

De-notification of Tariffs (Fire, Engineering, Motor, and Miscellaneous) in general insurance announced by IRDAI

An explanatory interpretation cum advisory on Gazette Notification dated March 20, 2024
F. No.: IRDAI//Gen Insurance/Tariff/13/207/2024

What has happened?

Effective April 1, 2024, the general regulations (except those concerning premiums and premium ratings), **terms, conditions, clauses, warranties, policies, and endorsement wordings** applicable to specific classes of business such as Fire, Engineering, Motor, Workmen's Compensation, and Marine, under the applicable tariffs, **are entirely de-notified**.

What does the Gazette say?

Broadly, the Gazette comprises four parts:

Part 1: Continuation to previous order (2006)

This section is a continuation of IRDAI's notification Ref:034/ IRDA/ De-Tariff /Dec-06 dated December 4, 2006.

It clarifies that premiums and premium ratings were de-tariffed in 2006. Although premiums and premium rates were de-tariffed, other terms and conditions, including wordings, continued to be regulated.

Part 2: Complete de-notification of tariffs

IRDAI has notified that prevailing tariffs, including terms, conditions, clauses, warranties, and wordings, are entirely de-notified in all classes of business. This change will take effect from April 1, 2024.

Part 3: Continuation of availability of insurance products

To protect the interests of small and inexperienced customers, IRDAI ensures that insurers cannot deny or discourage customers seeking policy/product with the former tariffed wordings, terms, conditions, and clauses.

Part 4: Guidelines for insurers:

IRDAI clarifies that insurance companies must adhere to the IRDAI (Insurance Products) Regulations 2024 and the Master Circular (Guidelines) on products and procedures in general insurance business when launching or selling products with different terms, conditions, clauses, warranties, and wordings.

Our understanding

How insurers are likely to approach this de-notified phase?

Based on the Gazette referred to above, insurers are not obliged to change the terms, conditions, clauses, warranties, and wordings. They have the option to customise these elements according to client requirements, following the IRDAI (Insurance Products) Regulations 2024 and the Master Circular (Guidelines) on products and procedures in general insurance business.

Given that the de-notification takes effect within 10 days of announcement, it seems highly improbable that any insurer will introduce new terms, conditions, clauses, and warranties on April 1, 2024. This is because there is a process to be followed as per IRDAI (Insurance Products) Regulations 2024 and the Master Circular (Guidelines) on products and procedures in general insurance business. The implementation of new products will occur over time and will depend on the preparations made by various insurance companies to date.

How clients may approach this de-notified phase?

Clients can begin by closely monitoring the offerings from insurers. They should start preparing by identifying their coverage needs, considering any necessary customisations, assessing potential changes in limits, and developing strategies to showcase their good risk management practices, among other considerations.

At Prudent, we are prepared to keep you ahead of the curve.

For any assistance, please reach out to your relationship manager or email us at consulting@prudentbrokers.com