

# Exposure Draft on the Insurance Regulatory and Development Authority of India (Manner and Procedure for Imposing Penalties) Regulations, 2026.

Date: 19.06.2026

## 1. Executive Summary

The Insurance Regulatory and Development Authority of India (IRDAI) proposes to issue the IRDAI (Manner and Procedure for Imposing Penalties) Regulations, 2026 (“herein after referred to as ‘The proposed Regulations’”) pursuant to the Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025 (“herein after referred to as SBSR Act”).

The Insurance Act, 1938 and the IRDA Act, 1999 contain various provisions empowering the Authority to impose penalties for contraventions and default of statutory and regulatory requirements. The existing framework has been guided by principles of natural justice and established regulatory practice.

The SBSR Act, 2025 seeks to promote transparency, uniformity, proportionality and procedural fairness in imposing penalties. It seeks to codify through regulation the manner and procedure for imposition of penalties under the Insurance Act, 1938, the IRDA Act, 1999 and the rules, regulations made thereunder.

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## 2. Key Features of the Proposed Regulations:

### 2.1 Initiation of Penalty Proceedings

The proposed Regulations provide a structured framework for initiation of penalty proceedings.

Proceedings may be initiated on the basis of:

- Inspection findings;
- Investigation reports;
- Audit observations;
- Regulatory oversight;
- Complaints; or
- Recommendations arising from the Adjudicating Officer

The proposed Regulations requires recording of reasons for initiation of proceedings, thereby enhancing transparency and accountability.

### 2.2 Show Cause Notice Framework

The proposed Regulations creates a framework for issuance of show cause notices which, inter alia, shall specify:

- Facts and circumstances of the alleged contravention;
- Relevant statutory or regulatory provisions alleged to have been contravened;

- Documents and evidence relied upon;
- Applicable penalty provisions;
- Time for submission of reply; and
- Opportunity for personal hearing.

These provisions seek to ensure adequate disclosure and effective opportunity to respond.

### 2.3 Framework for Service of Notice

The proposed Regulations specify recognised modes for service of notices, including - Physical delivery, Electronic communication, Courier or postal services and other modes determined by the Authority.

### 2.4 Submission of Reply and Personal Hearing:

The proposed Regulations provide adequate opportunity to the noticee to submit replies and supporting documents. The framework also provides for grant of personal hearing where requested or where considered necessary in the interest of justice.

The proposed Regulations facilitate both physical and virtual hearings, thereby improving accessibility.

### 2.5 Order Imposing Penalty:

The proposed Regulations provide that orders imposing penalties shall be reasoned and shall record the findings of the Authority along with the relevant contraventions or defaults established and the penalties imposed.

### 2.6 Principles for determination of Penalty:

The proposed Regulations provide that penalties shall be proportionate to the nature and gravity of the contravention or default.

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3. **Stakeholder Feedback:** The Authority invites comments from stakeholders on the proposed amendments. Exposure draft of the Regulation is as per **Annexure 1**. Stakeholders may submit their comments on the Exposure Draft in the format specified in **Annexure 2**. Feedback may be submitted to Ms. Anjaly Jolly at [anjaly.jolly@irdai.gov.in](mailto:anjaly.jolly@irdai.gov.in) and Mr. Aaryaveer Chauhan at [aaryaveer.chauhan@irdai.gov.in](mailto:aaryaveer.chauhan@irdai.gov.in) on or before 9<sup>th</sup> July, 2026.

This Consultation Paper is issued for public and industry comments.

**EXPOSURE DRAFT**

**Insurance Regulatory and Development Authority of India (Manner and Procedure for Imposing Penalties) Regulations, 2026**

**F. No. IRDAI/Reg/\_\_\_/\_\_\_/2026.**— In exercise of the powers conferred by sub section (3) of section 105E read with clause (zd) of sub-section (2) of section 114A of the Insurance Act, 1938 (4 of 1938), and section 14 and section 26 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999), the Authority, in consultation with the Insurance Advisory Committee, hereby makes the following regulations, namely: -

**CHAPTER I  
PRELIMINARY**

**1. Short title, commencement and applicability**

- (1) These regulations may be called the Insurance Regulatory and Development Authority of India (Manner and Procedure for Imposing penalties) Regulations, 2026.
- (2) These regulations shall come into force on the date of their publication in the Official Gazette.
- (3) These regulations shall be applicable to all proceedings for imposing penalties under the Act or Insurance Regulatory and Development Authority Act, 1999 or rules or regulations or subsidiary instructions made thereunder.
- (4) These Regulations shall be reviewed once every three years from the date of publication, unless a review, repeal or amendment is warranted earlier.

