



## Irda: Regulator of Insurance Sector in India

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**ABSTRACT**

Indian insurance sector is a huge one and is growing at a speedy rate of 15-20%. Together with banking services, insurance adds about 7% to the country's GDP. A well developed and evolved insurance sector is a boon for economic development as it provides long term funds for infrastructure development and strengthening the risk taking ability of the country. Insurance Regulatory and Development Authority of India is an autonomous statutory body established by the Government of India, in April 2000. Lokhande M. A. (2006) there should be better co-ordination and co-operation between Grahak Panchayats, Consumer Redressal Forums and the government agencies in safeguarding the interests of consumers. The fees charged for lodging the complaint should be waived to benefit the customers, particularly poor customers. The sellers, traders should follow business ethics and try to give maximum satisfaction to the consumers and the society. The key objective behind setting up of IRDA includes regular monitoring, directing and controlling over different activities of the insurance sector in the country. It has all the authorities as the Controller of Insurance in Indian insurance sector. A brief description of role, functions and relation of IRDA with various sectors is studied in this paper

**KEYWORDS**

Insurance, IRDA, Policyholders' Interest', Consumer Education, Insurance Awareness, Grievance Redressal

**Introduction:**

Insurance Regulatory and Development Authority (IRDA) has been renamed as '**Insurance Regulatory and Development Authority of India**'. In a press release issued on Tuesday, 30<sup>th</sup> December 2014, The Chairman of IRDA of India said that, IRDA would henceforth be known as Insurance Regulatory and Development Authority of India (IRDA of India).

Chapter IV of the Ordinance contains certain amendments to The Insurance Regulation and Development Act, 1999 (41 of 1999). Section 105 of the Ordinance amends section 2 (1) (b) of the IRDA Act by inserting the words "of India" after "Development Authority". As a result of this Amendment, Insurance Regulatory and Development Authority has been re-named as "Insurance Regulatory and Development Authority of India".

Therefore, it is hereby informed that, Insurance Regulatory and Development Authority (IRDA) shall henceforth be known as "**Insurance Regulatory and Development Authority of India**" (IRDA of India).

The change in name came in to effect after the promulgation of Insurance Laws (Amendment) Ordinance, 2014, by the President of India on December 26, 2014.

IRDA is a statutory body that regulates the insurance sector in India, to protect the interests of policyholders, while ensuring growth of the insurance industry along with India's economy.

A statutory authority as an autonomous body was established under the provision of IRDA by the Government of India with the objective of regulating, directing and controlling the Insurance sector for ensuring its smooth functioning. This authority named Insurance Regulatory and Development Authority came into existence with effect from 1st April 2000. The IRDA being a National agency of the Government of India, there are numerous arrangements for taking corrective steps as to incorporate the emerging requirements of the Insurance sector in India.

The process of reopening of insurance sector had begun in the early 1990s. To complement the reforms initiated in the financial sector, Government in 1993 set up a committee under the chairmanship of Mr. R.N. Malhotra (Retired Governor, RBI), to propose recommendations for reforms in this sector. In 1994, among other things, the committee in its report recommended that, the private sector be permitted to enter the insurance industry and foreign companies be allowed to enter by floating Indian companies, preferably a joint venture with Indian partners.

Insurance Regulatory and Development Authority (IRDA) Act was passed upon the recommendations of Malhotra Committee report and IRDA was constituted as an autonomous body to regulate and develop the insurance industry. The IRDA was incorporated as a statutory body in April, 2000. In August 2000 with opening up of market by IRDA, application for registrations were invited wherein foreign companies were allowed ownership of up to 26%. The Authority has the power to frame regulations under Section 114A of the Insurance Act, 1938 and has from 2000 onwards framed various regulations ranging from registration of companies for carrying on insurance business to protection of policyholders' interests.

The IRDA has taken impressive measures in recent years and has recorded phenomenal growth complemented by country's improving economic growth. The Indian insurance industry is gaining in size and is in par with the Asian markets. The business of insurance is related to the protection of the economic values of assets of the policy holders; IRDA is looking at making insurance policies more investor-friendly. Considering the comments and suggestions received, IRDA (Protection of Policyholder's Interests) Regulations supersede the existing policyholder's protection framework. The endeavour is to ensure protection of interests of policyholders without any deviation and setting minimum bench marks in servicing of insurance policies.

Increase in competition due to private players has raised the need to bring in more transparency in insurance sales process, strict enforcement of code of conduct by agents and interme-

diaries. To set competitive standards in servicing of insurance policies and to facilitate resolution of grievances as per the specified time limits; Integrated Grievance Redressal Mechanism and Integrated Grievance Call Centre were set up by the Authority.

