percentages are reinsured in different classes of business;

b. Whether the insurer will underwrite any business on a planned underwriting loss basis and if so, what are the controls and remedial measures to be adopted to neutralise the effect of such underwriting on the insurer's solvency margin and the aggregate exposure to such losses;

c. The cushions that will be built into the rates to cover acquisition costs, promotional expenses, expenses of management, catastrophe reserve, profit margin and the credit that will be taken for investment income in the design of rates, terms and conditions of cover, and how they will be modified based on the actual operating ratios of the insurer;

d. The list of products that will fall into each of the product classifications.

e. The role and extent of involvement of the Appointed Actuary in review of statistics to determine rates, terms and conditions of cover in respect of internal tariff rated risks and products designed for a class of clients;

f. The internal audit machinery that will be put in place for ensuring quality in underwriting and compliance with the corporate underwriting policy;

g. The procedure for reporting to the Board on the performance of the management in underwriting the business, including the forms and frequency of such reports.

7.2 Product Approval Process:

7.2 (a) File and Use Procedures:

The File and Use Procedures require the products to be necessarily filed with IRDAI before these are marketed. All Retail Products (including their modifications) shall be filed with the Authority under File & Use Procedures.

(i) All products under File and Use Procedures need thorough scrutiny and recommendations made by the Product Management Committee of the Insurer.

(ii) The CEO of the insurer having satisfied with the recommendations of the PMC shall file the product with the Authority.

(iii) The Insurer shall not market the product without prior filing and receiving IRDAI confirmation in writing that the later has noted the contents of the product.

(iv) The Insurers may file add on covers over and above erstwhile tariff covers with appropriate premium.

(v) The engineering insurance may be extended to movable and portable equipments.

(vi) The scope of standard covers available under erstwhile tariffs shall not be abridged beyond the options permitted in the erstwhile tariffs

(vii) The Marine Hull business shall follow the existing policy wordings, terms and conditions including clauses such as Institute clauses.

(viii) The Marine Hull business products shall indicate the net minimum premium rate for each class of business which the Insurer will offer with full disclosure of corresponding good features, discounts/loading, built into it. The business shall not be underwritten below such rate.

(ix) However, those Retail products, whose wordings are governed by the erstwhile tariffs or by standard products (if introduced) or by reinsurance, shall be filed under Use and File Procedures. This is equally applicable to the modifications, add-ons etc which are governed by the erstwhile tariffs or by standard products (if introduced) or by reinsurance.

(x) The PMC must scrutinise all the products from various regulatory angles, Filing Procedures, actuarial point of view and organisational policy and recommend for filing before the products are actually filed.

7.2 (b) Timelines of filing procedures under File and Use Procedures:

(i) The insurer and IRDAI shall ensure that the entire procedure is accomplished within 60 working days, unless otherwise specifically communicated in writing.

(ii) The Insurers shall submit product filings giving sufficient time prior to the proposed launching date to allow proper scrutiny of the filing by the Authority.

(iii) The Authority shall review the product and will inform the insurer either in terms of queries if any or noting the filing within 30 working days from the first date of receipt at IRDAI.

(iv) In case, the Authority does not raise any query or does not inform about its noting or does not inform in writing for more time, the insurer may market the product as a deemed noted product. Under certain unavoidable circumstances, the Department after taking due approval from the competent Authority, may extend the thirty days time by another 15 working days and shall inform the insurer about such extended time. If the Authority fails to raise queries within the extended, it will be presumed by the insurer that the product is noted by the Authority and can sell the product in the market, with prior intimation to the Authority. Queries raised on the last day of timelines shall necessarily be done though e-mails.

(v) If the Authority raises its concerns or queries, the insurer shall ensure to provide clarifications in full against each query substantiating the response supported by documents and highlighting changes made in the documents.

(vi) The insurer, while making changes in documents, must ensure to undertake similar changes in all documents wherever relevant. The insurer must specify the names of documents with pages and paras in the remarks column of the query response letter for easy tracking.

