दि न्यू इन्डिया एश्योरन्स कंपनी लिमिटेड
The New India Assurance Co. Ltd
India's Premier Multinational General Insurance Company

OUTSOURCING POLICY

VERSION 3/2022

TABLE OF CONTENTS

Sl. No	Details	Page No.
1.	Introduction	3
2.	Objective	3
3.	Applicability of the Policy	3
4.	Key Definitions	4
5.	Activities prohibited from Outsourcing	4
6.	Outsourcing activities supporting Policy	5
7.	Outsourcing Committee	5
8.	The Outsourcing service provider in case of Material Activity	6
9.	Evaluation of Materiality of Outsourcing Activities	6
10.	Appraisal/ Selection/ Due diligence/review of Outsourced Service Provider	8
11.	Assessment of Risks involved in respect of Material activities	10
12.	Outsourcing Agreements	11
13.	Applicability to existing Outsourcing contracts	13
14	Reporting requirements	14
15.	Review of the Policy	14

1. Introduction

IRDAI has put in place comprehensive guidelines called IRDAI (Outsourcing of Activities by India Insurers Regulations, 2017) vide reference:F.No.IRDAI/Reg/5/142/2017 dated 20th April, 2017(enclosed IRDAI Regulations, 2017). As per the notification, a Board approved Outsourcing Policy shall be put in place by the Insurance Companies. The Policy shall cover the following:

a. Framework for assessment of risks involved in outsourcing

b. Parameters of determining the cost-benefit analysis for each outsourced activity

c. Guiding principles for evaluation of the outsourced service provider including its ability and capability to provide the required services

d. Conflict Management policy that ensures adherence to the provisions on related party transactions as envisaged in Companies Act 2013

e. Norms for implementation and review of the outsourcing policy, determining the management's responsibility for approving, determining the consideration amount and monitoring the outsourcing arrangements and delegation of authority within the Insurer's hierarchy

f. The degree of due diligence required for material outsourcing activities

g. Ensuring that the pricing for outsourcing arrangements with related parties or group entities are consistent with accepted arms' length principles.

Accordingly, the following Policy on outsourcing is formulated, in accordance with the said Regulations, which shall guide various departments of the Company while outsourcing any functions at the department level.

2. Objective

The policy is intended to :-

(i) To follow prudent practices on management of risks arising out of outsourcing with a view to preventing negative systematic impact and to protect the interests of policy holders

(ii) To ensure sound and responsive management practices for effective oversight and adequate due diligence with regard to outsourcing activities.

3. Applicability of the Policy

(i) This policy shall be applicable to all outsourcing arrangements entered into by the Company with an outsourcing service provider located in India or outside India. The Policy shall come into force from the date of approval by the Board.

(ii) The policy will be applicable only in respect of direct insurance business. Reinsurance business is excluded under this policy.

4. Key Definitions

For the purpose of this policy,

(i) **Outsourcing** is defined as the use of third party services by the Company to perform activities that would normally be undertaken by the Company either now or in future, but does not include services which are generally not expected to be carried out internally such as Legal services, Banking services, Courier services, medical examination, forensic analysis.

Exclusions from outsourcing contracts :– The regulated activities of the Insurance Agents, Insurance Intermediaries including TPAs, Insurance Repositories and other regulated entities, as provided in the Insurance Act, 1938, IRDA Act 1999 and Regulations, guidelines made there under are not considered as outsourcing and therefore not covered by these Regulations.

Subject to these regulations, Insurance Agents, Insurance Intermediaries and other regulated entities of the Authority shall not be contracted for performing any activity other than those activities that are allowed under the respective regulations or guidelines notified by the Authority from time to time governing their registration or functioning.

(ii) **Outsourcing Service Provider** means third party service provider who carry out the activities outsourced for the Company

(iii) **Outsourcing Agreement** means a written agreement entered into between the Company and outsourcing service provider outlining the terms and conditions for services which may be rendered by the outsourcing service provider.

