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## Insurance Update Amid Covid-19



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Insurance sector plays a very vital role in stimulating the economy. It promotes financial stability, facilitates trade and commerce, manages and strengthens the risk-taking ability. Insurance policies can be broadly categorised as life insurance policies and non-life / general insurance policies. The Insurance Regulatory and Development Authority of India (IRDAI) is an autonomous body established under the Insurance Regulatory and Development Authority Act, 1999 (IRDA Act). IRDAI is responsible for monitoring the entire insurance sector in India and acts as the custodian for all insurance consumers' rights.



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### Insurance Regulatory and Development Authority of India

In light of the incessant spread of Covid-19 and prolonged lockdown in India, IRDAI has taken several steps by way of issuing circulars and press releases to provide guidance, clarification and relaxation to insurers and policyholders with the view to provide necessary support and protection in the present unprecedented circumstances. We have in this article consolidated the key regulatory updates that impacts the insurance sector.

#### A. GENERAL DIRECTIONS TO INSURERS

1. IRDAI has vide its [circular](#) dated March 30, 2020, advised insurers to:
    - ensure maintenance of essential insurance services during the lockdown with absolutely necessary staff;
    - put in place a business continuity plan;
    - set-up a crisis management committee to ensure minimum business disruption;
    - devise policies to cover risks that arise out of Covid-19 spread;
    - establish a simplified and expedite mechanism for dealing with claims arising on account of Covid-19 spread; and
    - provide an option to defer the date of travel without imposing any additional charges on policyholders, whose travel insurance policies are valid from March 22, 2020 till April 30, 2020.
  2. IRDAI has further granted insurers with:
    - thirty (30) days of grace period to dispatch policy related documents issued between March 15, 2020 and April 20, 2020; and
    - twenty-one (21) days of additional response time to handle complaints received by insurers from March 15, 2020 till April 30, 2020, except for the complaints pertaining to Covid-19.
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## B. SPECIFIC DIRECTION TO GENERAL AND HEALTH INSURERS

1. IRDAI has vide its [circular](#) dated March 4, 2020, instructed all insurers providing health insurance policies and covering costs of hospitalization to:
  - review and expeditiously settle all claims with respect to costs of medical expenses incurred during treatment or during quarantine period as per the terms and conditions of the insurance policy; and
  - devise policies to cover the costs of treatment of Covid-19 in order to meet health insurance requirements of various sections.
2. IRDAI has vide its [press release](#) dated March 23, 2020, permitted insurers to condone delay up to thirty (30) days in renewal of health insurance policy without deeming such condonation as break in the policy.
3. The Ministry of Finance has vide its [notification](#) dated April 1, 2020, issued Insurance (Amendment) Rules, 2020, to amend Rule 59 of the Insurance Rules, 1939 and provide for provisions in relation to payment of renewal premium for Motor Third Party Insurance

Policies and Health Insurance Policies, that may fall due for renewal during the lockdown period.



4. Pursuant to the amendment in the Insurance Rules, 1939, the Ministry of Finance has issued another [notification](#) on April 1, 2020 and has permitted policyholders to make payment of renewal premium for Motor Third Party Insurance Policy and Health Insurance Policy by April 21, 2020, which was subsequently extended by the Ministry of Finance till May 15, 2020, vide its [notification](#) dated April 15, 2020, to ensure continuity of the insurance cover and validity of claim arising out of such insurance policy during the grace period.



5. IRDAI in its circulars dated April 2, 2020, for [motor third party insurance policies](#) and [health insurance policies](#), and on April 16, 2020 for [motor third party insurance policies](#) and [health insurance policies](#) has provided that:

- the insurers shall:
  - communicate details in relation to the payment of renewal premium and the conditions thereof to policyholders;
  - inform the agents and intermediaries of the last date for payment of premium, to ensure continuity of the insurance cover;
  - ensure that the period of cover of the policy on the payment of premium shall commence from the date on which the renewal fell due within the lockdown period, without any break in the policy; and
  - ensure adequate arrangements to facilitate ease of payment of premium by policyholders;

- the policyholders shall make the payment of renewal premium by April 21, 2020 for the entire period of 12 months from the due date.

6. IRDAI has further issued FAQs vide two separate circulars on April 3, 2020 to resolve queries related to renewal of [motor third party insurance policies](#) and [health insurance policies](#).

7. IRDAI has vide its circular dated [April 18, 2020](#) directed all general and health insurers on to adopt adequate response mechanism to expedite the settlement of health insurance claims pertaining to Covid-19 and to communicate its decisions to the network provider (hospital) with respect to:

- cashless treatment within 2 hours from the time of receipt of the authorization request and last necessary requirement from the hospital to insurer or TPA, whichever is earlier; and
- final discharge within 2 hours from the time of receipt of final bill and last necessary requirement from the hospital to insurer or TPA, whichever is earlier.

