Simplifying Compliance Management for the

INSURANCE SECTOR

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Table of Contents

Executive Summary 03

Overview of the Insurance Sector 04

Types of Insurance 06
- Life Insurance 07
- Non-Life / General Insurance 08
- Micro Insurance 09

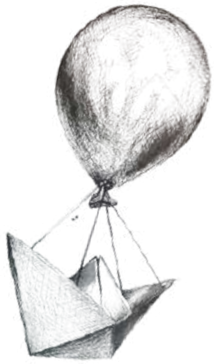
Insurance Regulatory and Development Framework 10
- Legislation governing the IRDAI 11
- IRDAI Regulations 11
- IRDAI Circulars 11
- Broader Classification of Regulations and Circulars 12

Regulatory Requirements for Insurance Sector 18
- Licenses and Permissions 19
- Periodic Compliance Requirements 23
- Broad Review of Returns required to be submitted by Insurance Company 30

IRDIA's Reforms in Year 2024 36

Compliance Challenges for the Insurance Sector 39
- Absence of Central Repository of Rules and Regulations 40
- Fluid Regulatory Environment 40
- Lack of effective process for overall Compliance Management 41

Recommendations for Enabling Ease of Compliance 42
- Recommendations for the Insurance Companies 43
- Recommendations for the Regulator 44



Executive **Summary**

This report presents a thorough analysis of the complexities, regulatory frameworks, and compliance challenges faced by insurance companies in India. It highlights over 2,236 unique annual compliance obligations imposed on the insurance companies by both central and state governments. It includes an overview of the growth and evolution of the sector. The report further covers the types of insurance and the major legislations governing the sector including regulations, circulars & their classification. It also focuses on the significant reforms introduced by IRDAI in 2024 and the returns/licenses/permissions requirements of an Insurance Company at different stages.

An insurance company has to comply with 1,949 unique obligations under the industry specific laws alone. A major challenge identified in the report is the lack of a centralized checklist for applicable compliance requirements. Adding to the complexity is India's constantly evolving regulatory landscape, where frequent updates exacerbate the difficulty of staying compliant. In the last financial year (FY23-24), the insurance industry experienced 294 regulatory updates, with the IRDAI alone issuing 77 notifications, circulars, guidelines, orders, notices, and exposure drafts.

To address these complexities, the report provides recommendations for the regulator. To insurers, it suggests adopting RegTech solutions to automate compliance processes and reduce manual tracking. Additionally, fostering a compliance-driven culture, led by strong leadership, is crucial to ensure adherence to evolving regulations and maintain regulatory alignment across the organization.

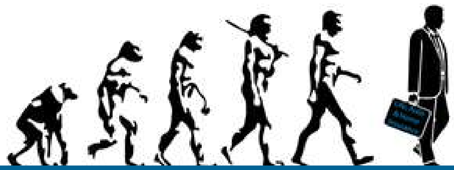
Overview of the **Insurance sector**

India's insurance sector is a crucial part of the financial system and has undergone significant growth over the past decades. As per the Insurance Regulatory and Development Authority of India, India is projected to become the 6th largest insurance market within the next decade, surpassing countries like Germany, Canada, Italy, and South Korea. The domestic insurance market has grown at a CAGR of 17% over the last two decades and is expected to reach a size of US$ 222 billion by 2026. Over the past 9 years, the insurance sector has attracted significant FDI amounting to nearly Rs. 54,000 crore (US$ 6.5 billion).

The industry currently includes over 60 insurers:

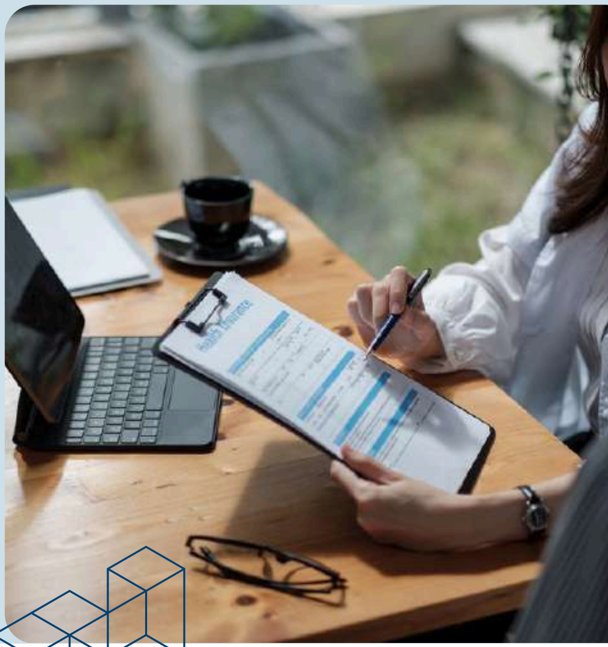
- Over 20 life insurer
- Around 25 general insurers
- Around 5 stand-alone health insurers
- 10+ re-insurers

Evolution of the Insurance Sector



Year	Event
1938	The Insurance Act of 1938 introduced regulatory controls, marking the start of regulation in the Indian insurance sector.
1956	The government nationalized the life insurance sector by merging over 245 companies to form the Life Insurance Corporation (LIC).
1972	The general insurance sector was nationalized, leading to the creation of the General Insurance Corporation (GIC).
1999	The IRDAI was established, opening the sector to private players and ending the duopoly of LIC and GIC.
2014	The FDI limit was raised from 26% to 49%, attracting significant foreign investments and the launch of government schemes like Pradhan Mantri Suraksha Bima Yojana.
2017	Insurance companies raised US$ 6 billion from public issues, contributing to the sector's growth.
2021	The FDI limit was increased to 74%, further boosting investments in the insurance sector.

Additionally, in November 2022, IRDAI introduced the 'Insurance for All by 2047' vision, aiming to ensure that every citizen and business in India has appropriate insurance coverage by the year 2047. The digital transformation of the insurance industry is another key driver of growth. A new breed of 'InsurTechs' are leveraging digital tools and data analytics to create more personalised and accessible insurance products. The InsurTech wave is focused on improving customer experience, simplifying insurance processes, and expanding reach.



Types of **Insurance**

The insurance sector in India can be broadly classified into two categories, life and non-life insurance (also called general insurance). Both categories cover various sub-sectors that cater to specific needs of individuals, businesses, and organizations. Below is an illustrative list of these categories and their respective subcategories.

Life Insurance

Life insurance is a contract where the insurer provides a death benefit to the beneficiaries upon the policyholder's death, offering financial security to loved ones. It can also include savings or investment components, ensuring long-term financial planning.

Term Life Insurance

It provides a death benefit to the policyholder's beneficiaries if the insured passes away during the policy term.

Whole Life Insurance

It covers the insured for their entire life, with a death benefit payable to the beneficiaries upon the insured's death. It provides coverage for the entire lifetime of the policyholder, with the death benefit payable to the beneficiaries upon death, regardless of when it occurs.

Endowment Plans

It combines life insurance with savings, providing a lump sum payout either upon death or at the end of a specified period.

Unit Linked Insurance Plans (ULIPs)

This insurance contract is a combination of insurance and investment, where a part of the premium is used for life coverage and the rest is invested in equity or debt markets.

Money Back Policy

This insurance provides periodic returns during the policy term along with a life cover. It gives back a portion of the sum assured at regular intervals.

Pension Plans

Also known as retirement plans, these contracts provide a regular income post-retirement. The policyholder can choose between an immediate or deferred annuity.

Non-Life/General Insurance

General insurance provides financial protection against losses from specific risks such as accidents, property damage, health issues, and liability. Unlike life insurance, it covers non-life aspects like vehicles, homes, health, and businesses.

Health Insurance

This insurance covers medical expenses for illnesses, injuries, and hospitalizations, ensuring access to healthcare while reducing the financial burden on individuals and families.

Motor Insurance

It provides financial protection against damages to your vehicle and liabilities from accidents, covering repairs, theft, and third-party injuries or property damage.

Cyber Insurance

This protects businesses against financial losses from cyberattacks, data breaches, and other digital threats, covering costs related to legal fees, data recovery, business interruption, and reputational damage.

Home Insurance

This insurance protects your property against damage from risks like fire, theft, and natural disasters, covering both the structure and personal belongings within the home.

Travel Insurance

It covers unexpected incidents during a trip, including medical emergencies, trip cancellations, lost luggage, and delays, ensuring financial protection and peace of mind while traveling.

Cargo Insurance

This insurance protects goods in transit against risks like loss, damage, or theft during transportation by sea, air, or land, ensuring financial coverage for the value of the shipment.

Agriculture Insurance

This insurance provides financial protection to farmers against crop losses due to natural calamities, pests, diseases, and other risks, ensuring stability and security for agricultural livelihoods.

Commercial Insurance

This insurance provides financial protection for businesses against various risks, including property damage, liability claims, employee injuries, and business interruptions, ensuring the continuity and security of business operations.

Fire and Water Damage Insurance

This insurance covers losses and repairs caused by fire, floods, leaks, or burst pipes, protecting property owners from significant financial burdens due to these destructive events.

Public Liability Insurance

Also known as third-party liability insurance or commercial general liability insurance, it is a type of business insurance that protects against financial and legal liabilities that may arise from property damage or bodily injury to third parties.