Considering the fact that several changes have occurred in the insurance landscape, IRDA will be issuing amendments to the IRDA (Protection of Policyholders' Interests) Regulations to strengthen the Policyholder Protection Regulations. Apart from the regulations a Model Citizen Charter for insurance companies is also being contemplated.

**ROLE OF IRDA**

1. To protect the interest of and secure fair treatment to policyholders.
2. To bring about speedy and orderly growth of the insurance industry for the benefit of the common man, and to provide long term funds for accelerating growth of the economy.
3. To set, promote, monitor and enforce high standards of integrity, financial soundness, fair dealing and competence of those it regulates.
4. To ensure that insurance customers receive precise, clear and correct information about products and services and make them aware of their responsibilities and duties in this regard.
5. To ensure speedy settlement of genuine claims, to prevent insurance frauds and other malpractices and put in place effective grievance redressal machinery.
6. To promote fairness, transparency and orderly conduct in financial markets dealing with insurance and build a reliable management information system to enforce high standards of financial soundness amongst market players
7. To take action where such standards are inadequate or ineffectively enforced.
8. To bring about optimum amount of self-regulation in day to day working of the industry consistent with the requirements of prudential regulation.

**Functions of IRDA**

Section 14 of IRDA Act, 1999 lays down the duties, powers and functions of IRDA

Subject to the provisions of this Act and any other law for the time being in force, the Authority shall have the duty to regulate, promote and ensure orderly growth of the insurance business and re-insurance business.

Without prejudice to the generality of the provisions contained in sub-section (1), the powers and functions of the Authority shall include,

issue to the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel such registration;

protection of the interests of the policy holders in matters concerning assigning of policy, nomination by policy holders, insurable interest, settlement of insurance claim, surrender value of policy and other terms and conditions of contracts of insurance,

specifying requisite qualifications, code of conduct and practical training for intermediary or insurance intermediaries and agents

specifying the code of conduct for surveyors and loss assessors;

promoting efficiency in the conduct of insurance business;

promoting and regulating professional organisations connected with the insurance and re-insurance business;

levying fees and other charges for carrying out the purposes of this Act;

**Initiative of IRDA towards Consumer Awareness and Education:**

The press release issued on Thursday, 4<sup>th</sup> September 2014, by the Consumer Affairs Department of IRDA states that, Members of public have been receiving a lot of spurious calls in the name of officials of Insurance Regulatory and Development Authority making fictitious and fraudulent offers. IRDA had issued a public notice on January 29, 2014 cautioning members of public to not fall prey to such offers.

**Further, IRDA has informed public that:**

- IRDA does not involve directly or through any representative in sale of any kind of insurance or financial products.
- IRDA does not invest the premium received by insurance companies.
- IRDA does not announce any bonus for policyholders or insurers.
- IRDA has put in place Grievance Redressal Cell in Consumer Affairs Department, Integrated Grievance Management System and IRDA Grievance Call Centre to provide an alternate platform for registering grievances against insurers thereby facilitating resolution of customer grievances by insurers.
- IRDA or its officials dealing with Grievance Management do not make calls in relation to complaints lodged with IRDA as IRDA plays a facilitative role and does not adjudicate upon or investigate into such complaints
- Any person making any kind of transaction with such individuals / agents will be doing the same at their own risk.

IRDA has once again urged the public to remain alert and not to fall prey to frauds or scams perpetrated by miscreants who impersonate to be employees / officers of IRDA or other insurance companies. IRDA advised that if any member of the public notices such instances, he or she may lodge a police complaint giving full details, along with the details of the caller and telephone number from which the call was received, in the local police station.

**Registered insurers in India:**

Over last one and half decade a positive growth trend is seen in the registration of private insurers; a joint venture between a dominant Indian Company and foreign insurers. New players are capturing the market share of larger players as they have aggressive plans for network expansion with their foreign partners who are keen to capitalize on the enormous potential that is latent in the Indian insurance market. At the end of March 2015, there are 53 insurance companies operating in India; of which 24 are in the life insurance business and 28 in non-life insurance. Of these 53 companies, eight are in public sector - two specialised insurers, viz. ECGC and AIC, one in life insurance, four in non-life insurance and one in reinsurance. The remaining forty five companies are in the private sector.

**Table: 1 Registered Insurers in India (as on 31<sup>st</sup> March 2015)**

Types of Business	Public sector	Private sector	Total
Life insurance	1	23	24
Non-Life Insurance	*6	**22	28
Reinsurance	1	0	1
Total	8	45	53

\* Includes Specialised insurance companies – ECGC and AIC.

