

To: V. Jayanth Kumar,
General Manager (Life)
Insurance Regulatory Authority of India (IRDAI)

Date: 7 February 2017

Subject: Response to consultation on the proposed regulations on outsourcing of activities by Indian insurers

Dear Mr. Kumar,

The Global Federation of Insurance Associations (GFIA) has examined the revised draft of proposed regulations on the 'Outsourcing of Activities by Indian Insurers' published by the Insurance Regulatory and Development Authority of India (IRDAI), and would like to take the opportunity to respectfully respond to its consultation.

In particular, we would like to comment on the list of 'core activities' established in Article 5 of the abovementioned draft which (re)insurers would be prohibited from outsourcing. We believe that a concrete classification of 'core activities' in form of a list may not be the ideal tool to provide legal certainty for the entities in scope of the proposed requirements and the activities determined in the current draft may not be appropriate to ensure their set objectives.

In particular, the activities listed in i, iii, and v of Article 5.a) cause some broad concerns for the industry. Firstly, few insurers would carry out their own investment management function, and so letter i would pose significant limitations in practice. In addition, in most markets, the use of vendors is very important for the compliance with anti-money laundering and know-your-customer requirements as these vendors would provide access to the required databases. Furthermore, prohibiting outsourcing of the claims function (if not underwriting) would impact an insurers' ability to use or form a third-party administrator, and the ability to consider strategic alliances.

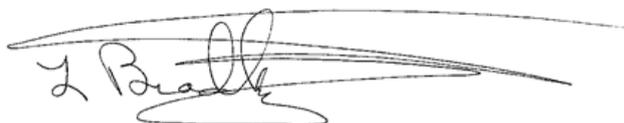
Restricting activities, such as the investment function or fund management, to be undertaken only within the company may ultimately also prevent policyholders from benefitting fully from the knowledge and experience that external companies offer. As a result, it may also impact the promising growth prospects of the insurance sector in India.

It is important to highlight the overall benefits a growing insurance sector can bring to the Indian economy – for example, it can help to ease the burden on the Government in meeting the financial security needs of the population and support the funding of infrastructure projects across the country.

As an alternative, regulations which set out clear internal governance and control requirements when outsourcing these activities can be effective tools for the protection of policyholder interests. However, it is important that a global view is taken when adopting protocols around outsourcing which protects both, the interest of the policyholder, while not curbing the growth of the sector.

In summary, we believe that the revised draft would, if enacted in its current form, negatively impact the competitiveness of foreign (re)insurers in the Indian market and the strict classification of 'core activities' could be problematic for the global industry.

Best regards,



Brad Smith
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About GFIA

Through its 41 member associations, the Global Federation of Insurance Associations (GFIA) represents the interests of insurers and reinsurers in 60 countries. These companies account for around 87% of total insurance premiums worldwide. The GFIA is incorporated in Switzerland and its secretariat is based in Brussels.