

CIRCULAR

TO ALL INSURERS

Re: Obligation of insurers to rural or social sectors

A) Obligations in the sixth year of operations:

In exercise of the powers conferred by Section 32C read with Section 32B of the Insurance Act, 1938 the Authority had notified the IRDA (Obligation of insurers to rural or social sectors) Regulations, 2000. The said Regulations were further substituted by IRDA (Obligation of insurers to rural or social sectors) Regulations, 2002.

The Regulations provide for the obligations towards rural and social sectors for both life and non-life insurers during the first five financial years. The Regulations further provide that the Authority shall review such quantum of insurance business periodically and give directions to the insurers for achieving the specified targets.

Since some of the insurers are in the sixth year of their operations during the financial year 2005-06, the following directions are issued for compliance of rural and social sector obligations in the said year:

- 1) In respect of life insurers, eighteen per cent of the total policies written direct shall be in the rural sector.
- 2) In respect of the non-life insurers, five per cent of the total gross premium income written direct shall be in the rural sector and
- 3) In respect of all insurers, twenty five thousand new lives shall be covered in the social sector and the policies should be in force on 31st March of the year.

For the present, the obligations for the insurers existing as on the date of commencement of the IRDA Act shall continue to be the same as provided in the Regulations earlier notified.

B) Consistency in compliance with the obligation:

On the basis of the monthly premium statistics furnished with the Authority, it has been observed that insurers do not spread out their obligations towards the rural and social sectors during the course of the year. Rather, the compliance is achieved during the last two months of a given financial year.

All insurers are advised to take steps to ensure that compliance with the rural and social obligations is uniformly spread over a given financial year. The Authority would be reviewing the performance of the insurers towards rural and social sector obligations on a quarterly basis. All insurers are required to strictly adhere to the directive.

All insurers are required to take note for compliance.

(C. S. Rao)
Chairman