

Ref: IRDAI/NL/CIR/MISC/188/10/2023

Date: 27th October, 2023

To

All CEOs/ CMDs of General Insurance Companies

Re: Amendment of Arbitration Clause in General Insurance policies

On reference made by the Hon'ble Supreme Court of India, IRDAI undertook a comprehensive review of the extant Arbitration Clause prevalent across various lines of business in the General Insurance Industry. After due consultation with stakeholders, IRDAI is of the view that the extant Arbitration Clause is limited in scope and need to be amended. It was also viewed that the retail/ individual policy holders may be kept out from the provisions of Arbitration Clause as they have alternative forums of Insurer's Grievances System, Insurance Ombudsman and the Consumer Courts besides the Civil Courts available for redressal of their grievances/ disputes.

Accordingly, the Authority in exercise of its powers under Clause (i) sub Section (2) of Section 14 of the IRDA Act, 1999, hereby directs that

- I. All policies issued under the Retail Lines of Business shall not have any Arbitration Clause.
- II. All policies issued under the Commercial Lines of Business shall have an Arbitration Clause as under:

"The parties to the contract may mutually agree and enter into a separate Arbitration Agreement to settle any and all disputes in relation to this policy.

Arbitration shall be conducted under and in accordance with the provisions of the Arbitration and Conciliation Act, 1996."

- III. Transitory provisions

a. For all the new policies issued on or after the date of this circular:

- Arbitration Clause shall be deemed deleted from all the retail policies.
- Clause at 'II' above shall be deemed to be the Arbitration Clause in General Conditions of all the commercial insurance policies.

b. For all the existing policies:

- The existing Arbitration Clause shall remain valid till the term of the policy unless a policyholder specifically requests the insurer to replace it with the clause at “II” above.
- The clause at “II” shall be deemed replaced the existing Arbitration Clause in all the commercial policies from the date of renewal falling on or after the date of this circular

Insurers shall take necessary steps to bring it to the notice of the policyholders and to amend the relevant provisions of such policies.

This circular comes into force with immediate effect.

-Sd/-

Randip Singh Jagpal
Executive Director (NL)