Micro Insurance

A new category of insurance has also emerged in recent years called **'Micro Insurance'.** It offers affordable, low-cost coverage tailored to low-income individuals or groups, protecting against specific risks such as health issues, accidents, or crop failure. It ensures financial security for economically vulnerable populations, providing essential protection with minimal premiums and simplified claims processes.

Insurance Regulatory & **Development Framework**

The Insurance Regulatory and Development Authority of India (IRDAI) is the central regulatory body responsible for governing the insurance industry in the country. Its core responsibilities include regulating, promoting, and ensuring the orderly growth of the insurance and re-insurance sectors. To fulfill its mandate, IRDAI issues licenses to insurance companies, safeguards policyholders' interests, fosters competition, and upholds the financial stability of the industry.

1 Legislations governing the IRDAI

- Insurance Act, 1938: Establishes the basic framework for the insurance sector.
- Insurance Regulatory and Development Authority Act, 1999: Specifically established the IRDAI.
- Insurance Laws (Amendment Act), 2015: Introduced significant reforms, including raising the FDI limit in the insurance sector.

2 IRDAI Regulations

IRDAI has created an extensive regulatory framework for the industry, recognized stakeholders, and laid down responsibilities for businesses and rights for policyholders. Accordingly, the Regulator publishes rules for the insurance companies to regulate its operations and ensure protection of policyholder's interest. The Regulator has published 11 regulations in the Year 2024 itself. List of regulations published in Year 2024:

- IRDAI (Expenses of Management, including Commission, of Insurers) Regulations, 2024
- IRDAI (Registration and Operations of Foreign Reinsurers Branches & Lloyd's India) Regulations, 2024
- IRDAI (Rural, Social Sector and Motor Third Party Obligations) Regulations, 2024
- IRDAI (Protection of Policyholders' Interests, Operations and Allied Matters of Insurers) Regulations, 2024
- IRDAI (Bima Sugam - Insurance Electronic Marketplace) Regulations, 2024
- IRDAI (Registration, Capital Structure, Transfer of Shares and Amalgamation of Insurers) Regulations, 2024
- IRDAI (Insurance Products) Regulations, 2024
- IRDAI notification on Obligatory Cession for the financial year 2024-25
- IRDAI (Corporate Governance for Insurers) Regulations, 2024
- De-Notification of All Tariffs; IRDAI/Gen Insurance/Tariff/13/207/2024
- IRDAI (Actuarial, Finance and Investment Functions of insurers) Regulations, 2024

3 IRDAI Circulars

The Regulator continues to issue circulars on an ongoing basis to provide guidelines and regulate the industry. In the last 03 Years itself, the Regulator has issued around 90 Circulars. Some of the recently issued circulars in the Year 2024 are as follows:

- Master Circular on Rural, Social Sector and Motor Third Party Obligations (May 2024)
- Master Circular on IRDAI (Insurance Products) Regulations 2024 (May 2024)
- Master Circular on Corporate Governance for Insurers, 2024 (May 2024)
- Master Circular on Actuarial, Finance and Investment Functions of Insurers (May 2024)
- Master Circular on IRDAI (Insurance Products) Regulations 2024 - General Insurance (June 2024)
- Master Circular on Submission of Returns, 2024 (June 2024)
- Master Circular on Operations and Allied Matters of Insurers (June 2024)
- Master Circular on Protection of Policyholders' Interests 2024 (September 2024)

4 Broader Classification of Regulations and Circulars

The above regulations / circulars can be classified into various 'buckets' based on the objective they fulfill. These buckets and an illustrative list of regulations under them have been listed below:

Category	Brief Objective
Advertisement	
Master Circular on Insurance Advertisements; Ref. No: IRDAI / LIFE / CIR / MISC / 189 / 10 / 2019 (17th Oct 2019)	The circular outlined and prohibited certain advertising practices that were being undertaken by insurers. For instance, insurers were directed to stop displaying discounts in comparison to previous tariff rates. They were also directed to not use extreme cases of discounts as examples in their advertisements.
Appointments	
Appointment of Statutory Auditors Ref - No. 004 / IRDA / F&A / CIR / APR-09 (Dated 22nd April, 2009)	The circular provided for disclosures on appointments / re-appointments of Statutory Auditors to IRDAI within a week. It also prescribed the format for the disclosure and directed insurers to file another annual return.

Customer Service

Circular on Treatment of unclaimed amount of policyholders (IRDA / F&I /CIR / CMP / 174 / 11 /2010 (4th Nov 2010)	The circular instructed insurance companies to disclose the unclaimed amount lying with them as a separate line item within their balance sheet. It also forbade the companies from appropriating/ writing back the unclaimed money.
Circular on Protection of Interests of Policyholders (IRDAI / PP&GR / CIR / MISC / 117/ 9 / 2024)	The insurer is required to immediately inform the policy holder of the receipt of premium by an automatic SMS generated by the system.

Disclosure

Public Disclosures by Insurers; Circular (IRDAI /F&A / CIR / MISC /256/09/2021 Dated 30th Sept 21)	The circular requires insurers to make quarterly public disclosures on their website and half yearly disclosures in newspapers.
Master Circular on Actuarial, Finance and Investment Functions of Insurers (IRDAI / ACTL / CIR / MISC/80/05/2024)	This circular prescribes the minimum information to be submitted for the annual statutory valuation. It provides all the reports and information that must be submitted as well as the revised format of FCR (Financial Conditions Report).

Investments

Permission to Insurers to Invest in Category I & II Alternative Investment Funds (IRDA / F&I / CIR / INV / 172/08/2013, Dated 23rd August, 2013)	The circular permitted insurance companies to invest in category I and II AIFs (Alternate Investment Funds)
Circular on Investments in Debt Securities of InvITs and REITs(IRDAI/F&I/CIR/INV/098 /04/2021 dated 22nd April 2021)	The circular provides the conditions that insurance companies must abide by to invest in Debt Securities issued by InvITs and REITs. For instance, c. No insurer can invest more than 10% of the Outstanding Debt instruments (including the current issue) in a single InvIT/REITs issue.

Know Your Customer (KYC)

Circular on Master Circular on Protection of Interests of Policyholders (IRDAI / PP&GR / CIR/MISC/117/9/2024)	This circular directs insurance companies to upload KYC records to the Central KYC Records Registry and provides the KYC template for uploading records.
Circular on Allowing Aadhaar Card as one of the acceptable documents for KYC (IRDAI / SDD / CIR / MISC/020/01/2019 dated 29th Jan 2019)	This circular directs insurers to not mandatorily seek Aadhaar and permanent account number (PAN) or form 60 from the proposer or policyholder as part of KYC. They can, however, accept Aadhaar as one of the documents establishing identity and/ or address.

Operations

Circular on Filing of Fire Insurance Products for Dwellings, Micro and Small Businesses (IRDAI / NL / CIR/MISC/96/05/2022 Dated 12th May 2022)	This circular was issued in response to the increasing demand for new covers in fire insurance. It permits general insurers to design and file alternative products covering Fire and allied perils. The insurers are required to follow the product filing guidelines for the new alternative products.

Rationalization

Circular on Rationalization of Compliance Requirements (IRDAI/F&A/CIR/MISC/99/5/2022, dated 12th May 2022)	The circular rationalized the compliance requirements for Foreign Reinsurance Branches (FRBs). It also exempted FRBs from publishing half-yearly and annual disclosures in newspapers.

Regulatory Compliance

Insurance Fraud Monitoring Framework Guidelines (IRDA / SDD/MISC/CIR/009/01/2013, Dated 22nd January, 2013)	The circular provided for the creation of the Insurance Fraud Monitoring Framework. It directed insurance companies to put in place structures and policies to minimize the vulnerability of their operations to fraud.

Circular on Point of Salespersons (PoSP) - Distribution of Add-ons – maintenance of records – submission of Returns (IRDAI / INT / CIR / PSP / 130 / 06 / 2017) dated 5th June, 2017	The circular allowed insurance companies to sell Add-ons through Point of Sale (PoS). It directed them to maintain relevant records and submit returns for such sales.

Let us dive deeper into the regulatory fabric for various Players of the Insurance Sector:

Health

The Insurance Regulatory and Development Authority of India (Insurance Products) Regulations, 2024 aim to revise and enhance the existing Health Insurance Regulations of 2016. Key amendments include changes related to the removal of certain clauses, introducing transparency in premium charges, ensuring policyholders are informed about underwriting loadings, and requiring their consent before policy issuance. The amendments also mandate insurers to offer standard health insurance products, streamline migration and portability options for policyholders, and promote wellness initiatives. Furthermore, the regulations encourage providing coverage for AYUSH treatments and set guidelines for claim settlements, portability, and data management through electronic means. These amendments aim to improve policyholder experience, simplify processes, and ensure broader access to health insurance coverage.

Reinsurance

The IRDAI Consolidated Re-insurance Regulations, 2018 (amended in August 2023), outline the rules governing reinsurance practices in India. These regulations apply to Indian insurers, re-insurers, and other defined entities, setting guidelines for reinsurance contracts, risk transfer, and operational procedures. They aim to ensure the effective management of reinsurance operations, promote domestic reinsurance capacity, and safeguard policyholders' interests. Key provisions include mandatory retention limits, eligibility criteria for cross-border re-insurers, and reporting requirements for reinsurance arrangements. The regulations are periodically reviewed to ensure alignment with evolving market needs and regulatory standards.

