



The ongoing Covid-19 pandemic will undoubtedly have some significant short term and long term implications on the Indian insurance industry, given that it not only affects individuals, but also businesses and economies world over, on an unprecedented scale. All in all, the pandemic is challenging the sector to quickly devise new products to cater to the protection needs of the insured in various sectors. As India enters into its second phase of mandatory nationwide lockdown, the Insurance Regulatory and Development Authority of India (“IRDAI”) and Indian insurance companies (among other financial services) have been permitted to function, subject to exercise of requisite social distancing and precautionary measures.

The situation has undoubtedly caused hardship to policyholders in making premium payments and ensuring continuity of insurance covers, when they need it the most in these uncertain times. Further, traditional insurance distribution channels involving in-person solicitation process have been impacted. In the long run, social distancing will definitely give a push to online and distance marketing insurance sales channels.

The IRDAI is proactively reviewing the situation and has announced various measures to facilitate the sector in serving the policyholders. In this context, some of the key changes brought in by the IRDAI in the applicable regulatory framework are set out below:

- **IRDAI’s ‘Guidelines on Handling of claims reported under Corona Virus’ of March 4, 2020:** As per this circular, the IRDAI has directed insurers to expeditiously settle Covid-19 related hospitalisation claims and cover admissible medical expenses during the quarantine period per policy terms. Such claims may be repudiated only after a thorough examination by the Insurer’s claim review committee.

Insurers have been directed to design products covering treatment costs for Covid-19 cases, to meet health insurance requirements of various sections of the population. Insurers have certainly followed suit and a number of Covid-19 specific health insurance products on both, an individual and a group level (covering staff of large organizations) are now available in the market. Such kinds of products will be particularly useful for addressing risks associated with corporate travel, when the pandemic subsides.

- **IRDAI’s Circular on ‘COVID-19 Global Pandemic Related Instructions to Life Insurers’ of March 23, 2020:** As per such instructions, the IRDAI has covered 4 aspects:

- (i) functioning of offices; (ii) grace period for payment of premiums; (iii) claims; and (iv) periodic reports.

In respect of partial or full closure of offices, the IRDAI has directed life insurers to notify policyholders by SMS/ e-mail and/ or press releases in addition to display on the branch office. Life insurers were further directed to display on their website a list of offices not functioning, alternate arrangements for policyholder servicing, contact phone numbers, if any, for emergency needs, information on Covid-19 death claims (including their admissibility), specific information (product wise) on admissibility of claims under health insurance contracts. The IRDAI also allowed an additional grace period of one month for all life insurance premium payments due in March, 2020.

For better monitoring of the Covid-19 situation, the IRDAI further directed insurers to report details of offices fully/ partially closed with duration and steps taken in this regard, every fortnight. Insurers have also been asked to maintain data on Covid-19 claims, separately, which is to be submitted to IRDAI as and when called for.

- **IRDAI’s Covid-19 related Instructions of March 30, 2020:** These are comprehensive instructions on the pandemic situation, issued to all classes of insurers. The IRDAI has urged insurers and other regulated entities to operate their offices with absolutely necessary staff so as to maintain essential insurance services including claims settlement, authorisation for hospitalisation, renewal of insurance policies and such other activities. The regulator has also advised insurers to adopt work-from-home facility to the extent possible for its staff and facilitate the same for intermediaries and agents.

Insurers are further required to prominently display on their website a dedicated help line number for policyholders and another help line number for other stakeholders including agents and intermediaries. Further, insurers are to devise a business continuity plan which, *inter alia*, deals with processes, transactions, reporting and customer services to be handled in a seamless manner in light of the present situation, with a copy of this plan to be submitted to the IRDAI.

All insurers have been also called upon to set up a crisis management committee, comprising of key personnel to monitor the current situation on a real-time basis and



to take timely decisions on staff matters, risk mitigation and minimization of businesses disruption. The risk management committees of insurers have been entrusted with the task of evaluating various risks (such as strategic, operational, insurance, liquidity, credit, reputational, market, foreign exchange, reduction in new business, reduction in renewal business, asset liability mismatch, reduction in yield, capital erosion and claims) and devise necessary mitigation measures. Significant impact on operations or capital requirements or solvency margin of insurers are to be promptly communicated to the IRDAI.

The IRDAI has further mandated that:

- wherever policyholders' email addresses are available, policy documents may be issued through email within the prescribed period. SMS may also be used to confirm to the policyholders about issuance of policy documents.
 - insurers are encouraged to capture email and phone numbers of prospective customers for intimation of commencement of cover and for further policy servicing.
 - an additional 30 days is allowed for insurers to dispatch documents for policies issued between March 15, 2020 and April 30, 2020.
 - an additional 21 days is allowed as response time for policyholder complaint redressal for all non-Covid 19 related complaints received between March 15, 2020 and April 30, 2020.
- **Ministry of Finance's ("MOF") notifications of April 1, 2020 and April 15, 2020 and the IRDAI's Circulars of April 3, 2020 and April 16, 2020:** Under the said notifications, policyholders whose health insurance and third party motor insurance policies fall due for renewal during March 25, 2020 to April 14, 2020 were allowed to make premium payment till April 21, 2020 to ensure continuity of such insurance covers from the date on which the policy falls due for renewal.

