

Re: Exposure draft – IRDAI (Regulatory Sandbox) (Amendment) Regulations, 2024

1. As part of the comprehensive review of Regulations being undertaken by the IRDAI, to enhance the ease of doing business and also reduce compliance burden for stakeholders while also ensuring that interests of policyholders continues to be protected, the IRDAI constituted an internal committee to review the IRDAI (Regulatory Sandbox) Regulations. The Committee examined these Regulations and after detailed deliberations recommended the revised regulations.
2. Based on the recommendation of the Committee, the IRDAI issues the following proposed amendments to the Regulatory Sandbox regulations and seeks comments from the public at large on the proposed amendments.
3. The amendment to the regulations are based on the following approach:
 - a. Adoption of principle based approach over rule based approach.
 - b. No hard-coding of values, numbers, etc in the regulations.
 - c. Operational issues to be covered in the master circular.
 - d. Regulations to facilitate introduction of innovative ideas/ new concepts across the insurance value chain
4. In light of the above, values/ numbers which were part of the regulations such as minimum networth, fees, eligibility criteria, application form, experiment period, extension of time period of permission, allocated time, etc are proposed to be shifted to the master circular.
5. Based on the experience gained and new developments in the market the following are proposed as new additions to the regulations:
 - a. Definition of “competent authority”
 - b. Excluding areas involving prudential and financial condition/ stability matters, such as capital, liquidity, investment, solvency, reserving and such other areas as decided by the Authority from time to time from the purview of Regulatory Sandbox.

- c. Objective of regulations to explicitly state – *“facilitate innovation in the insurance sector while ensuring orderly development of the insurance sector and protection of interests of the policyholders”*
 - d. Conditions for grant of permission to include *“promotes innovation beneficial to insurance sector in India”*
 - e. To facilitate introduction of Inter-Regulatory Sandbox proposal wherein *“the process and procedures in dealing with regulatory sandbox applications that cuts across more than one financial sector”* will be permitted
6. The draft Insurance Regulatory and Development Authority of India (Regulatory Sandbox) (Amendment) Regulations, 2024 is annexed herewith (Annexure-A). All the stakeholders are requested to forward their comments / suggestions, if any, on the proposed regulations in the attached format (Annexure- B) on or before 5:00 PM on 25th November, 2024 to anjaly.jolly@irdai.gov.in and randip@irdai.gov.in

Draft Insurance Regulatory and Development Authority of India (Regulatory Sandbox) (Amendment) Regulations, 2024

F. No. IRDAI/Re/.....-In exercise of the powers conferred by clause (zd) of sub-section 2 of Section 114A of the Insurance Act, 1938 (4 of 1938) read with Section 14(2)(e) and 26 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999), the Authority, in consultation with the Insurance Advisory Committee, hereby makes the following Regulations, namely: -

CHAPTER I

PRELIMINARY

1. Short title and commencement:

- (1) These Regulations may be called the Insurance Regulatory and Development Authority of India (Regulatory Sandbox) Regulations, 2024.
- (2) These Regulations shall come into force on the date of their publication in the Official Gazette.
- (3) These Regulations shall be reviewed once every three years from the date of publication of the IRDAI (Regulatory Sandbox) Regulations, 2024, unless a review, repeal or amendment is warranted earlier.

2. Objectives: The objectives of these Regulations are:

- (1) To facilitate innovation in the insurance sector while ensuring orderly development of the insurance sector and protection of interests of the policyholders
- (2) To facilitate creation of regulatory sandbox environment and to relax such provisions of any existing Regulations framed by the Authority for a limited scope and limited duration, if such a relaxation is necessary during the experiment period.