(iv) **Material outsourcing** means any outsourcing arrangements for which the estimated annual expenditure is likely to exceed 5% of total expenditure incurred on outsourcing activities in the previous financial year will be treated as material.

5. Activities prohibited from Outsourcing

The following activities are prohibited from outsourcing (i to viii) in any manner whatsoever:

(i) Investment and related functions

(ii) Fund Management Including NAV calculations

(iii) Compliance with AML and KYC

Provided, KYC verification through third party service providers is allowed as per Clause 3.1.2 of IRDAI AML Master Circular dated 28th September 2015

(iv) Product designing, all actuarial functions and enterprise-wide risk management

(v) Decision making in Underwriting and Claims functions

(vi) Policyholders Grievances Redressal

(vii) Decision to appoint Insurance Agents, Surveyors and Loss Assessors

(viii) Approving Advertisements

6. Outsourcing Activities Supporting Policy Servicing

(i) The activities that support Policyholder servicing are allowed to be outsourced.

(ii) Where collection of premiums is outsourced by the Company, it shall put in place procedures and ensure issuance of premium acknowledgements to the policyholders at the point of collection of premiums through such outsourced Service providers.

Provided the Company shall be responsible for the acknowledgements issued and the date and time of such receipts shall be taken into account for considering the underlying benefits of an insurance contract.

7. Outsourcing Committee

The Board of Directors shall constitute an Outsourcing Committee comprising of Key Management Persons of the Company. Accordingly, we may constitute the Outsourcing Committee comprising of the following officials:

Constitution:
1. Financial Advisor
2. Chief Financial Officer
3. Chief of Underwriting
4. Chief of Marketing
5. Chief Risk Officer

Chief of Underwriting and Chief of Marketing together shall constitute Chief of Operations for the purpose of Outsourcing Committee formation.

The officials will become members of the Committee by virtue of their position as per the allocation of portfolio issued from time to time.

Responsibilities of the Outsourcing Committee

- Approving all outsourcing contracts of Rs.1crore and above or which exceeds 5% of the total expenditure incurred during the preceding financial year on all outsourcing activities whichever is less.
- To ensure that all the outsourcing arrangements meet the terms of the Board approved Outsourcing Policy
- Outsourcing contracts of Rs.1crore or which exceeds 5% of the total expenditure incurred during the preceding financial year on all outsourcing activities whichever is less, be reviewed by the Outsourcing Committee constituted under the Outsourcing Policy 2018.
- Annually a report of all the material contracts be placed to the Risk Management Committee and the Board for information.
- To review on an annual basis the performance of agencies/ service providers to whom activities have been outsourced annually and report findings to the Risk Management Committee and the Board. Performance evaluation to be done on annual basis by the concerned department engaging outsourcing activities.
- To review the risks in respect of Material contracts
- Annual review of summary of outsourcing activities and review of exceptions to the Board of Directors, if any.

For Foreign operations the outsourcing policy shall be in compliance with local regulations.

Quorum:

The Quorum for the meeting shall be three members present in person

8. The Outsourcing service provider in case of Material activity shall be:

If the Outsourcing activity is not Material as per definition, it can be outsourced through any entity. However, Material activities can be outsourced through the following entities only –

(i) Companies Registered under the relevant provisions of the Companies Act, 2013, or
(ii) Limited Liability Partnerships registered under the relevant provisions of the Limited Liability Partnership Act, 2008, or
(iii) Registered Cooperative Societies registered under the cooperative Societies Act,1912 or
(iv) Partnership firms registered under the Indian Partnership Act, 1932 or
(v) Entities formed under Public private partnership such as e-seva e-mitra, CSC.
(vi) Any other entity as may be approved by the Authority to act as Outsourcing Service Provider.

9. Evaluation of Materiality of Outsourcing Activities

The evaluation of materiality of outsourcing shall be done on the below mentioned parameters:

(i) An outsourcing arrangement shall be considered material if the estimated annual expenditure under an outsourcing contract is likely to exceed 5 % of the total expenditure incurred during preceding financial year on all outsourcing activities.

