

## **Exposure Draft on IRDAI (Rural, Social Sector and Motor Third Party Obligations) Regulations, 2024**

As part of the comprehensive review of Regulations being undertaken by the IRDAI, to enhance the ease of doing business and also reduce compliance burden for stakeholders while also ensuring that interests of policyholders continues to be protected, Insurance Councils were asked to submit their recommendations through the Regulations Review Committee (RRC) constituted by them.

The recommendations of the industry have been deliberated internally. It was viewed that a new strategy is necessary to achieve the objective of "Insurance For All". A fresh approach in order to achieve the objective enshrined in Sections 32B, 32C and 32D of the Insurance Act, 1938 was therefore devised.

2. After necessary discussions, the draft of **IRDAI (Rural, Social Sector and Motor Third Party Obligations) Regulations, 2024** has been formulated. The following are some of the major changes proposed in the said draft:

### **A. Rural Sector**

- 1) The unit for measurement of rural sector will now be gram panchayat;
- 2) For life insurers, number of lives under individual policies and under group policies will be considered;
- 3) For general insurers, number of individual dwellings under fire segment and number of vehicles under motor insurance segment will be counted;
- 4) For general and SAHI companies, number of lives separately under health insurance and personal accident will be taken into consideration for achieving the obligations;
- 5) Life Insurance - The minimum number of lives to be covered by all life insurers in all gram panchayats in the country shall be 30% in each gram panchayat subject to a minimum of 25,000 gram panchayats as driven by lead insurer in the first year. This increases to 40% lives subject to a minimum 50,000 gram panchayats and 50% lives subject to a minimum of 75,000 gram panchayats in year 2 and 3 respectively.
- 6) General Insurance - The minimum number of dwellings under fire insurance and vehicles under Motor (Comprehensive and TP) to be covered by all general insurers in all gram panchayats in the country shall be 30% in each gram panchayat subject to a minimum of 25,000 gram panchayats as driven by lead insurer in the first year. This increases to 40% dwellings under fire insurance and vehicles under Motor (Comprehensive and TP) subject to a minimum 50,000 gram panchayats and 50% lives subject to a minimum of 75,000 gram panchayats in year 2 and 3 respectively.
- 7) Health Insurance - The minimum number of lives under health and personal accident insurance to be covered by all general and SAHI insurers in all gram panchayats in the country shall be 30% in each gram panchayat subject to a minimum of 25,000 gram panchayats as driven by lead insurer in the first year. This increases to 40% lives under health and personal accident insurance subject to a minimum 50,000 gram panchayats and 50% lives under health and personal accident insurance subject to a minimum of 75,000 gram panchayats in year 2 and 3 respectively.

### **B. Social Sector**

- 8) The unit of measurement for social sector continues to be number of lives for all insurers.
- 9) Since all insurers have been able to achieve the social sector obligations, the number of lives to be covered under social sector have been increased to 20% in year 1 after notification.
- 10) Insurance business pertaining to Government social security schemes such as Pradhan Mantri Awas Yojana, Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJY), etc. where total/ partial premium

is paid by the Government, with/without any contribution from the members/beneficiaries covered shall be considered for rural and social sector obligations.

- 11) Insurance policies covering lives issued to BPL cardholders, MNREGA cardholders, eShram cardholders, DBT beneficiaries, Ayushman Bharat cardholders, Pradhan Mantri *Mudra* Yojana beneficiaries, Jan Dhan account holders, beneficiaries of PM Kisan Samman Nidhi Yojana, PM Viswakarma Yojana, Pradhan Mantri Jan Arogya Yojana, etc would qualify for Social Sector Obligation.
- 12) Micro insurance policies issued are eligible to be reckoned for Social Sector obligations.
- 13) Insurance policies sold through Bima Vahaks will be counted towards rural and social sector obligations

### **C. Motor Third Party Obligations**

- 14) With regard to motor third party insurance, the obligations are specified for goods carrying and passenger carrying vehicles as nearly 50% of the vehicles in these 2 categories are uninsured. They are important segments of the motor insurance business and are exposed to third party claims.
- 15) Every general insurer is therefore required to underwrite at least 20% increase over total number of goods carrying and passenger carrying vehicles as compared to what was covered in the last financial year or 20,000 vehicles under these categories or 10,000 vehicles in each category, whichever is higher.
- 16) Coverage of **new** Goods Carrying and Passenger Carrying vehicles shall not be counted towards Motor TP obligations.
- 17) Motor TP obligation fulfilment shall be contributed by renewal of the existing vehicles and uninsured vehicles that are insured provided the gap in insurance is at least 30 days.
- 18) Every new insurer shall underwrite a minimum of 10,000 goods carrying and 10,000 passenger carrying vehicles in the first financial year of its operations.
- 19) Any health, re-insurance, agriculture, export credit guarantee insurer is exempted from the applicability of section 32D of Insurance Act, 1938

### **D. Option to fulfill the obligations**

- 20) The insurers are allowed to buy and sell the obligations from out of the surplus to the extent of 20%;
- 21) The insurer who has sold the obligations will continue to be the insurer and shall be responsible for servicing the insurance policy and settling claim under it

3. The exposure draft of the **IRDAI (Rural, Social Sector and Motor Third Party Obligations) Regulations, 2024** enclosed herewith as Annexure A. The views/comments of the various stakeholders and the general public are invited on the exposure draft. The comments/suggestions, if any, may be sent on or before 27<sup>th</sup> February, 2024 to Mr. Vibhuti Prakash Srivastava at [vpsrivastava@irdai.gov.in](mailto:vpsrivastava@irdai.gov.in) with a copy to Mr. D.S. Murthy at [dsmurthy@irdai.gov.in](mailto:dsmurthy@irdai.gov.in) in the format as per Annexure B (attached herewith).