(vii) The insurer should avoid making changes other than those required under the queries raised and shall declare to this effect that no modification is carried out in any of the documents except those required under the queries raised by the Authority. As far as possible, the Authority shall ensure to raise the queries or concerns in one go to ensure that the subsequent sets of queries should not carry new queries under normal situations.

(viii) However, if the changes are made which are not related to the raised queries, the insurer can do so under unavoidable circumstances and without changing the basic intent of the product design. But under such a situation, the insurer must inform specifically the reasons and circumstances which warranted such changes.

(ix) Each and every query raised by the Authority must be examined by the PMC, after involving Appointed Actuary if the changes affect the pricing and involving the lawyer if the changes are made in policy wordings. The PMC, after preparing the response, shall recommend to the CEO, who can file the response to the Authority, within 15 working days of receipt of the queries.

(x) Efforts must be taken, as far as possible to complete the entire exercise of NOTING of the filings or REJECTION of filings within sixty working days from the date of receipt at IRDAI.

(xi) The insurer, within 15 days of receipt of communication about the noting made by the Authority, shall submit the finally noted policy in hard copy and in PDF for record and uploading in IRDAI website. The Authority may display all products in its website except those which do not have any public interest.

7.2(c) Use and File Procedures:

All Products meant for Commercial customers, shall fall under Use and File Procedures. The Product management Committee plays the most important role as far as Use and File Procedures are concerned because of the self regulatory process. Use and File Procedures enable the insurers to market the products, even before these are filed with and noted by the Authority, subject to conditions that-

i. These products are scrutinised, reviewed and recommended to the Insurer by its Product Management Committee without making any exception to the Board approved underwriting policy,

ii. The Pricing is made based on sound actuarial calculations and certified by the Appointed Actuary,

iii. The Recommendations of the PMC and the Pricing are accepted by the Insurer,

iv. The Authority is informed by the insurer in the fastest mode including an e-mail followed by printed letter duly signed by the CEO about such a product before it is marketed for the Authority's information and record, to link the filing in future.

The insurer must ensure that

(a) the internal systems and controls are in place to manage product related risks and policyholders needs;

(b) The intermediaries have necessary skills to explain and market the product; and

(c) The Product Management Committee of Insurers shall put in place mechanism to pursue the following process in fire and property before pricing a risk in respect of policies proposed to commercial customers under use and file process.

(i) The burning cost in a particular line of business and segment of risk for the industry as a whole as published by Insurance Information Bureau (IIB) from time to time is to be considered. The Industry wide loss (Burning) cost must be taken into consideration by all insurers while pricing the product.

(ii) The burning cost of a particular risk on the Insurer`s own past acceptances, can be considered for all available periods.

(iii) Insurers can choose lower of the above.

(iv) Since the burning cost for property risks as published by IIB are, for perils other than Nat cat perils like STFI and Earthquake, insurers need to consider adequate pricing for said risks, if offered.

(v) The Insurer`s own experience on procurement and management cost to be considered to a large extent of current levels.

(vi) The Board on recommendations of PMC of the insurer may allow acceptance of risk at burning cost lower than mentioned in (iii) after considering (iv) and (v). Point.

(vii) The PMC shall file before every Board meeting an exception report of all instances under (vi).

(viii) The Board of the Insurer shall examine such submissions and advise the PMC/ Management appropriately.

(ix) The Risks qualifying as large risks shall be insured at the rates, terms and conditions and basis of insurance exactly as the rates, terms etc. as provided by the reinsurers with no variation.

The information to the Authority on products under these procedures shall include but not limited to

(a) the objective of introducing the product, target customers, reinsurance arrangements and a description of strategic alliance arrangements (if any);

(b) The product compliance with insurance principles

(c) The prospectus and sales literature giving the features of product, method of distribution

(d) Actuarial and Financial projections , accounting impact, market share, impact on solvency margins, capital

(e) Advantages and disadvantages associated with introduction of the product

(f) Market research on assessment of the need for the targeted population

The Authority, based on the PMC recommendations and certifications about the regulatory compliances, shall record the filing without following any procedures as under File and Use Procedures.