**2. Objective**

To lay down the manner and procedure for imposing penalties for contraventions under the Act or the Insurance Regulatory and Development Authority Act, 1999 or rules or regulations or subsidiary instructions made thereunder.

**3. Definition.**

- (1) In these regulations, unless the context otherwise requires, -
  - (a) “Act” means the Insurance Act, 1938 (4 of 1938);

(b) “Authority” means the Insurance Regulatory and Development Authority of India established under the provisions of Section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999);

(c) “Adjudicating Officer” shall mean the officer appointed by the Authority as adjudicating officer under Section 105C of the Act.

(2) All words and expressions used herein and not defined but defined in the Act, or in the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999), or any other rules and regulations made thereunder shall have the meanings respectively assigned to them in those acts, rules and regulations.

## **CHAPTER II**

### **PROCEEDINGS FOR IMPOSITION OF PENALTY**

#### **4. Initiation of penalty proceedings**

(1) Penalty proceedings may be initiated by the Authority—

(a) on basis of any contravention or default noticed on receipt of an inspection report, investigation report, audit findings, regulatory oversight, or complaint; or

(b) on basis of the recommendation of the adjudicating officer under section 105C, pursuant to the inquiry conducted as to whether any person has committed contraventions as specified in sub-section (2) of section 2CB or sub-section (4) of section 34B or sub-section (3) of section 40 or sub-section (2) of section 41 or sub-sections (4) and (5) of section 42 or section 52F or section 105B or section 105BA of the Act.

(2) The Authority shall record reasons in writing for initiating such proceedings.

(3) The officers of the Authority who are involved in inspection or investigation functions shall not be part of the penalty proceedings under these regulations.

#### **5. Issuance of show cause notice**

(1) Where the Authority is of the opinion that a contravention has occurred under the Act or the Insurance Regulatory and Development Authority Act, 1999 or rules or regulations or subsidiary instructions, it shall issue a show cause notice to the person concerned, requiring him to show cause why a penalty shall not be imposed under the relevant provision of the Act or the Insurance Regulatory and Development Authority Act, 1999 or rules or regulations made thereunder.

(2) The show cause notice shall specify—

- (a) the details of facts and circumstances of the alleged contravention;
- (b) the provisions of the Act, or the Insurance Regulatory and Development Authority Act, 1999 or rules or regulations or subsidiary instructions alleged to have been contravened;
- (c) details and copies of the documents or other evidence relied upon in the show cause notice;
- (d) the penalty under the Act or the Insurance Regulatory and Development Authority Act, 1999 or rules or regulations made thereunder;
- (e) the time within which a written reply shall be submitted; and
- (f) the option to avail personal hearing.

(3) The time allowed for submission of reply to notice issued under sub regulation (1) or supplementary show cause notice issued under sub regulation (4) shall ordinarily not be less than 21 days and the same may be extended on the request of the person to whom the show cause notice is issued considering the facts and circumstances of the matter, as deemed fit.

**Provided** that in an emergent situation affecting the interest of the policyholder or the insurance sector, the Authority may by recording reasons in writing, require submission of reply within such shorter time as it may deem fit.

(4) Without prejudice, if any new contravention is noticed during the proceeding, the Authority may issue a supplementary show cause notice which shall specify the details mentioned in sub regulation (2) above.

## **6. Service of Notices**

(1) A show cause notice issued under these regulations shall be served on the person through any of the following modes, namely: –

- (a) by delivering or tendering it to the person or his duly authorised agent; or
- (b) by sending it to the person by electronic mail or by courier or speed post to:
  - i. the address of the office of the person concerned; or
  - ii. the address of his place of residence or his last known place of residence or the place where he carried on, or last carried on, business or personally works, or last worked, for gain,
  - iii. the electronic mail details available in the records of the Authority;
- (c) by any other mode of communication as may be determined by the Authority.

(2) In case of failure to serve a notice through any one of the modes provided under sub-regulation (1), the notice shall be published in at least two newspapers, one of which shall be in an English daily newspaper having nationwide circulation and another shall be in a newspaper having wide circulation published in the language of the region where that person was last known to have resided or carried on business or personally worked for gain.

(3) Additionally, the unserved notices shall also be published on the website of the Authority.

## **7. Submission of reply and grant of personal hearing**

(1) The person to whom the show cause notice is issued may submit a written reply along with relevant documents within the time specified.

(2) If the noticee fails to show cause within the period specified therein, the Authority shall proceed in the matter ex parte.

(3) The Authority may grant an opportunity of personal hearing: –

(a) where requested by the noticee; or

(b) where the Authority considers such personal hearing is necessary in the interest of justice.

