



IRDAI/PP&GR/CIR/MISC/37/02/2025

Circular

February 18, 2025

To
All Insurers and Distribution Channels

Sub: One-time Mandate for blocking the amount towards premium through Unified Payments Interface (UPI mandate) for issuance of life and health insurance policies- Bima-ASBA

1. Reference is drawn to Master Circular on Protection of Policyholders' Interests numbering IRDAI / PP&GR / CIR / MISC / 117 / 9 / 2024 dated 5th September 2024 Part A (II) (4) and Part B (II) (3) for Life insurance policies and Health insurance policies, respectively wherein, the following is specified as regards "Payment of premium / Premium deposit:
 - i. *Premium is required to be paid only after the insurer communicates the decision of acceptance of the proposal.*
 - ii. *Risk Cover shall commence only after receipt of premium.*
 - iii. *No premium deposit/ proposal deposit is required to be paid to the insurer along with the proposal form except in case of policies issued basis declaration of good health where risk cover commences immediately on receipt of premium. There should not be scope for either short or excess collection of premium.*
 - iv. *Insurers shall ensure that explicit consent is obtained from the prospect /policyholder for deduction of amount towards premium payment from bank account."*
2. In this context, based on the requests/ representations received by IRDAI from the insurers towards bringing about operational ease in meeting with this requirement, to facilitate smooth transactions of payment of premium, a facility of the Unified Payments Interface (UPI) One Time Mandate (OTM) is enabled to be used by insurers. This feature allows users to block funds in their bank accounts for specific transactions, ensuring availability of funds while deferring actual payments. This service is useful in multiple scenarios where the customer prefers to authorize a

block on funds without immediate debits, facilitating smoother transaction processing.

3. Under this facility called the **“Bima Applications Supported by Blocked Amount (Bima - ASBA)”** transfer of money from the prospect to the insurer happens only when insurance policy is issued. In this facility, insurers can offer one-time mandate for blocking certain amount through Unified Payment Interface (UPI) in the bank account of the concerned prospect. Amount towards insurance premium will be debited only after the insurer decides to accept the proposal. In case the insurer does not accept the proposal, the amount shall be unblocked and shall be released and shall be available at the disposal of the prospect.
4. Insurers are mandated to offer Bima - ASBA facility to its prospects for life and health insurance policies.
5. Insurers shall provide an option in the proposal form, through a standard declaration, whereby the prospect may authorize the insurer to block the amount in their bank account through UPI. Both Life insurance and General Insurance Councils, within one week from the date of issuance of this circular, shall issue standard declaration to be included in the proposal for taking the authorization.
6. Bima-ASBA shall be at the option of the prospect. No proposal shall be rejected for the reason that the prospect has not opted for Bima-ASBA.
7. This premium payment facility, Bima-ASBA, shall be offered to the prospects in addition to the existing options available for making payment of premium as specified in Regulation 16 (2) of IRDAI (Protection of Policyholders' Interests, Operations and Allied Matters of Insurers) Regulations, 2024.
8. The insurer shall partner with multiple banks and shall have appropriate systems and processes in place and necessary contractual agreements with the partner banks so that:
 - i. One-time mandate through UPI shall be created:
 - a) only in favour of the insurer.
 - b) prospect authenticates through one-time mandate, as per the applicable provisions and laws.
 - c) with a valid period of maximum 14 days or till the date of the underwriting decision, whichever is earlier.

- ii. The amount so blocked under Bima-ASBA shall be unblocked:
 - a) automatically after expiry of 14 days from the date of initial blocking of funds.
 - b) within one working day from the date of non-acceptance of the proposal form;
 - iii. The prospect shall be kept informed at every stage of the Bima-ASBA i.e. blockage of the amount, initiation of debit (whether in part or in full) and the unblocking of the amount so that timely information on blocking and unblocking of funds is provided to the prospect.
 - iv. No charges or any additional amount shall be levied for creation of such mandate from the prospect.
 - v. The partner bank shall share with insurer, the details of the One-Time Mandate created in favour of the insurer, on a monthly basis.
- 9. Obligation of the Insurer**
- i. The amount of premium blocked shall be specific to the proposal form made by the prospect. In case of multiple proposal forms, Bima-ASBA facility shall be offered separately for each proposal form.
 - ii. Blocking of the amount shall only be on the basis of the explicit consent of the prospect in the proposal form. In case the amount of initial premium blocked is more than the premium to be collected by the insurer due to its underwriting decision, then the insurer shall only collect the reduced amount through this facility.
 - iii. Where the premium to be charged is more than the blocked amount, then the insurer shall use the facility to modify such mandates through one-time consent/authorization from the prospect.
 - iv. Modification in the original mandate shall be allowed only one time and the time period of 14 days for such modification shall be from the date of original mandate for blocking the fund.

- v. Blocking of the amount shall only be done after taking necessary consent from the prospect as per applicable provisions and laws.
- vi. In case the prospect intends to cancel the proposal form submitted, before the underwriting decision of the insurer, the prospect shall make the request through the various modes provided for this purpose by the Insurer. Insurer shall accept the request and release the blocked amount within one day from the day of request.
- vii. The risk shall commence from the date of acceptance of the proposal irrespective of the debit from the account of the prospect, in case Bima-ASBA is utilized.
- viii. Insurer shall maintain all necessary records and information that confirms compliance about the mandates created in its favour and shall be available for inspection by the Authority.
- ix. The insurer shall be responsible for any error or omission on usage and operation of Bima-ASBA.

10. Procedure for One-time Mandate through UPI

- i. The proposal form submitted to the insurer either directly or through distribution channel shall have duly filled in standard declaration opting for Bima-ASBA facility for premium payment which permits blocking of premium amount in the bank account of the prospect;
- ii. The insurer shall send the request for blocking the premium amount to the prospect's bank through any one of its partner banks utilizing the facility offered by NPCI;
- iii. On obtaining express consent from the prospect, the prospect's bank shall block the funds in the bank account of the prospect and inform the partner bank through UPI. The partner bank shall then pass on this information to the insurer who shall further pass on to the prospect;
- iv. The amount so blocked towards premium shall continue to remain in the bank account of the prospect without being debited. Such blocked amount shall not be available to the prospect for any other use till such time the underwriting

decision is made or 14 days whichever is earlier and may continue to earn interest as per the extant legal provisions applicable to banks;

- v. The said blocked amount shall be debited from the bank account only in case of acceptance of the proposal by the insurer and after communicating the decision of acceptance to the prospect;
 - vi. Upon the insurer underwriting / acceptance of the proposal, the insurer shall instruct the partner bank to debit the premium amount from the blocked amount in the bank account of the prospect and transfer the same to the bank account of the insurer;
 - vii. If the proposal is rejected or if the prospect cancels the proposal, the insurer shall send an instruction to the partner bank to release the blocked amount. The blocked amount is then unblocked by the prospect's bank without any deduction;
 - viii. In any case, if the insurer does not process the application within a period of 14 days, the blocked amount will be automatically unblocked through the partner bank by the insurer.
- 11. The insurers are allowed to use Bima-ASBA mechanism for blocking of premium up to the limit specified by NPCI from time to time.
 - 12. At present, the facility of Bima-ASBA is extended to individual policyholders.
 - 13. All insurers shall go live and offer Bima-ASBA facility to the prospect or customer on or before 1st March 2025.
 - 14. This has the approval of the Competent Authority.

RAJ KUMAR SHARMA
Digitally signed by
RAJ KUMAR SHARMA
Date: 2025.02.18
14:38:36 +05'30'

R K Sharma

Chief General Manager