Foreign Reinsurance Branches

The IRDAI (Registration and Operations of Foreign Reinsurers Branches and Lloyd's India) Regulations, 2024 lays down the rules for the registration and functioning of branches of foreign reinsurers and entities under Lloyd's India in the Indian insurance market. These regulations cover eligibility criteria, operational guidelines, compliance requirements, and the process for obtaining and maintaining registration certificates.

They aim to promote the orderly growth of the reinsurance market in India, ensuring that foreign reinsurers and Lloyd's entities operate in a regulated and transparent manner while fulfilling obligations related to capital, risk management, and policyholder interests. The regulations also include provisions for branch closure, mergers, and compliance with Indian laws, reinforcing accountability and stability in the reinsurance sector.

Brokers

The IRDAI (Insurance Brokers) Regulations, 2018 (amended in October 2019), provide a comprehensive framework for regulating insurance brokers in India. These regulations outline the requirements for registration, renewal, and functioning of different categories of insurance brokers, including direct, reinsurance, and composite brokers. The regulations specify the qualifications, capital requirements, and operational procedures that brokers must adhere to, including maintaining professional indemnity insurance and compliance with codes of conduct. They also detail the roles and responsibilities of brokers in soliciting and managing insurance business, handling claims consultancy and providing risk management services. The regulations aim to ensure transparency, accountability, and the protection of policyholders' interests while fostering a professional and compliant insurance brokerage industry.

Corporate Agents

The IRDAI (Registration of Corporate Agents) Regulations, 2015, outline the framework for the registration and operation of corporate agents in the insurance sector in India. These regulations set the eligibility criteria, procedures for registration and renewal, code of conduct, and compliance requirements for corporate agents, including banks, NBFCs, and other entities authorized to solicit and service insurance products. The regulations emphasize maintaining transparency, accountability, and ethical standards while engaging in the insurance business, ensuring that corporate agents act in the best interest of policyholders. These practices aim to foster a robust and well-regulated environment for corporate agents, enhancing consumer protection and market integrity.

Surveyors

The IRDAI (Insurance Surveyors and Loss Assessors) (Amendment) Regulations, 2020 amend the 2015 regulations to enhance the professional environment for insurance surveyors and loss assessors in India. These amendments define updated criteria for qualifications, training, and licensing processes for both individual and corporate surveyors, ensuring they provide efficient and professional services to policyholders and the insurance industry. The regulations emphasize the maintenance of professional standards, adherence to ethical conduct, and compliance with regulatory requirements to ensure transparency and accountability in the surveyor and loss assessor profession.

Web Aggregators

The IRDAI (Insurance Web Aggregators) Regulations, 2017 provide the required framework for web aggregators in the country. Web Aggregators are defined as digital platforms that collect and compile insurance products from various insurers and present them to the customer in a centralised way. However, these platforms are not allowed to engage in cross-selling of non-insurance products. The regulations require these businesses to employ qualified personnel and adopt stringent grievance redressal mechanisms to ensure customer satisfaction. They must also submit periodic audit reports to IRDAI.

Third-Party Administrators (TPAs)

TPAs are intermediaries engaged by an insurance company to process health insurance claims, offer customer support, and manage policyholder services on behalf of insurers. These are regulated under the IRDAI (Third-Party Administrators - Health Services) Regulations, 2016. These entities are required to maintain records, documents, evidence, and books of all transactions they carry out on behalf of insurers in addition to books and accounting records under the Companies Act, 2013. They are also required to furnish annual reports to their contracted insurers and IRDAI. At present, there are 19 TPAs registered with the central regulator.

Insurance Repository

The Insurance Repository (IR) system was introduced to aid policyholders in managing their insurance policies. It enables policyholders to undertake changes, modifications and revisions in their insurance policy. IRDAI introduced IR through the No. IRDA/ ADMN/ GDL/ GLD/ 080/ 04/ 2011 - Guidelines on Insurance repositories and electronic issuance of insurance policies, dated 29.04.2011, further revised in 2015. It allows policyholders to open an e-Insurance Account with any IR wherein they can hold their insurance portfolio in electronic form. Repositories are required to undergo yearly audits and submit reports to the central regulator.

Insurance Marketing Firm

The IRDAI (Registration of Insurance Marketing Firm) Regulations, 2015, amended up to 2019, provide the regulations governing the registration and operation of Insurance Marketing Firms (IMFs) in India. These amendments introduce changes to streamline the registration process, clarify definitions, and update compliance requirements for IMFs. The regulations enhance the role of IMFs in promoting insurance distribution, specifying limits on the number of insurers they can partner with, the types of products they can offer, and the regions they can operate in. The amendments also reinforce the need for transparency, professionalism, and compliance with regulatory standards to protect consumers and ensure ethical insurance marketing practices. These changes aim to support the growth of IMFs and expand insurance coverage across underserved areas, particularly in aspirational districts.

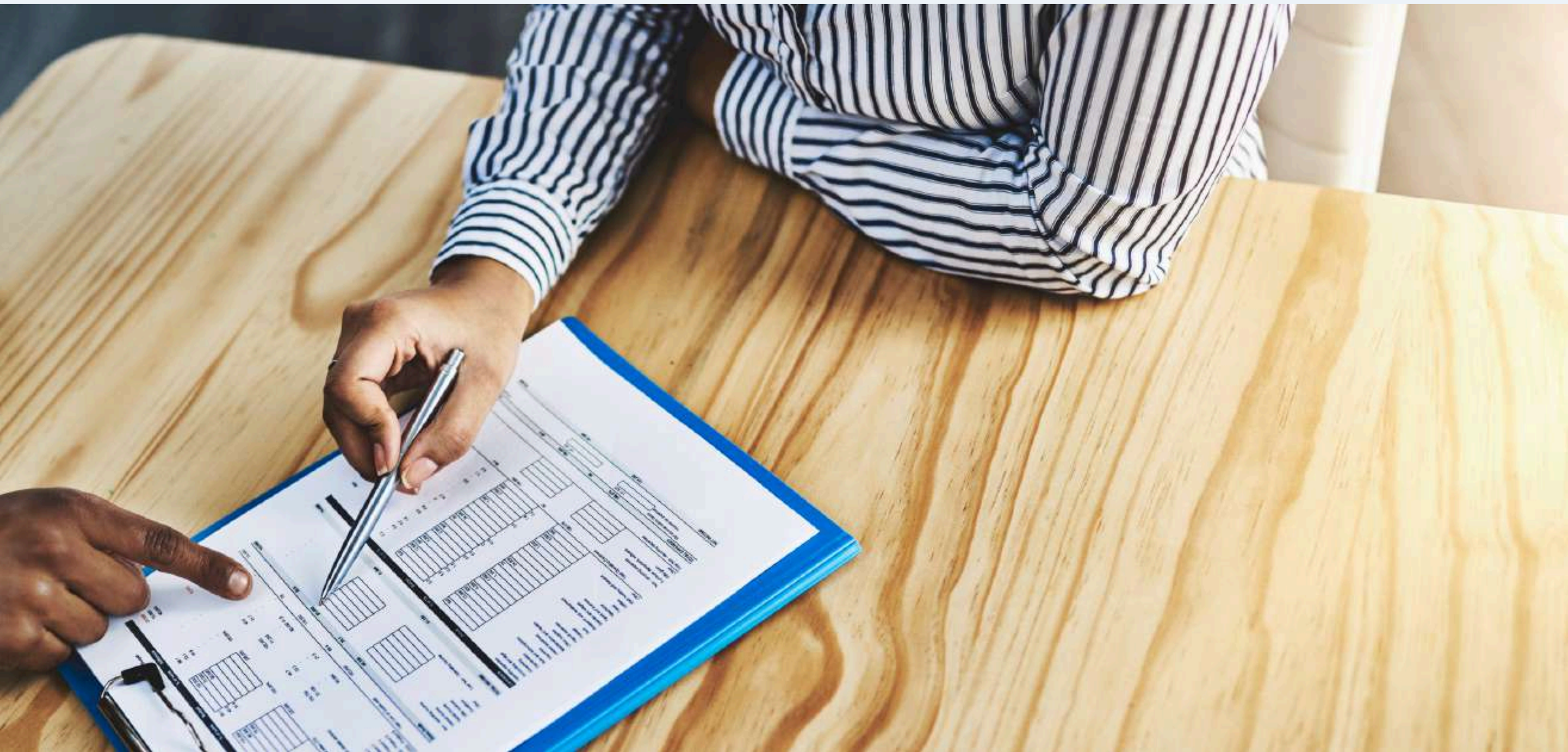
Regulatory requirements for **Insurance Sector**

For an Enterprise that intends to initiate an insurance business, is required to comply with several regulatory requirements, which can be broadly classified into the following 02 categories:

- Obtaining Statutory Licenses and Permissions
- Adhering to routine Compliances requirements

Basic Assumptions

- Enterprise is a Private Limited Company (Single Entity)
- Corporate Office in Bengaluru (Karnataka)
- Excludes 'Event Compliances' which are applicable only if an incident occurs like an accident, etc.