However, nothing prevents the Authority to check the filings in detail. And the Authority, if finds the product not in the interests of the policyholders or not in conformity with the regulatory compliance, may advise to suspend or withdraw or to re-file even in File and Use Procedures.

7.2 (d) Timelines of filing procedures under Use and File Procedures:

a. The insurer shall send a formal communication to the Authority about the product as designed and cleared by the PMC immediately before marketing of the product. The communication must explain in brief about the product including the name of the product, purpose, target customer/s, whether RI driven etc.

b. The insurer shall file all the documents as specified at para no- 9, within 15 working days of marketing of the product.

c. The Authority based on the filing shall note the filing and shall issue the UIN, within 30 working days of receipt of the filing documents at the Authority.

7.2(e) Common to both File & Use and Use & File Procedures:

i. Products under both of the product classifications (retail & Commercial), the PMC is the key to check, review the need, design, compliance issues, protection of policyholders' interests, performance appraisal. The role of PMC is similar to a regulatory body within the company. One of the purposes of the PMC is to minimise any concern or query in the product filing, which in turn will reduce the time between filing by the insurer and final noting by the Authority.

ii. The Appointed Actuary shall review the pricing approach and check the prices commensurate with the benefits offered.

iii. The product should be need based, affordable and simultaneously come out with an operational surplus.

iv. The product wordings, clauses etc should be consistent in and across all documents. The insurer should ensure to use same wordings and clauses as far as possible across the products.

v. The filing must have all the documents, before filing with the Authority.

vi. The product should be simple and easy to understand without giving any scope for interpretation.

vii. The CEO should file only if he or she is fully satisfied that the product is fully complied with various regulatory requirements and is worth filing.

viii. The insurer must ensure not to make frequent changes in the noted products and not to file for revisions from time to time. It is advisable not to revise the product at least before three years of noting of the product. The Authority shall not consider any such request unless it is completely unavoidable.

(ix) The insurer immediately after getting the product noted by the Authority and at all times should display, in its website, all products except those exclusively meant for a specific customer and has nothing to do with general public.

(x) The products which are withdrawn or suspended shall be shown in the websites as **under suspension** or **withdrawn** with respective dates of such decision

(xi) The insurer shall submit the finally noted policy, within 15 days of communication about the noting is made by the Authority, in hard copy and in PDF for record and uploading in IRDAI website. The Authority will display all products in its website except those which do not have any public interest.

(xi) The wordings of the products filed with policy wording taken from erstwhile tariffs or standard products shall not be changed until further orders issued by the Authority.

(xii) The General insurers may file variations in deductibles from those prescribed under the erstwhile tariffs, except under Motor TP and statutory driven policies like Employees Compensation policy or Public Liability Act Only Policies, subject to written disclosures in prospectus and other sales materials. Notwithstanding changes proposed in deductibles, the option of choice shall finally rest with the policyholders only.

(xiii) The insurer must ensure not to make frequent changes in the noted products and not to file for revisions from time to time. It is advisable not to revise the product at least before three years of noting of the product. The Authority shall not consider any such request unless it is completely unavoidable.

(xiv) In respect of a product that has been filed and noted under earlier File & Use procedures and if the insurer wishes to change the premium rates or deductibles without altering the existing wordings, terms and conditions , the insurer shall submit the technical note, rate chart and certificate duly signed by its appointed actuary with a short statement by the CEO giving an undertaking that there is no alteration made in the wordings, terms and conditions of the policy and other relevant documents, also with mentioning the reasons and circumstances warranting proposed changes in the premium rates which will be sufficient to be considered as filing of revision under these procedures.

(xv) Where the wordings alone are changed and such change are minor and clarificatory in nature, the insurer shall make necessary changes in all corresponding filing documents and shall file all such changed documents duly highlighting the changes. The CEO shall submit an undertaking as to no alteration is made in the premium rates and a short statement specifying the reasons and circumstances warranting proposed changes in the wordings. The certificate of the lawyer shall also be filed which will be sufficient to be considered as filing of revision under these procedures.