(ii) Notwithstanding the above, an outsourcing arrangement shall be considered material if its disruption has the potential to significantly impact Company's business operations, reputation or profitability.

(iii) Without limiting their scope, the criteria for assessing the materiality of outsourcing arrangements should have regard to the following key factors:

a) Significance of the activity being outsourced (e.g. in terms of contribution to revenue, capital allocations or importance to overall achievement of strategic and business objectives);

b) Financial, reputational and operational impact on the Company of an Outsourcing Service provider's failure to adequately perform the outsourced activity;

c) potential impact on the Company`s continuing ability to meet its obligations to its Policyholders in the event of disruption of services of an outsourcing Service Provider;

d) consequences of outsourcing the activity on the ability and capacity of the Company to maintain internal controls and meet current as well as future changes to regulatory requirements;

e) cost of the outsourcing arrangement in terms of contractual expenditures relative to the Company's net assets and annual operating expenditures;

f) Interrelationship of the outsourced activity with other activities within the Company;

g) Aggregate exposure to a particular outsourcing service provider where the Company outsources multiple activities to the same outsourcing service provider;

h) Degree of difficulty and time required to replace the Outsourcing Service provider or if necessary to bring the activity in-house

i) Availability of alternative outsourcing service provider in the market for the same service

j) Any other factor which will have a significant impact on the Company or the Policyholders not covered above.

10. Appraisal/ Selection/ Due diligence/review of Outsourced service provider

Regional Office/Head office departments which want to outsource any activity wherein the estimated value of the Outsourcing Contract is Rs.1 Cr and above or which exceeds 5% of the total expenditure incurred during the previous Financial Year on all outsourcing activities whichever is less shall refer the matter through the respective depts./ROIC to the Outsourcing Committee.Applications will be scrutinized and the Outsourcing agency shall be selected after approval by the Outsourcing Committee only.

10.1 Appraisal – The appraisal of the Outsourcing service provider would be done through the data collected through the Due diligence form (**Annexure II**)

10.2 Selection – The selection of the Outsourcing service provider would be done through

(i) Cost benefit analysis or Performance Review : Every contract will define the parameters to conduct cost benefit analysis or performance review.
(ii) Risk analysis of various parameters involved (**Annexure III**)
(iii) Due diligence form

10.3 Due diligence –

In considering or renewing an outsourcing agreement, the Company should oblige the outsourcing service provider to appropriate due diligence which inter alia shall cover the following:

(i) Where the outsourcing service provider is a Company registered under the Companies Act, 2013, the objects of the Memorandum of Association of the company shall include the activities outsourced.
(ii) In case of other outsourcing service provider, there shall be a clause in the deeds or bye - laws enabling it to undertake the activities outsourced.
(iii) Existence of the outsourcing service provider as projected, its competence and experience to perform the activity proposed to be outsourced to it.
(iv) Assessing the capability of the outsourcing Service Provider to employ standards envisaged, while performing outsourced activities.
(v) Its security and internal controls;
(vi) Business Continuity Management
(vii) Where considered necessary, Company shall obtain independent reviews and market feedback on the service provider to supplement its own findings;

Due diligence undertaken during the selection process should be documented by the concerned outsourcing department.

10.4 Annual review of each and every outsourced activity shall be done by respective ROIC/HO dept. heads and have to put up the same to the Outsourcing Committee with the comments about the compliance as agreed in terms of contract and benefit achieved**.**

10.5 Conflict Management :

Principles to be followed where outsourcing service providers are related parties or group entities of the Company or Insurance Intermediaries

The compliance of the following additional principles shall be ensured where outsourcing service providers are the related parties or group entities of the Company or Insurance intermediaries registered with the Authority:

(i) With the objective of avoiding potential conflict of interest, we shall not outsource any activity to related parties or group entities of the Company or Insurance Intermediaries registered with the Authority shall ordinarily not be engaged for outsourcing any of the activities.

(ii) No activity shall be outsourced that leads to potential conflict of interest with the functions of the Insurer or with the functions of Insurance Intermediaries.