The Compliance Requirements (with above assumptions) are further discussed in detail below:

Licenses and Permissions

Every new entrant must obtain around 38 certificates, licenses, permissions, and approvals under at least 27 acts and rules at various stages of business from Central and State authorities. These stages are classified as follows:

Stage	Category	#	Select Examples
Setting Up	Entity Incorporation	3	• Name Approval • FDI Approval
Pre-Commissioning Stage	Approvals related to labour safety and health	2	• Registration of Establishment • Registration of Principal Employer
	Approvals required prior to start of business	1	Provisional Fire NOC
	Electricity related approvals	3	• Approval for Lift (Passenger Lifts) • Approval of Drawings for DG sets
	Project Related Approvals	3	• Trade License • Permission of Municipal Commissioner for erection, exhibition of advertisement
	Tax Related Registrations	5	• GSTN • IEC Certificate
Post-Commissioning Stage	Approvals related to labour safety and health	5	• Registration of Employer • Registration of Establishment
	Functioning Related Approvals	4	• Final Fire NOC • Fire Safety Certificate
	Industry Specific Approvals	7	• R1 Approval • R2 Approval
	Utility and support facility related approvals	5	• Vehicle Registration Certificate • Permission for charging Diesel Generator Sets for more than 250 KV

Some of the important licenses required for Insurance business are as follows:

Regulation	License Details
IRDAI (Registration, Capital Structure, Transfer of Shares & Amalgamation of Insurers) Regulations, 2024 **IRDAI (Registration of Corporate Agents) Regulations, 2015**	No Objection Certificate
	R1 Approval
	R2 Approval
	Certificate of Registration in Form IRDAI/R3
	Certificate of Registration for Corporate Agent
IRDAI (Licensing of Corporate Agents) Regulations, 2002	Certificate of Licence to act as an Corporate Agent / Composite Corporate Agent
IRDAI (Insurance Brokers) Regulations, 2018	Certificate of Registration for Insurance Broker
Foreign Direct Investment (FDI) Policy Circular of 2020	• Automatic Route: No Approval required from Government of India for the investment • Approval Route: Government Approval in Annexure – 2

Some of the Regulatory Authorities / Departments who issue various Licenses:

1 Central Authorities

- Insurance Regulatory and Development Authority of India (IRDAI)
- Department for Micro, Small and Medium Enterprises (MSME)
- Department for Promotion of Industry and Internal Trade (DPIIT)
- Directorate General of Foreign Trade (DGFT), Ministry of Commerce and Industries, Govt. of India
- Income Tax Office
- Registrar of Trademarks

2 State Authorities

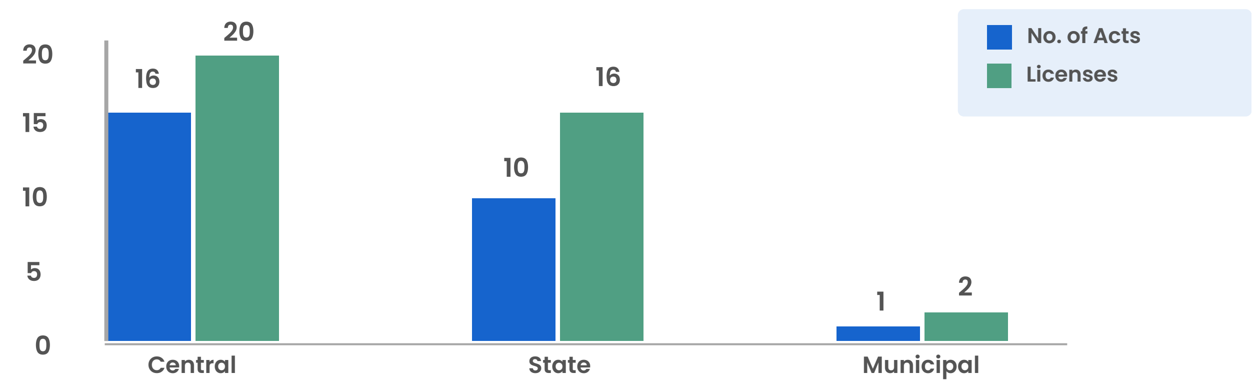
- Department of Goods and Service Tax, Govt. of Karnataka
- Electrical Inspectorate, Industries, Energy and Labour Department, Govt. of Karnataka
- Controlling Authority / Labour Commissioner
- Regional Transport Office (RTO)

3 Municipal Authorities

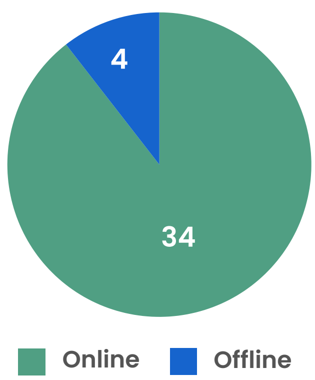
- Bruhat Bengaluru Mahanagara Palike

These Licenses and Permissions can be further dissected based on:

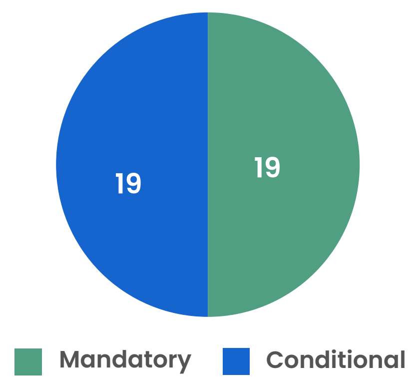
A Distribution of Licenses and Permissions on the basis of Acts



B Licenses and Permissions on the basis of Mode of Application



C Licenses and Permissions based on Nature of Requirements



Note:

These requirements are conditional requirements that are applicable based on several factors like Installation of Lifts / DG Sets, FDI through Approval route, etc.

D Licenses and Permissions based on Renewal Requirements

Renewal Requirements	# Licenses
One Time	25
Periodic Renewal	13

Note:

Most of the Industry specific Licenses (requiring renewal) are issued for a period of 01 Year – 03 Years.

E Licenses and Permissions based on Approval Timelines

Timeline for Approval	# Licenses
1 to 15 Days	8
15 to 30 Days	9
30 to 90 Days	6
No timeline	2
Others	13

For the remaining 15 Licenses / Permissions, either the Government has not defined the timelines for the grant of License or could not be found during the research. Considering the above timelines, it can be tentatively assumed that an enterprise might take 'an average of 01 – 02 Years to obtain above-mentioned Licenses'.

Additionally, each License / Permission requires Enterprises to pay a different fee which can be either a fixed fee or is calculated based on several factors.

Periodic Compliance Requirements

The overlapping of legislative powers between the union and state governments adds complexity to the regulatory framework in various sectors. Insurance is a subject within the Union List of the seventh schedule of the Constitution of India. This means that the Union government holds exclusive authority to legislate on matters related to insurance. However, insurance companies must still comply with a range of other laws that intersect with their operations and are subject to both union and state legislation.

The list of compliances mentioned below excludes the compliances related to Renewal of Licenses / Permissions (as the same is already covered in the section above).

The overall compliance requirements are briefly reviewed under the following perspectives:

- Classification based on Compliance Categories
- Classification based on Compliance under Central, State and Local Laws
- Classification based on Compliance Types
- Classification based Compliance Frequencies

Additionally, we will also broadly review the returns required to be submitted by an Insurance Company.

A. Classification based on Compliance Categories

The Compliance requirements can be broadly classified into the following categories of Laws:

Labour Laws

These laws specify the responsibilities of the employer and the rights of the employees covering general holidays, working hours, minimum wages, etc. Currently, 29 union legislations make up the regulatory framework for labour, which have been combined into four labour codes: Code on Wages, Industrial Relations Code, Occupational Safety, Health and Working Conditions Code, and Code on Social Security (Labour Codes are yet to be implemented).

A single-entity insurance company with its corporate office in Bangalore is required to comply with **95 unique obligations under 19 acts and rules.** These unique obligations are required to be complied with at different frequencies (i.e. monthly, quarterly, half yearly and annually). Hence, the actual number of obligations annually will be much higher.

For insurance companies with multiple offices, the compliance burden can be significantly higher.

Finance and Tax Laws

These Laws mainly include Direct Taxes (Income tax, property tax, and corporate tax) and Indirect Taxes (GST, Customs duty, etc.).

An insurance company is required to comply with **45 unique obligations under 03 acts** i.e. Income tax, GST and Professional tax.

Secretarial Laws

These Laws include laws on corporate governance and risk management issued by the Ministry of Corporate Affairs (MCA), etc. **(129 unique obligations under 24 acts)**

General Laws

All other Laws which do not relate to any of the above categories can be classified as General Laws. It also includes state-specific legislation on municipal corporations and Gram panchayats. **(03 unique obligations under 2 acts)**

Environment, Health & Safety Laws

This category addresses all environmental issues, such as waste management, among others. It covers E-Waste management, Solid waste management, Battery waste management, Plastic Waste, etc.