(xvi) If the insurer proposes to undertake both of such changes as provided under the above (para xiv & xv), the requirements as specified in both of the above cases shall be submitted which will be considered as complete filing for the purpose of product filing under these guidelines. But the insurer shall not market the product with changes proposed without receiving a written confirmation from the Authority about its noting, if the product falls under File and Use procedures.

(xvii) Situations other than the above (para xiv, xv & xvi) shall make full filing as required under filing procedures.

(xviii) The rate schedules and rating guides shall be in compliance with the underwriting policy and designed so as to produce an operating surplus [incurred claims plus commission and expenses of management].

(xix) Where a risk is co-insured, the primary responsibility to comply with these guidelines shall rest with the leading co-insurer. However, all other co-insurers participating in coinsurance arrangement must be well aware of the terms of the lead co-insurer. The leading co-insurer shall confirm, to all other co-insurers as soon as the terms are agreed and in any case, immediately upon attachment of risk, that the policy/product is compliant with product filing procedures.

(xx) The annual reinsurance program of Insurers required under IRDAI Reinsurance Regulations shall be suitably arranged keeping in view the new product classification and filing procedures.

7.2 (f) Package Products:

(i) The insurer can create a package policy by combining policies already noted by the Authority without changing the policy wordings, terms, conditions and the premium rates. A statement showing the names of the policies merged and the Authority's clearance letter reference number along with the UIN shall be submitted explaining the reasons and purposes of creation of the package products. The insurer must provide an undertaking that the original policies are embedded without any alteration in wordings, terms, conditions and premium rates. This will suffice for treating the filing as complete filing.

(ii) Insurers, wishing to create a complete new Package policy or partially incorporating earlier noted policies, shall file the product under normal filing procedures as stated under these guidelines.

(iii) The insurer is free to create package policies combining the policies and covers of Health policies with general insurance policies and covers. However, if the number of covers and sections are predominantly pertain to non-life business, then the product shall be treated as non-life product, otherwise the product will be treated as Health Product and accordingly the UIN shall be issued by the concerned departments in the Authority.

8. IRDAI`s right to question terms and /or issue directions:

(a) IRDAI under the authority of Section 14(2)(i) of the IRDAI Act, 1999 and section 34(1)(c) of the Insurance Act, 1938 may question terms and /or issue directions as deemed necessary.

(b) If, at any time it appears to IRDAI that a product being sold by an insurer is not appropriate for any reason or does not carry rates, terms and conditions that are fair between the parties or the documents used with the product are in any way not satisfactory, notwithstanding the fact that IRDAI may have had no subsisting queries in respect of that product when it was originally filed, it may express its concerns and call upon the insurer to answer the concerns of IRDAI with regard to that product, within the time specified by IRDAI.

IRDAI may require an insurer to justify the rates, terms and conditions of insurance offered to a particular client or to a class of clients or for a particular product, within the time specified by IRDAI. A mere statement that the risk is rated "on merits" will not be acceptable unless the quantification of the merits can be objectively demonstrated to the satisfaction of the Authority. After hearing the insurer, IRDAI may issue such directions as appropriate in relation to that insurance or that product, as the case may be.

If the insurer is not able to satisfy the IRDAI in the matter, the IRDAI may require the insurer to suspend the sale of that product until it is modified in a manner acceptable to IRDAI or withdraw the product from the market. Where a product is withdrawn from the market under this provision, the insurer shall neither use the same trade name for any other product nor use the same product in any other name.

No insurer shall file a certificate or a document, statement containing false declarations or by omitting material facts. In the event that the Authority subsequently learns that such requirements contain false declarations or omissions of facts material to the filing, approval of the subject product may be withdrawn, and the insurer may be subjected to regulatory actions as deemed to be appropriate under the Act.