3. Definitions:

- (1) In these Regulations, unless the context otherwise requires: -
 - a) "Act" means the Insurance Act, 1938:
 - b) "Applicant" includes
 - (i) an insurer or
 - (ii) an intermediary or insurance intermediary or
 - (iii) any person other than an individual having a minimum net-worth as specified by the Authority or
 - (iv) any other person specified by the Authority seeking singly or jointly permission for promoting innovation in insurance in India;

- c) "Authority" means the Insurance Regulatory and Development Authority of India established under subsection (1) of Section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999);
 - d) "Competent Authority" means:
 - (i) Chairperson, or
 - (ii) such Whole-Time Member or such committee of the Whole-Time Members or such Officer(s) of the Authority, as may be determined by the Chairperson;
 - e) "Regulations" means the Regulations framed by the Authority as defined under Section 2 (16A) of the Act;
 - f) "Regulatory Sandbox" means an environment used in the financial services sector, which provides testing ground for new business models, processes and applications that may not necessarily be covered fully by or are not fully compliant with existing Regulations;
 - g) "Sandbox environment" means a testing environment designed for experimentation for a specific period of time.
- (2) Words and expressions used and not defined in these Regulations but defined in the Insurance Act, 1938 (4 of 1938) or the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999) or the Rules or the Regulations notified there under, shall have the meanings respectively assigned to them in those Acts or the Rules or the Regulations as the case may be.

CHAPTER II

PROCEDURE FOR SEEKING PERMISSION FOR PROMOTING INNOVATION IN INSURANCE IN INDIA

4. Categories of application

An applicant may apply to the Authority seeking permission for promoting or implementing innovation in insurance in India across the insurance value chain and in any area that requires relaxation of any provision of the Regulations, Notification, Master Circular, Guidelines, Circular or any other communication issued by the Authority, except for areas involving prudential and financial condition/stability matters, such as capital, liquidity, investment, solvency, reserving and such other areas as decided by the Authority from time to time.

5. Application for grant of permission for promoting innovation in insurance in India

- (1) An applicant desiring to promote or implement innovation in insurance in India shall make an application to the Authority electronically in the specified form.
- (2) The application shall be accompanied by a non-refundable fee as specified.
- (3) The Authority may lay down such eligibility criteria, as it deems fit, for the applicants

- (4) The Authority may lay down the boundaries for the experimentation stage of regulatory sandbox, liabilities and responsibilities of the applicant who is granted permission, as it deems fit.

6. Conditions for grant of permission

- (1) The Competent Authority, on being satisfied that the applicant meets the eligibility criteria and other specified requirements, and that the application:
 - a) promotes innovation beneficial to insurance sector in India, and
 - b) is in the interest of the policyholders; or
 - c) is conducive for the orderly growth of the industry; or
 - d) would promote increase in insurance penetration in the country; or
 - e) bring in efficiency in insurance business; or
 - f) promotes ease of doing insurance business;

may grant permission subject to the applicant complying with the relevant provisions of the Insurance Act, 1938 and the Insurance Regulatory and Development Authority Act, 1999, Digital Personal Data Protection Act, 2023 and all other relevant statutes/regulation.

- (2) The permission granted shall be valid for an experiment period as specified.
- (3) The decision of the Competent Authority on matters relating to grant of permission shall be final.

7. Revocation of permission

The Competent Authority may revoke the permission so granted at any time, if it is of the view that the activities carried out are:

- (a) not meeting the conditions given in Regulation 6 above or
- (b) in violation of the provisions of the Insurance Act, 1938, the Insurance Regulatory and Development Authority Act, 1999 or other applicable laws.

8. Extension of first permission

- (1) If, at the end of experimental period, the applicant seeks extension of time, a request may be made to the Competent Authority citing the reasons for seeking the extension along with a performance analysis of the proposal so far.
- (2) The Competent Authority may consider the request of the applicant on merits.
- (3) Under no circumstances will the applicant be granted extension of time beyond the time as specified.
- (4) The clause relating to revocation of permission as mentioned in Regulation 7 shall apply mutatis mutandis for the extension period.