An insurance company is required to comply with **15 unique obligations under 05 acts** i.e. E-Waste (Management) Rules, Plastic Waste Management Rules, Solid Waste Management Rules, Bureau of Indian Standards Act (Selection, Installation and Maintenance of First-Aid Fire Extinguishers), etc

Industry specific Laws

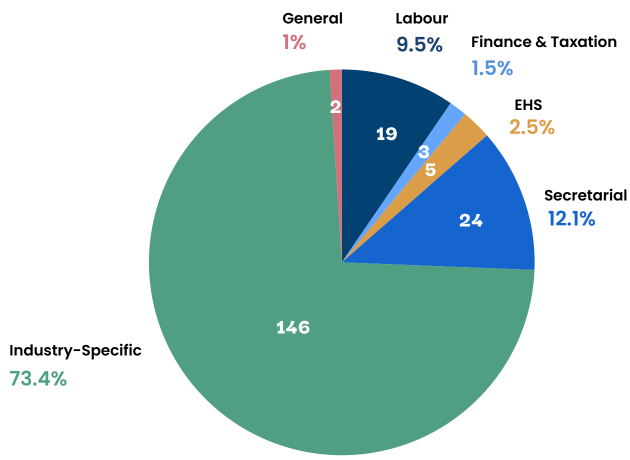
These refer to the laws which have been designed for a specific industry. Insurance Act / Insurance Regulatory and Development Authority of India Act (related regulations and circulars) is the parent legislation that governs all Insurance Companies in India. **(1,949 unique obligations under 146 regulations / circulars)**

A few examples are as follows:

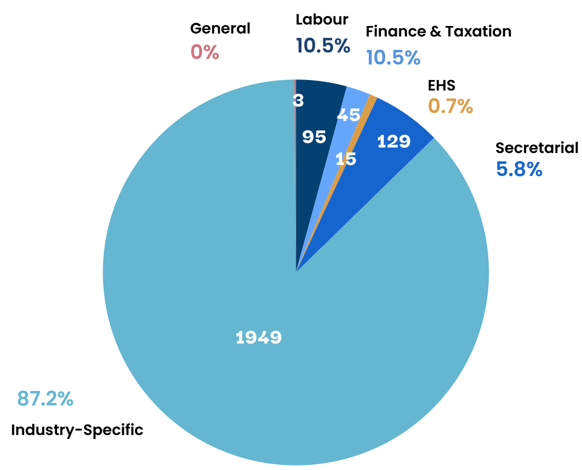
- Obligation to maintain accurate and comprehensive records of all insurance policies issued, premiums collected, and claims processed.
- Submitting regular disclosures and reports to IRDAI, including annual financial statements, solvency margins, and details of investments made.
- Adhere to strict corporate governance practices, including board composition, risk management, and disclosure requirements.
- Implement stringent Anti-Money Laundering (AML) measures, which involve customer due diligence, monitoring of transactions, and reporting suspicious activities to the Financial Intelligence Unit-India (FIU-IND).
- Retain policyholder records, including all communications, grievances, and claim settlements, for a minimum of five years
- Invest their funds in a prescribed manner, ensuring safety and returns while maintaining solvency margins.

Considering all compliance categories as mentioned above, an Enterprise with a Corporate Office must adhere to around 2,236 compliances under 199 Acts.

Number of Acts Applicable to the Corporate Office of an Enterprise on the basis of Compliance Categories



Number of Compliances Applicable to the Corporate Office of an Enterprise on the basis of Compliance Categories

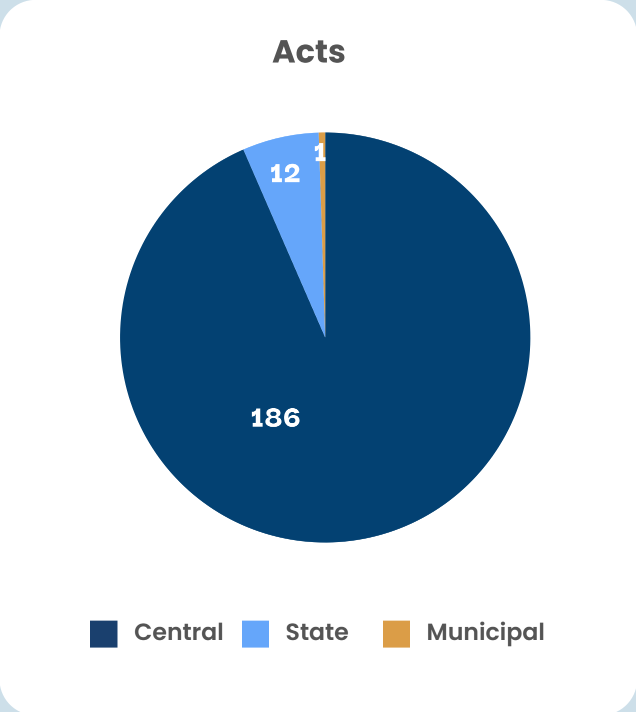


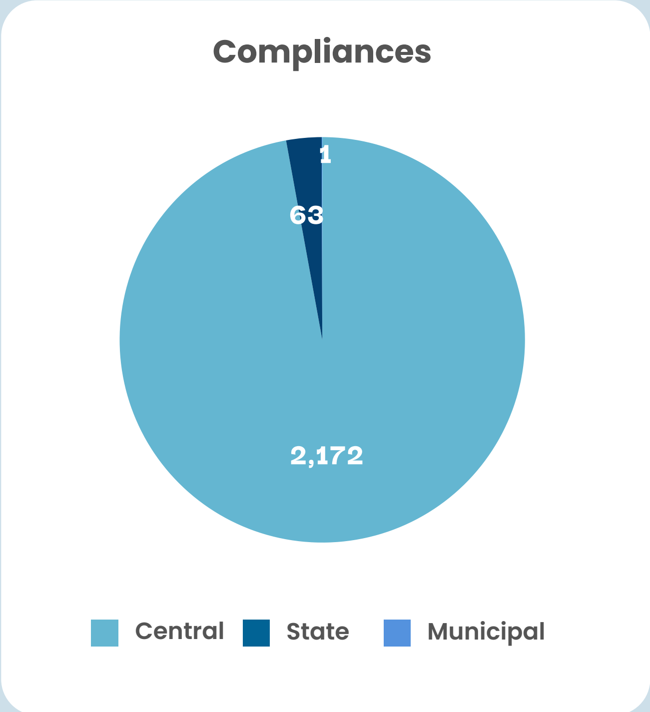
B. Classification based on Compliance under Central, State and Local Laws

The Constitution of India divides legislative powers of the Union (Central) and State Governments wherein Union Government will have the exclusive power to make laws on all matters listed in the List I of the Seventh Schedule (Central Acts) and State Government has the exclusive power to make laws on the matters given in List II of the said Schedule (State Specific Acts). Both Union and State will have the powers to make laws on the matters listed in List III, also known as the Concurrent List of the Schedule.

Additionally, the State Government has the power to make 'Local or Municipal laws', which in turn gives powers to the Local Government (Municipal Corporation) to make rules, and bye-laws for the implementation of the Act. State-specific or Local Laws apply to an Enterprise only if it operates in a particular State or City. Accordingly, compliances under various legislations can also be classified as compliance requirements under **'Central, State and Local Laws'.**

Number of Acts and Compliances





C. Classification based on Compliance Types

Compliances vary in terms of the actions required by an Enterprise to adhere to the requirements of the Law. Classifying these actions into specific buckets is a difficult task considering the diversity of requirements. Still, some of the important requirements can be classified as follows:

Registration, Licenses and Permission

These can be defined as approvals or permissions required by an Enterprise to carry on their business. These permissions are either one-time requirements or are required to be obtained/renewed periodically.

Note: A summary of the required permissions has been highlighted in the earlier section of this report.

Maintenance of Registers and Records

Various authorities require Enterprises to maintain certain information in specific forms and formats. These requirements were originally introduced to facilitate the availability of readymade data during their physical visit/audits. Earlier, there were requirements to maintain them physically, which now most authorities accept in digital formats. For state-specific acts, many of these formats vary from state to state, especially for labour laws.

Note: An Insurance Company with an Office must maintain 117 different forms and formats under 35 Acts (30 Central Acts + 05 State Acts). Most of these are required either under Industry specific regulations or Labour Laws.

Returns, Disclosures and Intimations

All communications or submissions of the required data with authorities / policyholders in line with the requirements of the law fall in this category. These submissions either have a fixed frequency (monthly, quarterly, half-yearly, annually, etc.) or are required to be submitted based on an event / transaction (appointment of a director, etc.)

Note: An Insurance Company with a single Office is required to adhere to 470 returns / submissions / disclosures a year under 90 acts (82 Central Acts + 8 State Acts). This indicates 02 submissions on each working day.

Payment of Statutory Dues and Taxes

Requirements related to payments are either payment of duties and taxes to the relevant authorities or statutory requirements of payments to its employees.

Note: An Insurance Company with an Office must maintain 37+ payment obligations under 17 Acts (13 Central Acts + 03 State Acts + 01 Municipal Act).

Display Requirements

Several Indian laws require the display of certain sets of information either on its websites, notice boards, sign / name boards, etc. These display requirements are meant for the benefit of Company's employees, visitors, customers, or vendors. This is brought into force with the intention to create awareness, educate stakeholders or make information available to the public or relevant stakeholders. The information needs to be displayed in English as well as the local vernacular language of the State where the Company or its office is situated.

Note: An insurance company is required to display 63+ types of information under a total of 27 Acts (19 Central Acts + 8 State Acts).