9. Documents required to be filed under File & Use and Use & File Procedures:

The documents to be filed in respect of every new product or revision of an existing product in respect of products classified under categories above shall be as follows:

(i) Statement filing particulars of the product in Form A;
(ii) Certificate by the Chief Executive Officer in Form B;
(iii) Certificate by Appointed Actuary in Form C;
(iv) Certificate by the company's lawyer in Form D;
(v) Copies of Prospectus
(vi) Customer Information Sheet and other sales literature relating to the product;
(vii) Copy of Proposal Form;
(viii) Rate Chart with discount and Loading features
(ix) Technical Note duly signed by the Appointed Actuary
(x) Copy of Policy/add-on wordings and copies of the standard endorsements to be used with the policy; and
(xi) Copy of the Underwriter's Manual in respect of the product along with the list of declined risks, if any.
(xii) Claim manual
(xiii) Claim Form
(xiv) Internal product approval certification by PMC.

The insurer shall ensure that the product carries the insurers' name and the product name in all pages of all the documents. It is also necessary that separate documents must carry page numbers as that of the total number of pages of each document (i.e. 1 of 50, 2 of 50 and so on if the total pages in the documents is 50 for example).

The filing shall have an index showing documents with number of pages each document contains.

10. Rejection of Filing:

Where the product filing does not conform to the requirements under the product filing procedures, the Authority may refuse to note the filing through written communication stating the reasons for such action.

The Insurer aggrieved by rejection of any filing, or the withdrawal of approval of any filing, or any related action taken by the Authority pursuant to these Guidelines, may request personal hearing. Such request must be in writing, stating the reasons for being aggrieved and the grounds to be relied upon as basis for request to be considered at the hearing. This request for hearing shall be made within 30 days of receipt of actual communication from the Authority.

When submitting revised forms in response to letter of refusal or withdrawal, the revised filing will constitute a new filing and must comply with all provisions of these guidelines. The insurer shall not submit the revision of the filings/product which is rejected/withdrawn within six months from the date of letter of rejection/withdrawal communicated by the Authority except otherwise decided by the Authority.

11. Validity of Product Approval:

(i) The product noted by the Authority can be used in the market without any specified validity unless otherwise restricted by the Authority. The Authority reserves the right to fix validity and may advise the insurer to sell the product for a given period and thereafter may extend from time to time..

(ii) The insurer shall launch and market the product within six months from the date of noting by the Authority, failing which the noting of the Authority shall lapse automatically, unless a request is received and considered favourably by the Authority. Deviations to the above shall constitute to violations of these guidelines.

12. Product Withdrawal and Revisions

(i) In addition to the Authority's decision to withdraw a product, the Insurer may voluntarily withdraw the product and inform the Authority with justification and grounds for such a proposal. The Authority may permit the Insurer to withdraw the product after considering the request and subject to satisfying that insurer made alternative arrangements to service the contracts already in force.

(ii) The decision to withdraw a product should be taken by the Insurer's Product Management Committee. The reason for withdrawal of a product should be clearly documented and filed with IRDA along with the product withdrawal information.

(iii) The existing annual and long term policies which are already issued before withdrawal of an existing product shall be allowed to remain in force till their respective expiry dates. This will also equally applicable to the products which are revised under filing procedures.

(iv) The policyholders of a withdrawn/modified product must be informed through written communication at least 3 months before the expiry of their respective policies. The communication should also include if the policyholder wishes to migrate to any other product available with the insurer or to cancel the policy. If the policyholder exercises any of the options the premium adjustments/refunds shall be made on prorate calculations. The decision of migrating or cancelling rests with the policyholders only. This will also equally applicable to the products which are revised under filing procedures.

(iv) The insurer, once withdraws or modifies a product, may decide to retain the pre-withdrawn or pre-revised product for the renewal of existing customers with or without changes in premium rates, with information to the Authority. However, once the product is revised, the old product shall not be made available to the new prospects/customers.