\*\* Includes 5 Standalone Health Insurance Companies - Star Health & Allied Insurance Co., Apollo Munich Health Insurance Co., Max Bupa Health Insurance Co., Religare Health Insurance Co., and Cigna TTK Health Insurance Co. Source: IRDA

Annual report 2014-15, pg no. 8

**Table: 2 Insurance Companies Operating In India LIFE INSURERS\***

Public Sector	Private Sector
1. Life Insurance Corporation of India	1. Aegon Religare Life Insurance Co. Ltd.
	2. Aviva Life Insurance Co. Ltd.
	3. Bajaj Allianz Life Insurance Co. Ltd.
	4. Bharti AXA Life Insurance Co. Ltd.
	5. Birla Sun Life Insurance Co. Ltd.
	6. Canara HSBC OBC Life Insurance Co. Ltd.
	7. DHFL Pramerica Life Insurance Co. Ltd.
	8. Edleweiss Tokio Life Insurance Co. Ltd.
	9. Exide Life Insurance Co. Ltd.
	10. Future Generali Life Insurance Co. Ltd.
	11. HDFC Standard Life Insurance Co. Ltd.
	12. ICICI Prudential Life Insurance Co. Ltd.
	13. IDBI Federal Life Insurance Co. Ltd.
	14. India First Life Insurance Co. Ltd.
	15. Kotak Mahindra Old Mutual Life Insurance Co. Ltd.
	16. Max Life Insurance Co. Ltd.
	17. PNB Met Life India Insurance Co. Ltd.
	18. Reliance Life Insurance Co. Ltd.
	19. Sahara Life Insurance Co. Ltd.
	20. SBI Life Insurance Co. Ltd.
	21. Shriram Life Insurance Co. Ltd.
	22. Star Union Dai-ichi Life Insurance Co. Ltd.
	23. TATA AIA Life Insurance Co. Ltd.

**NON-LIFE INSURERS\***

Public Sector	Private Sector
1. National Insurance Co. Ltd.	1. Bajaj Allianz General Insurance Co. Ltd.
2. New India Assurance Co. Ltd.	2. Bharti AXA General Insurance Co. Ltd.
3. Oriental Insurance Co. Ltd.	3. Cholamandalam MS General Insurance Co. Ltd.
4. United India Insurance Co. Ltd.	4. Future Generali India Insurance Co. Ltd.
Specialised Insurers	5. HDFC ERGO General Insurance Co. Ltd.
5. Agriculture Insurance Co. Ltd.	6. ICICI Lombard General Insurance Co. Ltd.

6. Export Credit Guarantee Corporation Ltd.	7. IFFCO Tokio General Insurance Co. Ltd.
	8. L & T General Insurance Co. Ltd.
	9. Liberty Videocon General Insurance Co. Ltd.
	10. Magma HDI General Insurance Co. Ltd.
	11. Raheja QBE General Insurance Co. Ltd.
	12. Reliance General Insurance Co. Ltd.
	13. Royal Sundaram Alliance Insurance Co. Ltd.
	14. SBI General Insurance Co. Ltd.
	15. Shriram General Insurance Co. Ltd.
	16. TATA AIG General Insurance Co. Ltd.
	17. Universal Sampo General Insurance Co. Ltd.
	Standalone Health Insurers
	18. Apollo Munich Health Insurance Co. Ltd.
	19. Cigna TTK Health Insurance Co. Ltd.
	20. Max Bupa Health Insurance Co. Ltd.
	21. Religare Health Insurance Co. Ltd.
	22. Star Health and Allied Insurance Co. Ltd.
RE - INSURER* General Insurance Corporation of India	

\* As on 31st March, 2015

Source: IRDA Annual report 2014-15, Annexure-I, Pg. no. 149, 150

**Gross Direct Premium Income Underwritten (Non Life Insurers) upto month of March, 2016 (₹ in Crores)**

Insurers	March		Growth of March '16 over March '15	Cumulative upto March		% growth upto March '16 over the period upto March '15
	2015-16	2014-15		2015-16	2014-15	
Private Sector	3,928.07	3,524.83	11.4%	39,701.12	35,090.06	13.1%
Public Sector	5,101.19	4,550.92	12.1%	47,717.36	42,550.97	12.1%
Standalone Health	623.93	488.18	39.2%	4,153.77	2,942.56	41.2%
Specialised	366.65	543.07	-32.5%	4,830.12	4,102.10	17.7%
Grand Total	10,019.84	9,067.00	10.5%	96,402.37	84,685.69	13.8%

**IRDA and various insurance sectors:**

**Regulation of Insurance Sector:** Since the benefit of insurance can be reaped only if appropriate products are sold; IRDA has issued guidelines on "File and Use" of products both in life and non-life insurance. In terms of these guide-

lines every insurer is required to seek approval of products by making an application to IRDA. Along with the application, the insurer should furnish specimen policy bond, specimen proposal forms, specimen sales literature and statement of financial projections. Similar procedure has to be followed for change in terms and conditions. Even in case an insurer wants to withdraw a product, it can do so only after informing IRDA and giving reasons for withdrawal. These guidelines ensure that only approved products are sold to public. Thus, there is impact of IRDA in the overall regulation of the India Insurance sector.