(iii) Where it is considered necessary to outsource any activity to the related parties or group entities of the Company or related parties or group entities of the Insurance Intermediaries registered with the Authority who are working either with the Company who is proposing to outsource or with any other Insurers, there shall be a complete due diligence and the insurer shall be bound by the conflict management policy that is part of its outsourcing policy that ensures maintaining arm's length distance.

(iv) The Company shall ensure that in respect of the activities outsourced to the related parties or group entities of the Company or related parties or group entities of Insurance Intermediaries; the consideration amount agreed upon and modifications thereon, if any, shall be subject to specific approval of the Outsourcing Committee of the Company

Provided while determining the consideration amount the Outsourcing Committee of the Company shall take into consideration the outsourcing policy approved by the Board and the principles referred in 1(g) of the Policy.

(v) All the activities outsourced to the related parties or group entities referred here in shall be reported to the Authority within 30 days of date of outsourcing agreement. Payments made in respect of above, shall be reported separately to the Authority in accordance with the provisions of Policy item no 14.

(vi) In case, any of the outsourcing service providers becomes a related party or a group entity of either the Insurer or Insurance intermediaries, the insurer shall report the fact to the Authority within thirty days of such an event.

(vii) Norms specified herein shall be followed where an Individual Insurance Agent of the Company is one of the promoters or one of the Directors of the outsourcing service provider.

(viii) All the outsourcing service providers engaged by the Company are subject to the provisions of Insurance Act, 1938, IRDA act, 1999, Rules regulations and any other orders issued there under.

11. Assessment of Risks involved in respect of Material activity

The Outsourcing committee constituted under Para 7 of Policy shall evaluate all the key outsourcing risks associated with any outsourcing contract, including but not limited to, the following risks:

(i) Strategic Risk:

- Activities carried out by outsourcing service provider on its own behalf that are inconsistent with the overall strategic goals of our Company
- Failure to implement appropriate oversight of outsourcing service provider
- Inadequate expertise to oversee outsourcing service provider

(ii) Reputation Risk: Poor service by outsourcing service provider:

- Customer interaction that is inconsistent with our Company's standards
- Unethical practices of outsourcing service provider

(iii) Compliance Risk: Prudential and market conduct regulations are not complied with:

- Breach of obligation to preserve customer data confidentiality
- Changes in regulations not communicated to outsourcing service provider in a timely manner
- Failure to adapt changes as per the changes in the regulations

(iv) Operational Risk:

- Technology failure
- Inadequate financial capacity of outsourcing service provider to fulfill obligations or provide remedies/restitution
- Fraud or error
- Failure of insurers to undertake inspections of Outsourcing service provider (e.g. due to practical difficulty or cost considerations)

(v) Exit strategy Risk:

- Over-reliance on one outsourcing service provider
- Loss of relevant skills or resources in the Company, preventing it from bringing an outsourced activity back in-house
- Contracts which make a speedy exit prohibitively expensive

(vi) Contractual Risk:

- Inability to enforce contract

(vii) Information Risk:

- Reliance on information by outsourcing service provider that may be materially inaccurate
- Delay in providing timely data and information to Company or regulator. 11
- Confidentiality of commercially sensitive/customer information may be compromised

(viii) Concentration Risk:

- Reliance on one outsourcing service provider for multiple activities.

A summary of the material risks arising out of the Outsourcing Contracts shall be reviewed by the Risk Management Committee at least once a year.

12. Outsourcing Agreements

a. All Outsourcing arrangements shall be governed by WRITTEN AGREEMENTS ONLY. The contract shall:

(i) Clearly describe all important aspects of the outsourcing arrangements, including the rights and obligation of all parties.

(ii) Terms and norms for renewal of contract

(iii) Information and asset ownership rights, information technology, data security and protection of confidential information

(iv) Guarantee or indemnity from the outsourcing service provider towards his commitment including liability for any failure

(v) Contingency planning of the outsourcing service provider to provide business continuity for the outsourced arrangements that are material

(vi) Express clause that the contract shall not diminish legal and regulatory obligation of company towards IRDAI and policy holders. The contract shall also protect the regulatory powers of IRDAI of conducting inspection, investigation, obtaining information from either party to the contract.