The IRDAI, in its circular of April 3, 2020, went on to clarify that insurers must cover the risk in cases where renewal premiums are due but could not be paid, as per the MOF's notifications.

In view of the extension of the nationwide lockdown till May 3, 2020, on April 15, 2020, the MOF amended its notifications to cover policies falling due for renewal during

March 25, 2020 to May 3, 2020 and permitted premium payment till May 15, 2020 for both health insurance and third party motor insurance policies. The IRDAI in its circular of April 16, 2020 confirmed that its clarifications and instructions of April 3, 2020 would continue to apply in the context of the extended timelines.

- **IRDAI's Circular of April 4, 2020:** As per this circular, the IRDAI allowed an additional grace period of 30 days for all life insurance premium payments due in March and April, 2020. Further, to minimize policyholders' exposure to the volatile stock market, in case of policies providing for lump sum settlement at fund value and are maturing up to May 31, 2020, the IRDAI asked life insurers to provide policyholders with a one-time option (regardless of policy wording) to avail settlement options as per Regulation 25 of IRDA (Linked Insurance Products) Regulations, 2013 (which includes deferred periodical payments to mitigate the risk of market fluctuations).
- **IRDAI's Circular of April 8, 2020:** In line with the Reserve Bank of India's directions on moratorium on repayment of term loans to ease the difficulties of borrowers, the IRDAI permitted insurers to grant a moratorium of 3 months towards payment of instalments falling due between March 1, 2020 and May 31, 2020, with the shifting of the repayment schedule by 3 months in term loans. The IRDAI, *inter alia*, required insurers to frame board approved policies to extend above mentioned reliefs to all eligible borrowers.
- **IRDAI's Circular of April 13, 2020:** The IRDAI briefly outlined the severe financial implications that could lay ahead for the insurance industry, as a whole, and directed that:
 - The board of directors of insurers critically examine their capital availability and solvency margin as required in the current financial year 2020-21 and devise strategies to ensure that they have adequate capital and resources available with them; and
 - Insurers align the dividend pay-out for the financial year 2019-20 as well as rationalize expenses of management for financial year 2020-21 so as to be aligned with the above strategy.
- **IRDAI's Circular of April 16, 2020:** The IRDAI reiterated to all general and standalone health insurers that, medical insurance is mandatory for all workers in establishments active during the nationwide lockdown as per the Ministry of Home Affairs' Consolidated Revised Guidelines of



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April 15, 2020. The IRDAI directed such insurers to offer comprehensive health insurance policies either to individuals or groups in order to enable the listed organisations, employers or establishments to comply with the above direction. The circular however is not clear regarding the nature of cover to be offered to such workers and the sum insureds for such policies. It is expected that some guidance on this will be offered at the earliest.

- **IRDAI's Circular of April 18, 2020:** In order to alleviate pressure on the healthcare infrastructure due to the prevailing conditions created by Covid-19, the IRDAI directed insurers to ensure that:
 - decisions on authorization for all cashless treatment are communicated to the network provider hospital within 2 hours of receiving the authorization request and last necessary requirement from the hospital, either by the insurer or the third party administrator (“TPA”), whichever is earlier.
 - decisions on final discharge should be communicated to the network provider hospital within 2 hours of receipt of final bill and last necessary requirement from the hospital, either by the insurer or the TPA, whichever is earlier.
- **IRDAI's Circular of April 21, 2020:** In light of prevailing conditions owing to COVID-19 outbreak, the IRDAI has permitted all health insurers to collect health insurance premiums in instalments subject to compliance with the norms prescribed under the IRDAI's Guidelines on Filing of Minor Modifications in the approved Individual Insurance Products offered by General and Stand Alone Health Insurers on Certification Basis, 2019 (“IRDAI Guidelines”). Further, the premium instalment facility may be offered either as a permanent feature by duly

complying with the IRDAI Guidelines or may be offered as a temporary relief for a period of twelve months (one policy year) in respect of all the health insurance policies that are due for renewal up to 31st March, 2021. If the policyholders are interested in availing the said premium payment option, then, specific consent of having agreed to the conditions shall be obtained.

Relaxations for Insurers and Insurance Intermediaries

- **Submission of Returns by Insurers & Insurance Intermediaries:** The IRDAI, through its circular dated April 4, 2020, has granted additional time to insurers for submission of regulatory returns, which were due on March 31, 2020. Insurers now have 15 additional days for submission of monthly returns, and 30 additional days for submission of quarterly, half-yearly and yearly returns, and cyber security audit. Similarly, in its circular of April 9, 2020, the IRDAI allowed 30 additional days for submission of half-yearly and yearly returns and cyber security audit by insurance intermediaries.
- **Submission of Final Re-insurance Programme:** Pursuant to a press release of March 28, 2020, the IRDAI informed that it has given time till May 31, 2020 to insurers for filing of their respective board approved final re-insurance programme for the financial year 2020-21 along with a synopsis of catastrophe modelling report.

As life is certainly not in the ordinary course for policyholders, insurers, insurance intermediaries and other stakeholders, it is expected that the IRDAI will continue assessing the impact of Covid-19 crisis very carefully and proactively take measures to steer the ship.

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