Other Miscellaneous Classifications

Apart from the above categories, which constitute around 35% of the overall compliance requirements, other requirements can be as follows:

- Appointment of essential personnel such as Compliance Officer, Custodian, Chief Information Security Officer, various Auditors, etc.
- Requirements related to the formation of Committees like Committee for POSH, Outsourcing Committee, Claim Review Committee, Product Management Committee, Investment Committee, Audit Committee, Risk Management Committee, etc.
- Audit related requirements like internal audits of BBPOU and its Agent Institutions, audit of investment transactions, Systems Audit for hedging of portfolio, annual audit of their reasonable security practices and procedures, etc.
- Requirements revolving around 'Safety & Welfare of Employees' covering the facilities required to be provided to employees (including women employees), actions required to ensure employee safety (requirements like first aid, fire extinguishers, medical examinations, etc.)
- Other miscellaneous requirements that do not fit the above classifications. Many of these requirements are in the nature of regulatory guidelines defined in the rules & regulations an Enterprise must adhere to during its day-to-day business operations.

D. Classification based on Compliance Frequencies

Compliance frequency means the number of times a compliance must be met during a Year. Compliances can be of the following frequencies: one-time, weekly, fortnightly, monthly, quarterly, half-yearly, annually, once in 2 Years, and more. The frequency of compliance defines the overall volume of compliances for an Enterprise during the year. For example, a single monthly compliance must be adhered to 12 times a year (12 obligations in a year for one compliance).

Compliance Obligations of an Enterprise on the basis of Frequency of Compliance

Frequency	# Compliance	Yearly Obligations
Daily	2	520
Weekly	2	104
Fortnightly	1	104
Monthly	51	612
Quarterly	333	1,332
Half Yearly	125	250
Annual	1,714	1,714
2 Yearly	2	1
3 Yearly	4	1
One Time	2	-
Total	**2,236**	**4,638**

For the ease of calculating the total compliance obligations, the following frequencies for above-mentioned compliance classifications have been considered:

Compliance Types	Frequency
Returns, Disclosures and Intimations	As per the Law
Maintenance of Registers and Records	Quarterly Obligations
Payment of Statutory Duties / Taxes	As per the Law
Display Requirements	Annual
Others	Annual

Broad Review of Returns required to be submitted by Insurance Company

The **Master Circular on Submission of Returns, 2024** issued by the IRDAI consolidates the requirements for submitting returns by insurers and reinsurers. This circular, which replaces previous circulars and provides a unified framework for filing regulatory returns in compliance with multiple regulations (such as those related to rural and social sector obligations, capital structure, corporate governance, etc.). Its importance lies in simplifying the compliance process by harmonizing timelines, reducing redundancies, and offering clear guidance, thereby facilitating ease of doing business and improving regulatory oversight. The circular is issued under Section 34 of the Insurance Act, 1938, Section 14 (2) (i) of the IRDA Act 1999 along with different regulations.

Part-II of the circular talks about Submission of returns under BAP (Business Analytics Project) / Email. This part of the circular seeks business statistics to understand the growth and spread of the business in various geographies, distribution channels, demography, product segments, persistence, renewability, etc. It provides greater insights into the company's business strategy. Non - Life insurance company has to submit 44 Returns, and a Life-insurance company has to file 98 Returns through BAP.

The Master Circular shall be reviewed every year unless review or repeal is warranted earlier. As per **Part-1** of the circular, a non-life insurance company is required to submit a total of 45 returns, categorized as follows:

Frequency	# Returns
Annual	29
Half Yearly	04
Quarterly	09
Once Every 02 Years	01
Event Based	02

These returns are part of a comprehensive framework to ensure transparency, compliance with regulations, and protection of policyholders' interests.

Below are some key categories of returns that insurers are required to file:

1 **Rural and Social Sector – Motor Third Party Obligations (IRDAI_RET_2)**

Insurers are mandated to comply with obligations related to the rural and social sectors and motor third-party insurance. This is reflected in the Half-Yearly return, which is governed by Point 9 of Chapter VI of the Master Circular. This ensures that non-life insurers and standalone health insurance (SAHI) companies meet their obligations towards under-served areas, while also providing necessary data on compliance with these requirements.

2 **Equity Shareholding Pattern Statement (IRDAI_RET_3)**

Insurers are required to submit a quarterly return detailing their equity shareholding pattern. This return is outlined in the Master Circular on Registration, Capital Structure, Transfer of Shares, and Amalgamation of Insurers. The return is critical for maintaining transparency in ownership and control across the insurance sector and is applicable to non-life, life, and SAHI insurers.

3 Payment of Commission Returns (IRDAI_RET_4 & IRDAI_RET_5)

Insurers must report on commissions paid to agents and intermediaries. These returns are filed annually for both standalone health insurers (SAHI) under and general insurers. These reports are guided by the Master Circular on Expenses of Management and focus on keeping a check on commission payments, ensuring that they remain within regulatory limits.

4 Investment and Financial Risk Reporting (IRDAI_RET_18 to IRDAI_RET_27)

A series of quarterly returns, including those on investment in credit default swaps (IRDAI_RET_18), interest rate derivatives (IRDAI_RET_19), and investments in alternative investment funds (AIFs) (IRDAI_RET_21), are required to be filed. These returns fall under Chapter VI of the Master Circular on Actuarial, Finance, and Investment Functions of Insurers, 2024 and ensure that insurers are managing their investment portfolios in line with regulatory guidelines to minimize risk exposure. Furthermore, insurers are also required to file certificates from concurrent auditors and CAs regarding investment risks (IRDAI_RET_24 to IRDAI_RET_26), highlighting the importance of external validation in the investment processes.

5 Corporate Governance Returns (IRDAI_RET_29 to IRDAI_RET_34)

A series of quarterly returns, including those on investment in credit default swaps (IRDAI_RET_18), interest rate derivatives (IRDAI_RET_19), and investments in alternative investment funds (AIFs) (IRDAI_RET_21), are required to be filed. These returns fall under Chapter VI of the Master Circular on Actuarial, Finance, and Investment Functions of Insurers, 2024 and ensure that insurers are managing their investment portfolios in line with regulatory guidelines to minimize risk exposure. Furthermore, insurers are also required to file certificates from concurrent auditors and CAs regarding investment risks (IRDAI_RET_24 to IRDAI_RET_26), highlighting the importance of external validation in the investment processes.

6 Product Launch and Business Reporting (IRDAI_RET_35 to IRDAI_RET_38)

Whenever a new product is launched, insurers are required to notify IRDAI through IRDAI_RET_35. Additionally, annual returns on the business performance of these products (IRDAI_RET_36) and detailed reports on product-wise underwriting and claims (IRDAI_RET_37) ensure that the regulator remains informed about the market dynamics and consumer uptake of insurance products.

7 Protection of Policyholders' Interests (IRDAI_RET_39 to IRDAI_RET_43)

Insurers are obligated to protect the interests of policyholders, and returns in this category focus on various aspects of policyholder service. These include annual returns on outsourcing arrangements (IRDAI_RET_39) and details of transfer of unclaimed amounts to the Senior Citizens' Welfare Account (IRDAI_RET_43). These ensure that insurers maintain a high standard of service and transparency, especially in relation to unclaimed policy benefits.

8 Reinsurance Statistics and Risk Exposure (IRDAI_RET_44 to IRDAI_RET_52)

Insurers are required to file annual returns on their reinsurance statistics and risk exposure (IRDAI_RET_44 to IRDAI_RET_50). These returns are governed by the IRDAI (Re-insurance) Regulations, 2018 and the IRDAI (Registration and Operations of Foreign Reinsurers Branches and Lloyd's India) Regulations, 2024. The goal is to ensure that insurers are adequately managing their reinsurance arrangements and that their risk exposures are in line with regulatory expectations.

9 Remuneration and Deferred Payments (IRDAI_RET_30 and IRDAI_RET_31)

Returns on the remuneration and deferred payments made to senior executives such as the MD/CEO and key management personnel are filed annually under the Master Circular on Corporate Governance, 2024. These filings ensure that compensation structures within insurance companies align with prudent governance standards and do not encourage undue risk-taking behavior.

Submission of returns specific to Life Insurers*

A life insurance company is required to file a total of 15 specific returns, in addition to several common returns that are also applicable to non-life insurance companies and standalone health insurers (SAHI) as per Part-1 of the circular. Filing frequencies are as follows:

Frequency	# Returns
Annual	12
Half Yearly	01
Quarterly	01
Event Based	01

Brief Details are as follows:

1 Return on Rural and Social Sector Obligations (IRDAI_RET_1) (Half Yearly)

Ensures that life insurers meet their mandated commitments under Point 9 of Chapter VI of the Master Circular. This filing is essential to monitor the insurers' compliance with their social responsibilities.

2 Reports on Commission Payments (IRDAI_RET_6) (Annual)

Covers the Expenses of Management, ensuring transparency in how insurers manage their financial outflows.