(vii) Contract termination clause specifying orderly handing over of data, early exit options assets etc.

(viii) Norms for sub-contracting by the outsourcing service provider***:*** The Company shall ensure that the outsourcing service provider shall not sub-contract the whole or substantial portion of the outsourced activity. However it can be allowed partially provided prior consent of the Company is obtained and the additional risk which flows due to the sub-contracting shall be factored in at the time of due diligence

b. The Company shall ensure that the outsourcing arrangements do not,

(i) Diminish their ability to fulfill legal and regulatory obligations to policyholders and IRDAI

(ii) Impede effective supervision by the IRDAI
(iii) Result in their internal control, business conduct or reputation being compromised or weakened

c. Confidentiality and Security

i) The Company shall satisfy itself that the outsourcing service provider’s security policies, procedures and controls will enable to protect confidentiality and security of policyholders’ information even after the contract terminates.

A Non Disclosure & Confidentiality Agreement (NDA) must be signed with the Service Provider before the Outsourcing activity is undertaken

ii) It shall be the responsibility of the Company to ensure that the data or information parted to any outsourcing service provider under the outsourcing agreement remains confidential

iii) The Company shall take into account any legal or contractual obligations on the part of the outsourcing service provider to disclose the outsourcing agreement and circumstances under which the Company’s customer data may be disclosed. In the event of termination of the outsourcing agreement, the Company should ensure that the customer data is retrieved from the service provider and ensure there is no further use of customer data by the service provider.

d. Inspection and Audit

The Company shall have a right to conduct periodic inspection or audit on the outsourcing service providers either by internal auditors or by Chartered Accountant firms appointed by the Company to examine the compliance of the outsourcing agreement while carrying out the activities outsourced.

The outsourcing contract shall provide for Company’s right to periodic inspection or audit of the outsourced entity so far as it is related to the outsourced activity.

e. Contingency Plans

i)Company shall establish and maintain adequate contingency plans where the outsourced activity is material**.** These include disaster recovery plans and backup facilities to support the continuation of an outsourced activity with minimal business disruption in the event of reasonably foreseeable events that affect the ability of an outsourcing service provider to continue providing the service.

ii) The contingency plan should be appropriate to the potential consequences of a business disruption resulting from problems at the outsourcing service provider and should consider contingency plans maintained by the outsourcing service provider and their coordination with companys’ own contingency arrangements. In particular, contingency plans should ensure that the Company can readily access all the records necessary to allow it to sustain business operations, meet statutory obligations, and provide any information relating to the outsourced activity as may be required by the IRDAI.

iii) Contingency Plans should also be regularly reviewed and tested to ensure that they remain robust, particularly under changing operating conditions.

f. Maintenance of Records

In respect of all outsourcing arrangements, the concerned departments/ offices shall ensure adequate documentation is maintained to support the Company's satisfaction of the expectations in these Regulations.

The documentation shall support the following aspects:
a) Materiality assessments
b) Adherence to the Company's Outsourcing Policy
c) Cost Benefit Analysis
d) Due Diligence reviews
e) Pricing assessments and
f) Risk evaluation
g) The basis used to determine arm's length distance while arriving at the pricing of activities that involve outsourcing with related party or group entity of the Company or Insurance Intermediaries
h) Audit and Inspection reports as mentioned in policy item no 12 (d)

The documentation should be available for review by the Board and inspection by IRDAI as and when required

Such documentation shall be preserved for five years from the end of outsourcing contract period by the Company.

13. Applicability to Existing Outsourcing Contracts

These regulations shall be applicable to all Outsourcing arrangements in force on the date of coming into effect of this policy. However, any existing outsourcing arrangement to which this policy becomes applicable, shall be appropriately amended to bring such arrangement in compliance with this policy within 180 days from the date of coming into effect of policy. All arrangement that do not comply with this policy within 180 days of the date of regulations coming into effect, shall be automatically treated as terminated and no compensation shall be payable to the outsourcing service provider for continuance of such services beyond the period.