13. Cancellation of Policies:

The insurer shall specify the cancellation clause and grounds leading to cancellation providing time periods of notifying such action by insured and insurer. The Insurer can cancel the policy mid-term only under grounds of fraud, mis-representation and moral hazards. Notwithstanding, the insurer shall allow the policyholder to cancel at any time by giving prior notice as required under the policy. However, under no circumstances, the insurer on its own or at insured’s request, can cancel motor third party cover unless it is proved that the vehicle has another policy with third party cover on the same vehicle as on the date of cancellation.

14. Grievance management Clause:

Each product shall necessarily specify the Grievance management procedures of the insurer and shall provide the address and contact details of Ombudsmen and IRDAI.

15. Unique Identification Number (UIN):

The Unique Identification Number (UIN) for each product will be allotted, by the Authority, specifying a unique number for each company, each product and each add on cover.

16. Pricing flexibility:

The pricing flexibility may be allowed by Appointed Actuary to the extent as filed as part of the filing subject to IRDAI approval to such variation and an overriding condition that the combined ratio of the product should always remain below 100%. The pricing deviation allowed shall be reviewed by Appointed Actuary every year and the PMC be informed to take necessary corrective measures including a decision to withdraw/ modify the product, if the combined ratio of the product exceeds 100%.

17. Technical Audit:

Every insurer shall constitute a Technical Audit Department with the responsibility to ensure that all underwriting is done in compliance with these guidelines. Such audit should be done at regular intervals on all products. The reports of the Technical Audit shall be placed before the Board of Directors through the Product Management Committee.

18. Role of GI Council:

GI Council shall help the regulator move to an effective Use and File Procedure by creating industry required standard product wordings and benchmark prices and other related constructive activities including but not limited to

(i) Develop the standardisation and simplification of insurance wordings to be adopted by the insurers. Develop common definitions which are widely used in various products to maintain consistency and common understanding across the industry.

(ii) Constitute product working groups, in respect of various lines of business, consisting of experienced underwriters and actuaries from the industry and representatives of IIB to develop standardized wording and industry benchmark pure risk pricing.

(iii) Set up a platform of industry to have a strong database for standard insurance products. Thus, all common insurance policy wordings, clauses, definitions etc defined by the council shall be made available on GI Council website.

(iv) Create awareness among the public on various issues like common products available, common covers, Dos and Don’ts etc.

(v) Create a system to exchange information on frauds with all insurance companies.

19. Maintenance of Records and Submission of Returns

(i) The Insurer shall maintain the entire product related documents filed with the Authority along with all related correspondence for a period of ten years at the corporate office of the Insurer or such other office as may be designated by them and notified to the Authority.

Alternatively, all such documents may be maintained in electronic/digital form. Such files shall be available for inspection by the Authority.

(ii) The Authority may prescribe additional statements on products as may be required by the Authority from time to time.

20. Prohibition on alteration of terms and conditions and other features of the product

(i) The alteration of, or any change to, any such form filed and noted by the Authority is prohibited. Any such proposal to alter or change the documents/ forms shall be submitted to the Authority, and shall comply with all provisions of these guidelines.

(ii) Every insurer should market the product strictly in accordance with the terms and conditions and other features of the product as cleared by the Authority. The Insurers shall quote the rates strictly within the range filed with the IRDA and the variations within the range are as per judgment of Appointed Actuary in consultation with the chief underwriter. It should be ensured that no premium quotation is given which is outside the range filed with IRDA and a rate which the Appointed Actuary and underwriter did not approved.

21. Product Performance Review

The Appointed Actuary may periodically review the product performance of all products / add on covers in a structured manner and present it to the PMC at least once a year along with his / her recommendations. This product performance report along with AA recommendations, PMC observations and board observations may be sent to IRDAI by 30th June of every year for the preceding financial year.