9. Internal monitoring, review and evaluation of systems and controls

- (1) After grant of permission, the applicant shall ensure:
 - a) that the integrity of the systems is maintained at all times.
 - b) confidentiality of policyholder data is maintained.
 - c) adequate internal mechanisms are put in place for reviewing, monitoring and evaluating its controls, systems, procedures and safeguards.
- (2) Where any deviation is noticed in executing the proposal, the applicant shall notify the same immediately to the Authority.
- (3) Any liability for customer or business risks that may arise during the experimentation/test phase, shall devolve on the applicant entity entering the regulatory sandbox and the Authority shall not undertake any such liability.

10. Review of proposal approved by the Authority

- (1) The Competent Authority, through the single point of contact (SPOC), shall review the progress of the proposal at regular intervals.
- (2) The Competent Authority may also guide the applicant in the form of suggestions and in any other way as it may deem fit. However, the applicant shall be solely responsible for every action taken in respect of the proposal and shall be liable to discharge all the obligations thereunder including any legal obligations.

11. Conclusion of the proposal

- (1) On completion of the allocated time period specified, the applicant shall submit a report to the Competent Authority within 15 days on how the proposal met the objectives along with feedback from the policyholders and such other information or details as specified. The applicant shall also submit a plan of action as to how the proposal be brought under the extant regulatory framework'.
- (2) On examining the report of the applicant, if the Competent Authority is satisfied that the objectives of the proposal have been met, it may accord permission to the applicant to adopt the proposal under the extant regulatory framework wherein in addition to provisions of the Insurance Act, 1938, the Insurance Regulatory and Development Authority Act, 1999, all Regulations, guidelines, circulars, etc. will be applicable from the date of moving to the extant regulatory framework.
- (3) On examining the report submitted by the applicant, if the Competent Authority is of the view that the objectives of the proposal are not met, the applicant may be directed to discontinue the proposal.

- (4) An applicant may also like for early termination of the proposal in case it is felt by him that the proposal shall not be able to meet the desired objectives. Such request for early termination has to be submitted at least one month in advance. The Competent Authority shall consider the request on merits and advise the applicant accordingly subject to such conditions as it deems fit.
- (5) On completion of the processes under the proposal, it shall be the duty of the applicant to erase all personal data of the participants and give a confirmation to that effect to the Competent Authority.
- (6) The decision of the Competent Authority on whether or not to allow continuation of the proposal shall be final.

12. Inter-Regulatory Sandbox Proposals

The process and procedures in dealing with regulatory sandbox applications that cuts across more than one financial sector shall be as specified by the Authority.

CHAPTER III

MISCELLANEOUS

13. Power of the Chairperson of the Authority to grant relaxation from the provisions of any Regulations to an applicant in the Regulatory Sandbox –

The Chairperson of the Authority may relax for the applicant the applicability of one or more provisions of any Regulation(s) notified by the Authority or any guidelines or circulars issued by the Authority, subject to the conditions mentioned in Regulation 6 and any other conditions as deemed necessary. However, no relaxation shall be granted in respect of compliance with the Insurance Act, 1938 or Insurance Regulatory and Development Authority Act, 1999 or any other applicable statutes.

14. Further powers of the Authority

- (1) The Competent Authority shall have the right to call for, inspect or investigate any document, record or communication from the applicant.
- (2) Notwithstanding the above, where the Authority is of the opinion that the operations of the applicant are not in the interest of the Indian insurance market or the insurance policyholders, the Authority reserves the right to take all appropriate actions including suspension or cancellation of the permission granted to the applicant, without assigning any reason.
- (3) The Chairperson of the Authority may issue Master Circular on matters relating to operational issues pertaining to the Regulatory Sandbox, guidelines based on the outcome of Sandbox proposals, and such other relevant matters as deemed appropriate.

Format for suggestions on draft IRDAI (Regulatory Sandbox) (Amendment) Regulations, 2024

Change suggested by				
Date				
Note	<ul style="list-style-type: none"> This will enable us to group all the suggestions and take a decision on the changes suggested 			
Page No.	Regulations/ Schedule/ Annexure	Regulation and Sub-Regulation No./ Para Number	Suggested Change	Reasons for change