14. Reporting requirements

The Company shall report all the outsourcing arrangements where annual pay-out per outsourcing service provider is One crore rupees or more, every year within 45 days from the close of the financial year. The format for reporting is given in Annexure I.

15. Review of the Policy

Review of the policy will be done annually by the Company.

16. Implementation of the Policy:

Outsourcing Committee may be authorised by the Board to issue any guidelines for implementation of the Policy.

Outsourcing Policy 2018 version 1/2018 Board approved on 12th November, 2018

Outsourcing Policy version 2/2020 Board approved on 12th February, 2021

Outsourcing Policy version 3/2022 Board approved on 18th October 2022

FORM A
(ANNEXURE I)

(OUTSOURCING REPORTING FORMAT)

I. Total of payouts for the Reporting year (including those below Rs. 1Cr)

Sl No.	Particulars	Total of payouts (Rs in Lacs)
1	On all Outsourcing activities	
2	Operating expenses	
3	To related parties or group entities of the insurer or Insurance intermediaries on all outsourcing activities of (1) above	
4	To Outsourcing Service Providers located or operating from outside India of (1) above	

II. All Outsourcing arrangements (only 1 crore or more)

Sl No.	Particulars of activity outsourced (detailed description)	Name and Address of the Vendor	Amount paid for the reporting year (Rs in lacs)	Amount paid for the preceding year (Rs in lacs)
(1)	(2)	(3)	(4)	(5)

III. Outsourcing with Related Parties or Group entities of Insurer or Insurance Intermediaries out of II above

Sl No.	Particulars of activity outsourced (detailed description)	Name and Address of the Vendor	Amount paid for the reporting year (Rs in lacs)	Amount paid for the preceding year (Rs in lacs)
(1)	(2)	(3)	(4)	(5)

IV. Outsourcing to entities located or operating from outside India out of II above

Sl No.	Particulars of activity outsourced (detailed description)	Name and Address of the Vendor	Amount paid for the reporting year (Rs in lacs)	Amount paid for the preceding year (Rs in lacs)
(1)	(2)	(3)	(4)	(5)

Annexure II

THE NEW INDIA ASSURANCE CO LTD		
Outsourcing Activity Due Diligence Form		
Sl. No		
1.	Head Office/ Regional Office/ Divisional Office/ Branch Office/ Micro Office	
2.	Type of Outsourcing Activity	
3.	Nature of Activity	
4.	Entity Name	
5.	What is the payout? (a)	
6.	Whether it is material?	
7.	Total Outsourcing Expenditure of NIACL (b)	
8.	Annual Payout (%) (Note : If a is > 5% of b, then the activity is Material)	
9.	If material, then following documents to be submitted	
9a.	If Company	Incorporation Certificate, Memorandum of Association, List of Directors
9b.	If LLP/ Partnership	Deed, Date of Incorporation, List of Partners
10.	Whether any persons related to the Director/ officers of the company (Yes/ No)	
11.	Experience of the service provider	
12.	The Infrastructure available with the service provider	
13.	Any contract labourers are employed (Yes/No)	
14.	Additional documents to be submitted by the service provider	Turnover/ Profit/ IT Returns filled/ GSTIN/ Pan Card

Evaluation of Outsourcing service providers					
Name of the Firm					
Type of Registration					
Activity which is outsourced					
Parameter	Very Low	Low	Medium	High	Very High
Experience					
Standard of Activity					
Security					
Business Continuity/ Contingency Plan					
Market Feedback on Service Provider					

ANNEXURE III

Risk Analysis involved in Outsourcing of Material Activities					
Service which is Outsourced					
Type of Risk	Very Low impact on business activity	Low impact on business activity	Medium impact on business activity	High Impact on business activity	Very High impact on business activity
Strategic Risk					
Reputation Risk					
Compliance Risk					
Operational Risk					
Exit Strategy risk					
Contractual Risk					
Information Risk					
Concentration Risk					

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