The analysis is supposed to be carried out to ascertain if the assumptions used while pricing the product are valid after gaining the product experience. The analysis should cover the following minimum items:

(a) Sales volumes expected Vs actual
(b) Claims incidence rate assumed Vs actual
(c) Claims severity assumed Vs actual
(d) Commissions planned Vs actual
(e) Expenses of management planned Vs actual
(f) Loss Ratio and Combined Ratios assumed Vs actual
(g) Capital impact assumed Vs actual
(h) Mis-selling / Grievances expected Vs actual
(i) For large risk contracts where insurers are, the performance analysis may be done at Class level.

22. Action against insurers for violations in Product Filing Procedures:

(i) Any false or fraudulent information, material to the filing in respect the documents or statements shall be considered as violation of these guidelines.

(ii) The insurers offering premium rates outside the range filed with IRDAI, discounts in premiums not specified in the filing, discount in the premium without specific approval for the same from the PMC and offer enhanced benefits on the products without charging any premiums shall be considered to be violations of these

(iii) The Insurer violating any of the provisions of these Guidelines shall be subject to regulatory action in accordance with the provisions thereof in Insurance Act, 1938 and IRDA Act,1999.

23. Power of the Authority to issue clarifications etc.

In order to remove any difficulties in the application or interpretation of these guidelines, the Authority may consider changes in the guidelines, issue clarifications, directions in the form of circulars from time to time.

Schedule I

Definitions:

1. "Act" means the Insurance Act, 1938 (4 of 1938); and amended from time to time

2. "Authority" means the Insurance Regulatory and Development Authority of India established under the provisions of Section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999);

3. Add on Covers: Add on covers seek to add an insurance plan for a consideration and may be known by the name of rider.

4. Commercial Product: Commercial products are those that are sold to entities other than individuals and will include firms, companies, trusts etc.

5. File & Use: A File & Use Procedure is where the Insurer is NOT permitted to market the product without prior filing with and noting by IRDA.

6. Government Products: These are products sold to government (not to any Government Undertaking or PSU) to either cover assets of government or for the benefit of beneficiaries. It would include insurance plans for agricultural, rural and social sector etc. launched from time to time by government.

7. Group Products; These are products which are sold to a group as per the provisions of group guidelines issued by regulator vide circular 015/IRDA/Life/Circular/GI Guidelines/2005 dated 14th July 2005.

8. Long Term Products: Long term products are those non life products that have a period of more than 1 year. For this purpose, Project polices, which can be of more than one year, shall not be classified as long term products.

9. Large Risks: Large risks are: (a) Insurances for total sum insured of Rs.2, 500 or more at one location for property insurance, material damage and business interruption combined; (b) Rs. 100 crores or more per event for liability insurance.

10. Package Products: Package products are products which are created by packaging various sections/benefits of existing approved products. These are also those products which are created by combining benefits of various lines of business in one product with different sections or otherwise.

11. Pilot Products: Pilot products are those products which are temporarily launched by insurers to experiment market a new product concept for a short period of time in a defined pilot area with defined exposure limits.

12. Product Management Committee: Product Management Committee is a committee constituted by the insurer for the purpose of efficient management of

insurer’s products; which acts as a self regulatory body with an intention to bring clarity, utility, competency, ensure compliance and avoid delay in product clearance.

13. Retail Product; Retail products are those products that are sold to individual customers; including families. Retail Products can be sold to commercial entities.

14. Reinsurance Driven Products: Reinsurance driven products are those products where the rates, terms and conditions of cover are primarily determined by the reinsurer. Products where reinsurance is used only for capacity purpose will not fall under this category;

15. Standard Product: These are the products for which the Indian general insurance market has developed common benchmark wordings/definitions and shall include such product as notified by Authority from time to time after standardization process.

16. Use & File: It is a procedure where the Insurer is permitted to market the product without prior filing / approval of IRDAI.

Schedule II

Role of the following designates are only indicating in nature and are not limited to as specified

Role of Appointed Actuary:

(a) To ensure that due diligence has been carried out on the product development process and pricing in accordance with Appointed Actuary regulations, 2000, Appointed Actuary Regulations, 2013 and all other regulatory guidelines, circulars and directions in force.