3 Actuarial Submissions

- With Profit Committee Report (IRDAI_RET_7) (Annual)
- Appointed Actuary's Annual Report (IRDAI_RET_8) (Annual)
- Asset Liability Management Reports (IRDAI_RET_9) (Annual)
- Designated Systemically Important Insurers (DSIIs) (Quarterly)

(These returns help in assessing the financial soundness and actuarial assumptions of insurers, contributing to the stability of the insurance sector)

- Economic Capital Submissions (IRDAI_RET_10)
- Reports on Persistency and Renewal Rates (IRDAI_RET_11)

(Provide insights into the ongoing performance of policies and the long-term financial health of life insurers)

- Actuarial Reports and Abstracts (IRDAI_RET_12)
- Reconciliation and Checklist forms (IRDAI_RET_13)

(Form part of the broader compliance framework laid out by IRDAI)

4 Investment Related Returns

- Concurrent Auditor's Certificate (IRDAI_RET_28) (Annual)
- Data on Reinsurance Recoverable Claims (IRDAI_RET_55) (Annual)
- Retained Sums at Risk (IRDAI_RET_56) (Annual)
- Reinsurance Premium Ceded to and Claims Received from Indian insurers, foreign reinsurers, and Lloyd's India (IRDAI_RET_57) (Annual)
- Reinsurance Premium and Claims Accounts (IRDAI_RET_59) (Quarterly)
- (These returns, governed by IRDAI's Reinsurance Regulations, provide a detailed account of the insurers' interactions with reinsurers)

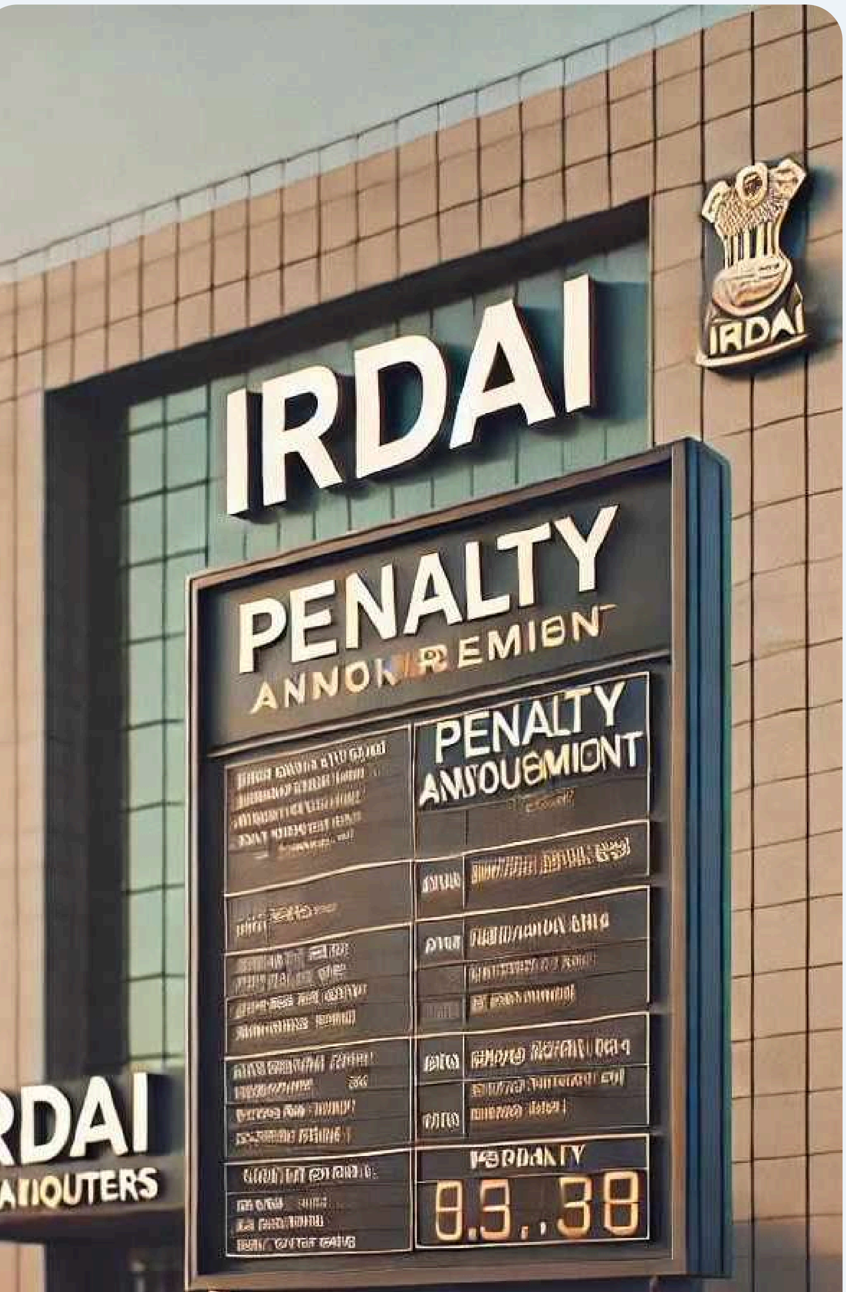
Collectively, these 15 specific returns, alongside the common filings shared with non-life and standalone health insurers, ensure that life insurers operate within a structured regulatory framework, aimed at protecting policyholders and promoting the stability of the insurance ecosystem.

Note:

The report majorly deals with the compliance scenario for non-life insurance company, however, this section specifically talks about the return requirements for a life-insurance company.

IRDIA's **Reforms in Year 2024**

In 2024, the Insurance Regulatory and Development Authority of India (IRDAI) introduced close to 40 key updates to reform the insurance sector, focusing on universal access, consumer protection, operational efficiency, and financial inclusion. These regulations aim to address various facets of the industry, including registration, expenses, policyholder interests, product development, and rural obligations, thereby promoting a more robust and customer-friendly insurance ecosystem.



A few of the key updates by IRDAI are as follows:

- Bima Sugam: an online insurance marketplace
- New Regulations for Managing Insurers' Expenses
- New Regulations to Enhance Policyholder Protection and Fair Practices
- New Regulations to Boost Innovation in Insurance Products
- New Standards for Actuarial, Finance, and Investment Practices in Insurance
- Mandates Coverage for Rural, Social Sectors, and Motor Third-Party Obligations
- Comprehensive Framework for Insurance Company Registration and Operations

Bima Sugam: an online insurance marketplace

- The IRDAI launched Bima Sugam, an online insurance marketplace, through the IRDAI (Bima Sugam - Insurance Electronic Marketplace) Regulations, 2024.
- This platform aims to universalize and democratize insurance access by offering a one-stop solution for policyholders.
- The digital public infrastructure will facilitate various insurance-related activities, such as purchasing insurance products, availing customer services, and enabling policy portability.
- The initiative aligns with the vision of providing "Insurance for all by 2047," and seeks to empower policyholders by improving access, transparency, and accountability within the insurance ecosystem.

New Regulations for Managing Insurers' Expenses

- IRDAI's (Expenses of Management, including Commission, of Insurers) Regulations, 2024 consolidate previously separate guidelines for life, general, and health insurers, effective April 1, 2024.
- These regulations replace three distinct sets of guidelines, aiming to simplify expense management processes across different insurance sectors.
- The new regulations offer insurers greater flexibility, focusing on a principles-based approach to managing expenses.
- The regulations cap EoM at 30% for general insurers and 35% for standalone health insurers, while life insurers are advised to maintain EoM within 5-14% of premiums, depending on the type of policy
- Specific provisions are included for insurers in international financial centers and those supporting government insurance schemes like Pradhan Mantri Suraksha Bima Yojana.

New Regulations to Enhance Policyholder Protection and Fair Practices

- The IRDAI (Protection of Policyholders' Interests and Allied Matters of Insurers) Regulations 2024 aim to strengthen the framework for safeguarding policyholder rights and ensuring fair practices within the insurance industry.
- The regulations mandate insurers to provide clear and concise policy documents, transparent pricing, and detailed disclosures to enable informed decision-making by customers.
- Additionally, the regulations emphasize timely and effective grievance redressal mechanisms, requiring insurers to establish robust systems for addressing customer complaints.

New Regulations to Boost Innovation in Insurance Products

- The IRDAI (Insurance Products) Regulations, 2024 aim to simplify and streamline the framework governing the development, approval, and marketing of insurance products in India.
- These regulations seek to foster innovation while ensuring that insurance products are designed with transparency, fairness, and customer-centricity.
- They introduce standardized procedures for product approvals, including clear timelines for regulatory feedback, and emphasize the need for insurers to provide easily understandable policy terms and conditions to consumers.
- The regulations also promote product diversity and flexibility by allowing insurers to design features that cater to different segments of the population.

New Standards for Actuarial, Finance, and Investment Practices in Insurance

- The IRDAI (Actuarial, Finance, and Investment Functions of Insurers) Regulations, 2024 provide comprehensive guidelines for managing actuarial, financial, and investment practices.
- Insurers are required to adopt sound financial management and investment strategies, ensuring solvency and safeguarding policyholders' interests.
- The regulations highlight the roles of key officers, such as actuaries and chief financial officers, in implementing best practices for risk management, premium setting, and asset allocation.

Mandates Coverage for Rural, Social Sectors, and Motor Third-Party Obligations

- The IRDAI (Rural, Social Sector, and Motor Third Party Obligations) Regulations, 2024, establish mandatory requirements for insurers to ensure coverage in rural areas, fulfill social sector obligations, and maintain motor third-party insurance coverage.
- These measures aim to promote financial inclusion and road safety, while balancing commercial objectives with social responsibilities.