(4) The Authority shall issue a notice to the person concerned, fixing a date, the mode and the place for the personal hearing. The personal hearing can be by way of physical appearance or through virtual mode as determined by the Authority.

(5) On the date fixed, the Authority shall explain to the noticee, the contravention alleged to have been committed by such noticee indicating the provisions of the Act, the Insurance Regulatory and Development Authority Act, 1999, rules, regulations or subsidiary instructions in respect of which the contravention is alleged to have taken place.

(6) The Authority shall give an opportunity to such noticee to produce such documents or evidence as he may consider relevant.

(7) While holding a proceeding under these regulations the Authority shall have the power to summon and enforce the attendance of any person acquainted with the facts and circumstances of the case to give evidence or to produce any document which, in the opinion of the Authority, may be useful for or relevant to, the subject-matter of the proceeding.

(8) If any person fails, neglects or refuses to appear as required by sub-regulation (3) and (7) before the Authority, the Authority may proceed with the proceeding in the absence of such person after recording the reasons for doing so.

(9) The Authority may direct the noticee and such person as referred to in sub regulation (7) to file written submissions in the matter within such time as may be granted by the Authority.

## **8. Order imposing penalty**

(1) The Authority shall, on receipt of the reply to the show cause notice and after considering all the relevant materials on record, by an order, either dismiss the show cause notice if no cause exists, or if sufficient cause exists pass a reasoned order in writing recording—

- (a) its findings;
- (b) the provisions contravened;
- (c) the penalty imposed;
- (d) timeline for payment of penalty.

(2) Every such order shall be dated and signed.

(3) The order shall be proportionate to the contravention/default committed by the noticee and act as a deterrent against the commission of such contravention/default by the noticee or any other person in future, taking into account the nature, seriousness and impact of the contravention.

(4) While determining the penalty to be imposed under the provisions of the Act or the Insurance Regulatory and Development Authority Act, 1999 or rules or regulations or Subsidiary Instructions made thereunder, the Authority shall have regard to the following factors provided in sub section (1) of section 105E of the Act, namely:

- i. the nature, gravity and duration of the default;
- ii. the repetitive nature of the default;
- iii. the disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
- iv. the loss caused to the policyholders as a result of the default;
- v. the action taken by the person to mitigate the effects and consequences of the default, and the timeliness and effectiveness of such action;
- vi. the number of policyholders impacted by such default;

- vii. whether the penalty to be imposed is proportionate, having regard to the need to secure observance of and deter breach of the provisions of this Act, the Insurance Regulatory and Development Authority Act, 1999 and rules and regulations thereunder; and
- viii. such other factors as may be deemed appropriate by the Authority.

(5) Without prejudice, the Authority after considering the facts and circumstances of the matter may pass other instructions such as advisory or/and caution or/and direction or/and warning.

(6) The order shall be communicated to the person concerned in manner as specified in regulation 6.

(7) A copy of the order shall be published on the website of the Authority. In addition, a brief of the penal action in the form of press release shall be published on the website of the Authority within a period of thirty days.

## **9. Payment**

(1) The penalty imposed shall be paid within a period of not less than forty-five days in the manner specified in the order passed under regulation 8.

(2) All sums realised by way of penalties under the Act or the Insurance Regulatory and Development Authority Act, 1999 or rules or regulations or subsidiary instructions made thereunder shall be credited to the Policyholders' Education and Protection Fund established under section 16A of the Insurance Regulatory and Development Authority Act, 1999.

## **CHAPTER III MISCELLANEOUS**

### **10. Rectification**

Any clerical or arithmetical mistakes in any order passed under regulation 8 of the Authority or error therein arising from any accidental slip or omission may, at any time, be corrected by the Authority.

## **11. Delegation of Power**

The Authority may delegate its powers and functions under these regulations to the Chairperson or one or more Whole Time Members or both or any officer of the Authority.

## **12. Savings**

Nothing contained in these regulations shall prejudice—

- (a) any action taken, notices issued, proceedings commenced or order passed prior to the commencement of these regulations; or
- (b) the powers of the Authority to take any other action under the Act or the Insurance Regulatory and Development Authority Act, 1999 or rules or regulations made thereunder.

## Feedback Format

<b>A. Stakeholder Information</b>	
Name of the Organization / Individual	_____
Type of Stakeholder (Policyholder/Insurer/Insurance Intermediaries/Public / Others – please specify)	_____

<b>B. Suggestions on Exposure draft on Insurance Regulatory and Development Authority of India (Manner and Procedure for Imposing Penalties) Regulations, 2026</b>				
<b>Page No</b>	<b>Regulation Number</b>	<b>Sub-Regulation Number / Para Number</b>	<b>Suggested change</b>	<b>Reasons for change</b>