**Policyholders' Interests' Protection:** IRDA (Protection of Policyholders' Interests') Regulations, 2002 protects the interests of prospects and policyholders. The framework of Regulations contain procedure to be followed at the point of sale; disclosures to be made in life and non-life insurance policy document, claim procedures and Turn Around Time (TATs) for various functions under policy servicing. Thus, it is clear that the impact of IRDA over policyholders' interests' protection is significant.

**Grievance Redressal:** Grievance Redressal Guidelines of IRDA mandate that all insurers should have a Board approved grievance redressal policy, designate a Grievance Redressal Officer at the senior management level at the Head Office / Corporate Office / Principal Office and a Grievance Redressal Officer at every other office and constitute a Policyholder Protection Committee as per the Corporate Governance Guidelines for receiving and analyzing reports relating to grievances. The guidelines mandate each insurer to put in place automated systems for online registration and tracking of complaints as well as systems of receiving grievances by call or emails and integrate these systems with IRDA. Further, the guidelines contain timelines for various activities relating to grievances like acknowledgement, redressal, closure etc.

**Selection Procedure of Insurance Agent:** Since insurance is a subject matter of solicitation; intermediaries such as, individual insurance agents, corporate agents, insurance brokers, web aggregators and insurance marketing firms, are involved in soliciting insurance. IRDA has issued regulation for licensing persons or institutions engaged in prospecting and sale of insurance products to ensure that they should be eligible and they disseminate the requisite information in respect of insurance products offered for sale, understand the policy being sold and should be capable of making suitable advice based on the customer needs so that the policy offered / sold meets the requirements of the prospect. They are also required to provide "after sales service" like renewal, assistance in claim making, etc.

**Consumer Education:** Insurance, being a complex financial product, requires special knowledge to understand the nature of insurance products, their utility and the terms and conditions. The consumer education initiatives of IRDA are aimed at ensuring that the consumer identifies his needs, understands the insurance products and the risks involved therewith so that he takes an informed decision while purchasing insurance.

**Awareness to Insurance:** To increase the awareness among the public, mostly rural public, Insurance awareness campaigns by IRDA are carried out through all possible channels including print and electronic media, radio / television, internet, seminars, social websites, etc. In order to enhance the reach of the material, IRDA has launched a Hindi site and also prepared the books in major regional languages so that the information can be made available to the people across the country in the language of their choice.

**Financial Literacy:** The level of insurance penetration and density is very low in India because the people are not aware about insurance products and the benefits they would derive from them. The main reason behind this can be said as lack of awareness. IRDA has embedded insurance awareness and consumer education in its regulatory framework, as financial

literacy and consumer awareness are essential components of financial inclusion. The objective of these initiatives is to educate general public about the benefits of insurance, how to select an insurance product and to educate them about the grievance redress mechanism in case they are not satisfied with the services provided and have a complaint against financial service providers.

**Sale /Advertising of Insurance products:** IRDA (Advertisement and Disclosure) Regulations, 2000 and other guidelines relating to advertisements are aimed at ensuring that any communication (including that on the internet) which directly or indirectly results in eventual sale or solicitation of policy should not be unfair or misleading but should contain fair information about the product on offer so that the customer can take an informed decision about choosing the insurance product according to his need.

**Number of Insurers:** Insurance market in India is one of the largest markets in the world with lower penetration and vast scope for development. Thus, there are numerous opportunities of development which can be encashed by the private players who have a financial backup of the foreign collaborating partners. With the introduction of IRDA, as a regulator and a watch keeper of the industry, private players got an opportunity to deal with insurance products in the Indian Insurance Market. This is why the number of insurers is increasing gradually.

**Monitoring of Re-insurance:** To maintain solvency, to ensure that clauses are honoured as and when they arise and to enable it to operate within the constraints of its financial strength, reinsurance program is necessary for every insurer which is approved from its Board. These measures highlight the importance of adequate and efficient reinsurance arrangements for an insurance company.

#### Conclusion:

Establishment of IRDA has brought about revolutionary changes in Insurance sector. In the last 10 years of its establishment insurance industry in India has seen tremendous growth. Before IRDA's establishment LIC single handily ruled life insurance sector and satisfied the needs of its customers, whereas GIC and its 4 subsidiaries were the sole players in non-life insurance. With advent of IRDA and opening of insurance sector for private insurers, the number on insurers increased to 24 for life and 28 for non-life insurance. Role of IRDA is very prominent in growth in insurance penetration and density, increase in number of insurers, number of policies issued, speed of claims settlement and many more aspects. It can be said that IRDA has been successful in dealing with the discrepancies in this sector and has very well supervised and controlled the business of entire insurance industry.

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