



भारतीय बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY OF INDIA

Circular No:IRDAI/LIFE/CIR/ 172 /09/2019

Date:26/09/2019

To,

MISC

Chief Executive Officers of all Life Insurers.

Reg: Circular on Group Life Insurance Products and other operational matters

Reference is drawn to the provisions under Regulation 19(j), 38 (a) and (b) of IRDAI (Non-Linked Insurance Products) Regulations, 2019, Regulation 51 (a) and (b) of IRDAI (Unit Linked Insurance Products) Regulations, 2019. Group Insurance facilitates enhancing the access to insurance to both formal and informal sectors of the society. If operated prudently, it offers the advantage of beneficial coverage at moderate cost. With a view to rationalize and standardize the administration of group life insurance products so as to protect the interests of the insuring public and the insured members of group schemes, the following directions are issued under the powers of Section 34(1) of Insurance Act, 1938 for compliance by all Life Insurers.

This circular shall come into force with immediate effect.

This Circular supersedes the following as far as they pertain to group life insurance:

- Guidelines on Group Insurance Policies (Ref:015/IRDA/Life/Circular/GI Guidelines/2005 dated July 14th, 2005).
- Clarification on Guidelines on Group Insurance Policies (Ref: IRDA/Life/Cir/Misc/001/01/2011 dated January 4th, 2011).
- Guidelines on Claim Processing for Group Life Insurance Policies under Lender-Borrower Group Insurance Schemes (Ref: IRDA/Life/Cir/GDL/285/12/2014 dated December 29, 2014).
- Settlement of Claims under Group Insurance Policies (Ref: IRDA/Life/2014/129 dated April 8th, 2015).
- Guidelines on Claim Processing for Group Life Insurance Policies under Lender-Borrower Group Insurance Schemes (Ref: IRDA/Life/Cir/GDL/179/10/2005 dated October 13th, 2015).
- Guidelines on Claim Processing for Group Insurance Policies – Addition of new categories of Master Policyholders (Ref: IRDAI/Life/Cir/GDL/049/3/2017 dated March 3rd, 2017).

Group Insurance Products Administration:

- No group should be formed with the main purpose of availing insurance and a person negotiating “group” rates and then going round finding members to insure will not be considered as a legitimate group for this purpose.
 - Though entry into or exit from the group may go on continuously, entry into the group insurance policy for individual members will be either from a well defined date such as the next anniversary of the policy or from the first of the following

- month or from a clearly identifiable event other than merely joining the group, subject to receipt of premium in time.
- 1.2. Insurance will cease as soon as a member leaves the group except where it is agreed in advance to continue the benefit even after the member leaves the group.
 - 1.3. There shall be attached to each group insurance policy, a complete list of the persons insured thereunder. Where this is not feasible, in view of the large size of the group, a clear reference shall be made to a list maintained in the books of the master policyholder that cannot be subsequently manipulated and available to the Insurer as and when required, as being the list of persons insured.
 - 1.4. The premium charged and benefits admissible to each member of the group shall be clearly specified in the group policy and the master policyholder shall not have the liberty to vary the premium or benefits with regard to the individual members.
 - 1.5. There shall be no other payment, other than what is prescribed vide 3.6 herein, whether as management expenses or documentation expenses or profit commission or bulk discount or payment of any other description, to the agent or intermediary or master policyholder. The master policyholder shall not collect by way of insurance premium from the members of a group, any amount higher than the amount charged by or paid to the insurer for such insurance.
2. Where an employer buys a group insurance policy for its employees, the employer may be treated as the master policyholder with the employees being treated as the beneficiaries. In such cases, the employer shall issue confirmation of insurance protection to individual employees with clear reference to the group insurance policy; the claims of individual persons insured thereunder may be paid through the employer. Further, the master policy shall be made available for guidance to all the insured members of the group.
 3. In non-employer-employee cases, the individual group member would be treated as the insured beneficiary and the master policyholder will only be the holder of the policy.
 - 3.1. In such cases, the insurer shall ensure issue of certificate of insurance to the members of the group, who are insured.
 - 3.1.1. The certificate of insurance shall include the schedule of benefits and period of cover, the premium to be paid, the premium payment frequency and term and important terms and conditions of the insurance contract including exclusions. It shall also detail the procedure to be followed to register a claim with the insurer including the full address of the office of the insurer where the claim should be registered.
 - 3.1.2. The Insurer may provide the facility to the master policyholder to issue certificates of insurance on behalf of the Insurer to persons insured under the group, provided the underwriting guidelines for acceptance or rejection of such a risk do not require use of subjective judgment and can be easily



programmed into a computer that will review acceptance and print the certificate of insurance.