8. IRDAI has vide its [circular](#) dated April 21, 2020, issued norms for collection of health insurance premium in instalments during Covid-19 crises as per the [Guidelines on Filing of Minor Modifications in](#)

[approved individual Insurance policies offered by General and Stand Alone Health Insurance on Certification Basis.](#)

### C. SPECIFIC DIRECTION TO LIFE INSURERS

1. IRDAI has vide its [circular](#) dated March 23, 2020 instructed life insurers to:
  - expeditiously settle claims by developing quicker settlement mechanism;
  - provide information on its website with respect to claims arising out of death caused due to Covid-19, including specific information related to health insurance policies and admissibility of such Covid-19 claims; and
  - maintain record with respect to claims related to Covid-19 separately and submit the same with IRDAI as and when called for.
2. Further IRDAI has vide its [circular](#) dated April 4, 2020, granted additional grace period of thirty (30) days to policyholders for payment of premium that has become due from March 2020 until April 2020 and has also permitted life insurers to offer settlement option to policyholders whose unit linked life insurance policies are maturing up to May 31, 2020, after explaining the possible downside risk to and obtaining consent of policyholders in this regard.

3. IRDAI has provided further clarity on applicability of settlement options under unit linked life insurance plans by issuing [FAQs](#) on April 7, 2020 to resolve queries that may arise in the minds of policyholders.



### D. RESCHEDULING OF TERM LOANS

IRDAI has vide its [circular](#) dated April 8, 2020, permitted insurers to grant a moratorium of three (3) months towards payment of instalments falling due between March 1, 2020 and May 31, 2020, with continuous accrual of interest on the outstanding term loan during such moratorium period. On applicability of the said moratorium period, the repayment schedule for such loan will be shifted by three (3) months after the moratorium period and the

asset classification of term loans will be determined based on the revised due dates and the revised repayment schedule. Rescheduling of payment terms, including interest shall not be considered as a default for the purpose of reporting Non-Performing Assets. Insurers shall frame policies to provide above mentioned relief to the borrower.



#### **E. MANAGEMENT OF FINANCIAL RESOURCES OF INSURERS**

IRDAI has vide its [circular](#) dated April 13, 2020 advised all insurers to critically examine their capital availability and solvency margin and accordingly devise strategies to ensure adequate capital and availability of resources with them. Insurers were also directed to align their dividend pay-out for Financial Year 2019-2020 and rationalize the expenses of management for the Financial Year 2020-

21 in conformity with the strategies devised by such insurers. However, subsequently by a [circular](#) dated April 24, 2020, IRDAI has urged insurers to refrain from dividend pay-outs from profits pertaining to the financial year ending 31st March 2020.

#### **F. RELAXATION IN COMPLIANCE WITH IRDA (RE-INSURANCE) REGULATION, 2018**

As per the provisions of [IRDAI \(Re-insurance\) Regulation, 2018](#), insurers are required to submit Board approved Final Re-insurance Programme by April 30, 2020 along with synopsis of catastrophe modelling report. However, in light of the Covid-19 pandemic situation, IRDAI has vide its [press release](#) dated March 28, 2020, permitted insurers to comply with the said filing requirements by May 31, 2020.

#### **G. MANDATORY MEDICAL INSURANCE COVERAGE TO WORKERS**

The Government has made it mandatory for all employers to provide medical insurance to their employees. IRDAI has vide [circular](#) dated April 15, 2020 issued as part of the [Consolidated Revised Guidelines](#) by Ministry of Home Affairs, Government of India stipulated that all industrial and commercial establishments, workplaces, offices etc.

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shall put in place arrangements for the implementation of Standard Operating Procedure (SOP) before starting their functioning.

As part of the SOP, medical insurance for the workers has been made mandatory. It provides that medical insurance should be taken for at least one year to cater to any health issue which could commence during the lockdown and extend beyond. The insurers have also been advised to devise comprehensive health insurance products at affordable cost.

#### H. AROGYA SANJEEVANI POLICY

IRDAI has vide its [press release](#) dated April 1, 2020 clarified to the public that indemnity-based health insurance policies offered by all general and health insurance companies, including the Arogya Sanjeevani Policies offered by the approved general and health insurers, to also cover the costs of hospitalisation for treatment of Covid-19.

#### I. RELAXATION FOR FILING REGULATORY RETURNS

IRADI has in furtherance to its Press Release dated March 23, 2020, issued a [circular](#) on April 9, 2020 to grant an additional time period of thirty (30) days to all the insurance intermediaries for filing of

half-yearly and yearly regulatory returns and cyber security audit as on March 3, 2020.

#### J. FDI IN INSURANCE SECTOR

The Ministry of Finance vide its [notification](#) dated April 27, 2020 has issued Foreign Exchange Management (No-debt Instruments) (Second Amendment) Rules, 2020 (**Rules 2020**). Pursuant to the Rules 2020, foreign investment up to 100% through automatic route, has been permitted in intermediaries or insurance intermediaries including insurance brokers, re-insurance brokers, insurance consultants, corporate agents, third party administrator, surveyors and loss assessors and such other entities, as may be notified by IRDAI from time to time, subject to conditions as are more specifically provided under the Rules 2020.



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## CONCLUSION

The immediate focus of IRDAI, due to the current pandemic, has been on life, health and motor related insurance policies. Government has taken various steps to ease compliance, provide moratorium, improve liquidity however several businesses are also at the risk of incurring significant amount of loss due to the nation-wide lockdown. The Government and the regulator now need to intervene and take definitive steps to help businesses recover loss under business specific non-life insurance policies.

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