(b) To document all the assumptions used in product pricing and the basis of those assumptions

(c) To analyse the financial implications of risks covered in the product and build these into the rating of product on sound and prudent actuarial basis

(d) To confirm that the margins built into rates are consistent with the experience of the insurer in respect of commission, management expenses, contingencies and profit

(e) Analyze the impact of product on the capital and solvency margin of insurer and inform the management and board of additional capital requirement, if any, to maintain solvency margin

(f) Determine and inform the PMC about the data and system requirements, both at the time of underwriting and claims, to enable the company analyze the emerging experience of the product on a regular basis

(g) To advise the PMC about the basis on which URR, PDR should be calculated for the product

(h) To present product performance report to PMC along with recommendations

(i) To ensure the availability of sufficient Actuarial resources in respect of products filing with the Authority

(j) To complete Form A, provide Form C and Technical Note

(k) To submit Product Performance report for every product/add-ons on annual basis (Financial year) not later than 30th June in respect of a preceding FY.

Role of Chief Underwriting Officer

(a) To check and confirm that similar wordings have been used for describing the same cover or the same requirement across all the products in the company.

(b) To check and confirm that the product is in conformity to the board approved Underwriting policy of the company and that the Underwriting policy is relevant in the context of evolving regulations and market complexities.

(c) To check and confirm that the product and its features satisfy all the Basic principles of insurance.

(d) To check and confirm that the product is customer need based, the contingencies covered are clear and provide transparent cover which is of value to policyholder. The terms and conditions of cover are fair between the insurer and the insured.

(e) To check and confirm that the product is a genuine insurance product of an insurable risk with a real risk transfer.

(f) To check and confirm that all the literature relating to the product is in simple language and easily understandable to the public at large.

Role of Chief Financial Officer

(a) To check and confirm that the commissions built in the product are in line with regulatory guidelines and actual commissions paid will not exceed those allowed under regulations.

(b) To confirm that the accounting for the product premium and claims shall be done in accordance with Indian GAAP/regulatory guidelines.

(c) To apprise the PMC about the tax implications of the product, if any.

(d) To coordinate with AA in identifying the additional capital requirements that the product may pose.

Role of Chief Marketing Officer

(a) To identify the target segments to which the product would be sold.

(b) To indicate the volume of business that the company plans to achieve over future three years after the product approval.

(c) To confirm that the product would be sold only by IRDAI authorized intermediaries.

(d) To confirm that all the distributors and company sales staff would be appropriately trained in the product and sales process.

(e) To confirm that appropriate systems would be set up to avoid and minimize sale of the product mismatching customer need.

(f) To present to PMC periodic report on cancellations due to product sales not matching with customer need and action plan to reduce the cancellations.

Role of Chief Risk Officer

(a) Integrate the risks arising of the proposed product into the company's risk management framework.

(b) Coordinate with Appointed Actuary, Chief Underwriter and other product stakeholders in the company to

- identify and assess non insurance risks
- quantify these risks
- recommend an effective mechanism to minimize these risks to the PMC
- quantify the residual risk and recommend providing for these in the company's financial statements

Role of Head Reinsurance

(a) To assess the reinsurance requirement for the product from risk perspective and arrange suitable reinsurance that reduces overall risk arising from the product.

(b) To ensure that reinsurance cessions, If any, for the proposed product follow Reinsurance Regulations and any other guideline/circular/direction issued by the Authority.

(c) To identify if there are risks that are not likely to be covered by reinsurance and the company will retain these risks on its books. Analyse and apprise the PMC of the financial implication of such risks.

Role of Compliance Officer

(a) To ensure that the product development process, including reporting requirements to IRDAI are followed by the company in letter and spirit.

(b) To ensure that the product does not breach any of the laws, regulations and extant guidelines, circulars and directions of IRDAI.

(c) to monitor the business activities of the insurer and ensure that all products being sold by the insurer are in compliance with the underwriting policy as approved by the Board and also with these guidelines;