- 3.1.3. Under any circumstances the insurer shall be responsible for the certificate of insurance issued by a master policyholder, in certificate forms provided by the insurer.
- 3.2. The insurer may utilize the services of the master policyholder in facilitating the intimation and settlement of a claim, however, subject to 3.3 herein, the insurer shall ensure that the claim payment is made in the name of the insured member or his/her nominee even if the cheque is sent to the master policyholder for administrative convenience or through any other electronic mode of payment to the specific bank account of the insured or nominee.
- 3.3. In case of lender-borrower group insurance schemes, the claim payment to master policyholder is allowed subject to the provisions and procedure set out in Annexure A to this Circular.
- 3.4. The insurer shall be held responsible to the group members insured, in respect of the group policy in case of failure of the master policyholder to account for the business to the insurer, if the insured group member can prove that he had paid the premium and secured a proper receipt leading him to believe that he was duly insured.
- 3.5. The insurer, under an agreement with the master policyholder, may leverage on the existing infrastructure, if any, for better administration of the scheme with respect to
 - 3.5.1. data management,
 - 3.5.2. collection of premium,
 - 3.5.3. issuance of Certificate of Insurance and
 - 3.5.4. claim settlement.
- 3.6. The insurer may make payments directly to the master policyholder, subject to 3.7 and 3.8 herein, for the services rendered as stipulated in 3.5 above under an agreement not exceeding the limits given below.
 - 3.6.1. For data management: Rs.20/- per member per annum;
 - 3.6.2. Premium collection: Rs.10/- per member per annum;
 - 3.6.3. Issuance and delivery of certificate of Insurance: Rs.20/- per member subject to a minimum of Rs. 500/- for a scheme. The issue of duplicate certificate of insurance shall not be done by the group policyholder;
 - 3.6.4. Claims settlement: Rs.15/- per claim;
- 3.7. The payments to the master policyholder, as per 3.6 hereinabove:
 - 3.7.1. All put together shall not in any case exceed 20% of the commission payable as per the IRDAI (Payment of Commission or Remuneration or Reward to Insurance Agents and Insurance Intermediaries) Regulations, 2016, as amended from time to time.
 - 3.7.2. Shall not exceed, for each of the services individually, the rated proportion to the overall limit of 20% of the commission payable as per the IRDAI (Payment of Commission or Remuneration or Reward to Insurance Agents and Insurance Intermediaries) Regulations, 2016, as amended from time to time.
- 3.8. Further, if the master policyholder is an insurance intermediary under the group policy, since the functions referred in 3.5.1, 3.5.2 and 3.5.4 above form part of the obligations of an intermediary, no payments be made and no

expense be reimbursed to the master policyholder or any other entity in respect of such functions. In such cases, only with respect to the services referred in 3.5.3, the services of a master policyholder may be utilized and payment may be made as stipulated in 3.6, provided the master policyholder himself is carrying out the same.

4. The insurer shall conduct a surprise inspection of the books and records of the non-employee–employer group policyholders at least once a year to ensure total compliance with this Circular or require a certificate of such compliance from the auditors of the master policyholder, at least once a year.

An Insurer who is using Insurance intermediaries for sale of its group products shall require such Intermediary to file certificates at least once a year, from an independent auditor at the expense of the Intermediary, confirming compliance with Section 64VB relating to collection and credit of premium, IRDA (Insurance Advertisements and Disclosures) Regulations, 2000, and IRDAI (Protection of Policyholders' Interests) Regulations, 2017, as amended from time to time. It shall be obligatory on the part of the Intermediaries to file such certificates.


Member(Life)

Encl:
Annexure A
Annexure B

Instructions on Claim Processing for Group Life Insurance Policies under Lender – Borrower Group Schemes