Comprehensive Framework for Insurance Company Registration and Operations

- The IRDAI (Registration, Capital Structure, Transfer of Shares, and Amalgamation of Insurers) Regulations, 2024 provide a structured framework for establishing and operating insurance companies.
- The regulations cover registration, capital requirements, ownership changes, and mergers, ensuring adequate capital support and solvency. They also facilitate mergers and consolidations while safeguarding policyholder interests during corporate restructuring.

These reforms collectively aim to strengthen the regulatory framework, ensuring a more resilient and customer-focused insurance industry in India.

Compliance Challenges for the **Insurance Sector**

Compliance officers of an Insurance Company have to keep up with hundreds of compliances required by IRDAI and other regulators. These complications are further aggravated when the Company spreads its operations in multiple states. The situation becomes further complicated on account of the following:

Absence of Central Repository of Rules and Regulations

A single-entity insurance company with a corporate office in a single state needs to deal with 2,236 unique compliances in a year. As the company increases its size, scale, and geographical footprint, the number of compliances multiplies. These compliances are at three levels (Center, State and Local) and are spread across seven categories (Labour, EHS, Finance & Taxation, commercial, secretarial, industry-specific and general). Identification of the applicable compliances for the insurance sector requires deep expertise.

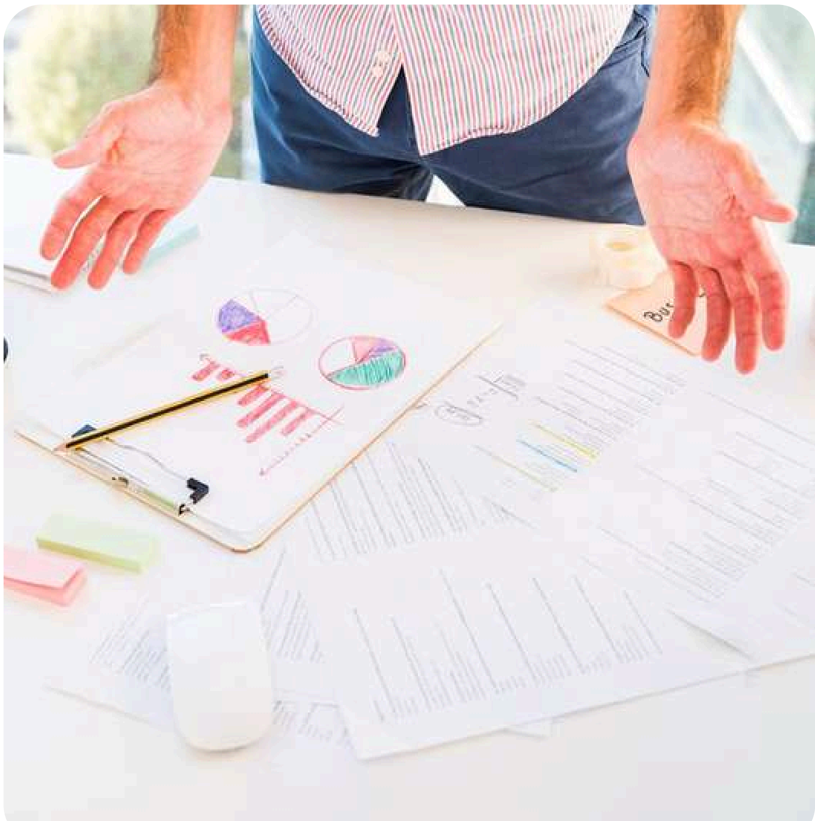
The applicability of compliance also varies based on the location of the company, no. of branch offices, number of agents, and use of specific equipment (such as fire extinguishers, electronic equipment, etc.) within the office premises. In addition, there are challenges pertaining to the ever-changing threshold quantities and their notification to the concerned authority. Most insurance companies in India find it highly challenging to track compliance for such a broad spectrum of regulations.

Currently, neither the Central nor State Authorities publish a list highlighting all License requirements and other compliance requirements under various laws which an Enterprise needs to adhere to. The lack of a comprehensive and accurate list of applicable compliances adds to the difficulty in keeping up with the compliance requirements. Presently, Enterprises must either depend on their internal team's expertise or hire external third-party consultants to collate such a list.

Fluid Regulatory Environment

India's regulatory environment is fluid. Just in FY2023-24, there were close to 8,000 regulatory updates published on the 2,233 websites of union, state and local government websites via notifications, gazettes, circulars, ordinances, master circulars, and press releases, among others. These updates typically lead to changes in forms, dates, timelines, frequencies, fines, interest rate calculations, applicability threshold values, and letters of the law, among others. Since these changes are often applicable almost immediately, they require a time-sensitive interpretation and implementation. There were 294 regulatory updates that affected the insurance industry in the last financial year (FY23-24). The Insurance Regulatory and Development Authority of India (IRDAI) alone released 77 notifications, circulars, guidelines, orders, notices, and exposure drafts.

Unfortunately, there is no centralized repository of regulatory updates that provides national, real-time, comprehensive and personalized information on all changes that affect the compliance burden. As a result, the compliance officers are often expected to periodically visit literally hundreds of websites to ensure that they are not missing any critical updates.



Lack of effective process for overall Compliance Management

Majority of the enterprises in India currently follow a manual process for keeping track of their compliance obligations (using Excel spreadsheets). Thus, there are numerous unintentional omissions, delays, expired license, and missed legal changes. Considering the volume of these obligations and the spread to multiple departments, Compliance Officers either must depend on confirmations from the respective Department Heads for closures or have to hire an external consultant to audit these compliance obligations for their actual statutes. There is no simple way by which Compliance Officers or the Companies' Management/ Board can have a real-time and transparent view of compliance obligations. Regrettably, most Enterprises have not yet adopted digital platforms to build a process around compliance management.

Recommendations for Enabling **Ease of Compliance**

Recommendations for the Insurance Companies

Fostering a Culture of Compliance

In the insurance sector, one of the most crucial factors shaping a company's approach to compliance is the "Tone at the Top." Leadership must lead by example, establishing a strong culture of compliance that permeates every level of the organization. This includes enforcing a "Zero Tolerance" policy for non-compliance, which positions compliance as a core organizational value rather than merely a regulatory requirement. When top management actively participates in compliance reviews and supports compliance officers, the company can build a robust compliance management program. Such a culture is especially vital in insurance, where adherence to evolving regulations helps maintain trust, safeguards clients' interests, and ensures operational stability.

Data Security Measures

In the insurance sector, protecting customer data is crucial. Insurers can adopt robust cybersecurity frameworks that encompass encryption, access controls, and regular security audits. Routine security audits can help identify vulnerabilities proactively, and using data analytics can enable insurers to detect patterns and anomalies, helping flag potential fraud early. Furthermore, a well-defined incident response plan can help insurers to act quickly in case of a breach, and customer education on cybersecurity reduces risks from phishing or social engineering. Together, these measures can help not only safeguard sensitive data but also reinforce customer trust and ensure regulatory compliance.

Centralized Compliance Management Systems

Technology plays a vital role in addressing compliance challenges. RegTech (Regulatory Technology) solutions enable insurers to automate and streamline compliance processes, minimizing manual efforts. By adopting technology-driven compliance platforms, insurers can consolidate regulatory updates from IRDAI, automate adherence to regulations, monitor updates in real-time, and generate necessary documents with minimal human intervention.

Training and Awareness Programs

Conducting regular training sessions for key managerial personnel and compliance teams can enhance their understanding of compliance obligations and risks associated with non-compliance in the insurance sector. This would enable people at all levels to be aware of the sensitivity and risks associated and enable effective data and customer handling.

Recommendations for the Regulator

Single Window Licensing Framework

Every new entrant has to obtain around 38 certificates, licenses, permissions, and approvals at various stages of business from Central and State authorities. A single window clearance system would allow insurers and intermediaries to obtain all necessary approvals through one streamlined process. This would drastically reduce waiting times. For example, instead of applying separately for product approval and FDI clearance, an insurer could submit a single application and get all necessary permits quickly, speeding up market entry or expansion.

Simplification of Regulatory Reporting

A single regulatory reporting dashboard would simplify the compliance process for insurers by consolidating all required reports in one place. By using structured data formats, such as XBRL-based filings, the data submitted can be standardized and validated easily. For example, an insurer would only need to upload financial reports once, and these would automatically populate across different regulatory requirements, ensuring consistency and reducing errors.

RegTech Adoption for Real-Time Compliance

Similar to the Reserve Bank of India's move of making it mandatory for Non-Banking Financial Companies (NBFCs) to adopt tech solutions for real-time compliance monitoring, IRDAI can promote the adoption of RegTech solutions in the insurance sector to automate compliance processes. This reduces the risk of non-compliance and makes managing multiple regulatory requirements more efficient, especially for large insurance companies operating across various regions.

Regulatory Sandboxes & Innovation Support

Expanding regulatory sandboxes allows insurers to test new and innovative products, such as AI-driven underwriting models or advanced insurtech solutions, without the full burden of regulatory compliance. This encourages innovation and helps launch new products faster. Fast-track approvals for such innovations would enable quicker adoption of cutting-edge technologies in the industry.

Centralized Regulatory Repository

There were 294 regulatory updates that affected the insurance industry in the last financial year (FY23-24). The IRDAI alone released 77 notifications, circulars, guidelines, orders, notices, and exposure drafts. A centralized digital repository for all circulars, regulations, and compliance templates would make it easier for insurers to access up-to-date information.

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