1. These Instructions are applicable to Non-Employer Employee Group Life Insurance Policies / Schemes covering Lender-Borrower groups and administered by the following entities as Master Policyholders, subject to the conditions mentioned vide 2 herein:
 - 1.1. Reserve Bank of India (RBI) Regulated Scheduled Commercial Banks (including Co-operative Banks).
 - 1.2. NBFCs having Certificate of Registration from RBI.
 - 1.3. National Housing Bank (NHB) Regulated Housing Finance Companies.
 - 1.4. National Minority Development Finance Corporation (NMDFC) and its State Channelizing Agencies.
 - 1.5. Small Finance Banks regulated by RBI
 - 1.6. Mutually Aided Cooperative Societies formed and registered under the applicable State Act concerning such Societies.
 - 1.7. Microfinance companies registered under section 8 of the Companies Act, 2013.
 - 1.8. Any other category as approved by the Authority.
2. The schemes administered by the above entities, subject to the conditions that:
 - 2.1. The Individual Member of the Group Life Insurance Scheme / Policy shall specifically authorise the Life Insurance Companies to make the payment of Outstanding Loan Balance amount to Master Policyholder by deducting from the claim proceeds payable on the happening of the contingent event covered by the Group Life Insurance Scheme / Policy.
 - 2.2. The terms and conditions of the Group Insurance Scheme/ Policy contract of the respective Group Insurance Scheme/ Policy shall have an enabling clause both for obtaining the said Authorisation from the Individual Members of the Group and also for allowing the Life Insurers to make claim payments in favour of the Master Policyholder to the extent of the Outstanding Loan Balance.
 - 2.3. The Life Insurers shall ensure that the specific authorization is in consideration of;
 - 2.3.1. having received a loan or
 - 2.3.2. the existing outstanding loan.
 - 2.4. The Authorization shall be obtained from the Member Insured at the time of joining the group insurance scheme/policy or at a later date.
 - 2.5. In respect of existing policies/schemes, the Life Insurer and the Master Policyholder may mutually agree and pass an endorsement to the existing group insurance policies as specified under Clause 2.1 after specifically obtaining Authorisation from the Individual Members of Group Insurance as in Clause 2.2.
 - 2.6. The payment of claim amounts to the extent of Outstanding Loan Balance amount may be paid in accordance to these Guidelines only after specifically obtaining the Authorization from the Individual Member of the Group Insurance Scheme/Policy.



3. The Life Insurance Companies shall obtain from the Master Policyholder, a Credit Account Statement in respect of the Insured Member to whom/whose nominee or beneficiary the claim monies are payable on the happening of the insured contingency with inter alia, the following details:
 - 3.1. Name of the Group Master Policyholder.
 - 3.2. Group Master Policy Number.
 - 3.3. Name of Insured Member.
 - 3.4. Date of Commencement of Risk.
 - 3.5. Sum Assured for which the Member of the Group Insurance Policy was insured.
 - 3.6. Original Amount of Loan.
 - 3.7. Particulars of the recoveries made by the Master Policyholder towards the Loan.
 - 3.8. Outstanding Loan Balance as on the date of happening of the contingent event covered.
 - 3.9. Balance Claim Amount (difference between the sum assured referred under 3.5 above and Outstanding Loan Balance referred under 3.8 above) payable to the nominee / beneficiary of the deceased member in case of death claim, or to the insured member on the happening of other contingent event.
4. The Credit Account Statement submitted by the master policyholder, as mentioned in 3 above shall also have the following declaration that the information / details furnished in the Credit Account Statement are verified for accuracy.
5. Where the Claim Discharge Form of the Insured Member / Nominee / Beneficiary is obtained through the Master Policyholder, the Life Insurer shall take a Certification either in the Claim Discharge Form or in a separate format from the Master Policyholder that the Insured Member / Nominee / Beneficiary who had submitted the Claim Discharge Form is the same person who has been registered by the Master Policyholder as the Insured Member / Nominee / Beneficiary under the Group Master Policy.
6. Life Insurance Companies shall settle the Claim on the happening of the contingent event covered under the Group Insurance Scheme/Policy after obtaining, apart from the usual claim requirements, the Credit Account Statement to the extent of
 - 6.1. Outstanding Loan Balance amount in favour of Master Policyholder of the Group Insurance Scheme/Policy, as mentioned in 3.8 above.
 - 6.2. Balance Claim amount if any (as mentioned in 3.9 after deduction of the Outstanding Loan Balance) directly in favour of nominee / beneficiary of the deceased member of the Group Insurance Scheme/Policy as the case may be.
7. The amount payable to the Master Policyholder shall under no circumstance be more than the Outstanding Loan Balance of the Member of Group Insurance as mentioned in 3.8 of the Credit Account Statement.
8. Complete details of the claim amount settled, the remittances made to the Master Policyholder towards Outstanding Loan Balance and the balance claim amount payable to the Insured Member / Nominee / Beneficiary shall be communicated by the Life Insurer directly to the Insured Member / Nominee / Beneficiary.



9. Where the entire claim proceeds are adjusted towards Outstanding Loan Balance, a communication shall nevertheless be directly forwarded by the Life Insurer either to the Insured Member or to the Nominee / Beneficiary, as the case may be, with complete details of the total amount of claim settled and the amount remitted to the Master Policyholder towards Outstanding Loan Balance.
10. The Life Insurers shall have in place an enabling clause in Terms and Conditions of the Group Insurance Scheme / Policy that they shall audit or cause an audit into the accuracy of the Credit Account Statements of the insured members in respect of which claims were settled on the completion of every financial year and every Life Insurer shall audit or cause an audit into the accuracy of the Credit Account Statements in respect of the deceased group insured members furnished by the Master Policy Holder.
11. However, notwithstanding the above clause as part of the terms and conditions of the group insurance contract, the Life Insurers may also delegate the responsibility of the audit and require the Master Policyholders to audit or to cause an audit into the accuracy of the Credit Account Statements of the insured members in respect of which claims were settled on the completion of every financial year and shall obtain a certification from their respective Internal / Statutory Auditors that the Outstanding Loan Balance being shown in the 'Credit Account Statement' / 'Claim Discharge Form' is correct and reflecting the balance as per the conditions governing the Credit Account / Loan Account.
12. In the event of any discrepancy found in the audit report of such Credit Account Statements, the onus of settling the difference amount, if any, to the Insured Member / Nominee / Beneficiary of the Group Insurance Scheme/Policy, as the case may be, rests with the Life Insurer.
13. The Life Insurer is responsible to redress the specific grievances of the Insured Member / Nominee / Beneficiary that may arise either during policy term or after settlement of the claim.
14. The Life Insurers shall obtain the documentary evidence to establish that the entities referred from 1.1 to 1.8 above are registered with the appropriate authority or under applicable legislation and continue to be eligible.
15. The Life Insurers shall submit half yearly compliance certificate from their respective statutory auditors in the prescribed proforma attached as Annexure-B. The certification in the prescribed proforma shall be submitted in respect of the entire group insurance portfolio of the Life Insurer and be filed with the Authority within 45 days of the expiry of the respective half year.



Name of Life Insurer:
Information for the Half Year ending _____

I Total Number of Non Employer-Employee Group Life Insurance Schemes/Policies											
II Total Number of Group Life Insurance Schemes/Policies under Lender Borrower Schemes											
Sl No	Where the Master Policy holder is:	No of Schemes	No of Members Insured	Where claims settled in full drawing cheques in favour of MPH		Where claims are settled in part drawing cheques in favour of MPH				Where claims are settled in full drawing cheques in favour of Nominee / Beneficiary.	
						To the MPH		To the Nominee			
				No of Claims	Benefit Amount	No of claims	Benefit Amount	No of Claims	Benefit Amount	No of Claims	Benefit Amount
1	RBI Regulated Scheduled Commercial Banks with RBI regulated Scheduled Banks (including Co-operative Banks).										
2	NBFCs having Certificate of Registration from RBI.										
3	NHB Regulated Housing Finance Companies.										
4	NMDFC and its State Channelizing Agencies										
5	Small Finance Banks regulated by RBI										
6	Mutually Aided Coop Societies										
7	Microfinance Companies registered under Section 8 of Companies Act, 2013.										
8	Any other entity as approved by the Authority										



- (1) It is certified that in respect of all the group Insurance schemes where claim cheques (whether for full claim amount or partial claim amount) are issued in favour of the master policyholder, the life insurance has:
 - a. obtained specific authorization from the individual members of the group life insurance scheme / policy in compliance to Clause 2.1 of the Annexure A;
 - b. enabling clause was there in the terms and conditions in compliance to clause 2.2 of the Annexure A;
 - c. obtained a credit account statement from the Master Policy Holder in compliance to Clause: 3 of the Annexure A.
- (2) In respect of the following group schemes where claim cheques (whether in part or in full) are issued in favour of Master Policyholders, non-compliance is observed as mentioned hereunder:
- (3) In respect of the Certification furnished for the half year ending 31st March, 20XX, in addition to the above, the statutory auditors shall also certify the following:
 - a. In respect of the following cases the life insurer complied with Clause 10 of the Instructions.
 - i. Number of Group Insurance Schemes where complied with Clause 10 of the Instructions: _____
 - b. In respect of the following cases the life insurer has not complied with Clause 10 of the instructions.
 - i. Number of group insurance schemes where non-compliance with Clause 10 of the Instructions has been observed: _____

It is certified that the above information is furnished after examining the relevant records of the life insurer. The information furnished is correct.

Place:

Signature of the Statutory Auditor[#]

Date:

Seal

[#]In case of engaging more than one statutory auditor, the life insurers may submit the above certification from at least one of the auditors.