

# IRDAI – A Regulator Of Insurance Business

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**Abstract-** The Insurance Regulatory and Development Authority of India (IRDAI) is independent and supreme body that governs and supervises the Insurance business in India. Its key responsibility is to protect the rights of policyholders. The IRDAI is extending support to the delegates of developing/ less developed countries in the form of providing technical inputs based on their requirement, with an objective to improve and enhance their knowledge on various aspects of Insurance. In order to create awareness, this paper tries to state a detailed explanation about IRDAI's supervisory role, including its functions, duties and responsibilities. It also describes the organisational structure and functioning of IRDAI.

**Keywords:** IRDAI, Statutory Body, Ombudsman, Tariff Advisory Committee, Insurers

## 1. INTRODUCTION

A well-developed and evolved insurance sector is a boon for economic development as it provides long-term funds for infrastructure development at the same time strengthening the risk taking ability of the country. Insurance sector was deregulated in 1999 with the way of Insurance Regulatory and Development Authority Bill in December 1999. Prior to the deregulation era there were six firms, namely, Life Insurance Corporation, National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd and the United India Insurance Company Ltd and General Insurance Corporation catering to insurance needs of the country. After deregulation, 53 players, comprising 6 public and 47 private are in the fray. Two legislations govern the insurance sector: The Insurance Act 1938 and Insurance Regulatory and Development Authority Act 1999. Under the current guidelines there is 49% equity cap for foreign partners in an insurance company. IRDAI established by IRDAI Act 1999, with a view to promote the interest of policyholders. It started functioning on 19 April 2000 with one chairperson, four full time members and two part time members.

The Insurance Regulatory and Development Authority of India (IRDAI) was organized as an autonomous body to regulate and develop the Indian Insurance industry. The IRDA was incorporated as a statutory body in April, 2000 following the opening of the Insurance sector for private participation. The key objectives of the IRDA include promotion of Insurance sector and also to enhance customer satisfaction through increased consumer choice, while ensuring the financial security of the Insurance market.

The IRDAI has been extending support to the delegates of developing/ less developed countries in the form of providing technical inputs based on their requirement, with an objective to improve and enhance their knowledge on various aspects of Insurance.

## Objectives Of The Study

The main objectives of the present study are:

1. To study the supervisory role of the IRDAI.
2. To know the organisational structure and operational activities of IRDAI.

## 2. METHODOLOGY

The study entitled "IRDAI- A Regulator of Insurance Business" is based on secondary data. The sources of data were collected from annual reports of the IRDA, articles and related websites.

## IRDAI

- To protect the interest of and secure fair treatment to policyholders;
- To bring about speedy and orderly growth of the insurance industry (including annuity and superannuation payments), for the benefit of the common man, and to provide long term funds for accelerating growth of the economy;
- To set, promote, monitor and enforce high standards of integrity, financial soundness, fair dealing and competence of those it regulates;
- To ensure speedy settlement of genuine claims, to prevent insurance frauds and other malpractices and put in place effective grievance redressal machinery;

- 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;
- To take action where such standards are inadequate or ineffectively enforced;
- To bring about optimum amount of self-regulation in day-to-day working of the industry consistent with the requirements of prudential regulation.

### **3. SUPERVISORY ROLE OF IRDAI**

According to Section 14 of IRDAI Act, 1999 lays down the duties, powers and functions of IRDAI. In accordance with 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. IRDAI as a regulator includes the following powers and functions such as:

- Regulation, promotion and ensuring orderly growth of the insurance business and re-insurance business;
- Issuance to the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel such registration;
- Protection of the interests of the policy holders;
- Specifying mandatory 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 industry;
- Promoting and regulating professional institutes connected with the insurance and re-insurance business;
- Imposing fees and other charges for carrying out the purposes of this act;
- Calling for information from, undertaking inspection of, conducting enquiries and investigations including audit of the insurers, intermediaries, insurance intermediaries and other organisations connected with the insurance sector;
- Control and regulation of the rates, returns, terms and conditions that may be offered by insurers in respect of general insurance business not so controlled and regulated by the tariff advisory committee under section 64u of the insurance act, 1938 (4 of 1938);
- Specifying the form and manner in which books of account shall be maintained and

statement of accounts shall be rendered by insurers and other insurance intermediaries;

- Regulating investment of funds by insurance companies; regulating maintenance of margin of solvency;
- Adjudication of arguments between insurers and intermediaries or insurance intermediaries;
- Administering the functioning of the tariff advisory committee;
- Specifying the percentage of premium income of the insurer to finance schemes for promoting and regulating professional organizations referred to in clause (f);
- Stating the percentage of life insurance business and general insurance business to be undertaken by the insurer in the rural or social sector;
- And exercises any other powers as may be prescribed.

### **4. ORGANISATIONAL STRUCTURE OF IRDAI**

#### **Composition of IRDAI**

As per the section 4 of IRDAI Act' 1999, Insurance Regulatory and Development Authority of India (IRDAI, which was constituted by an act of parliament) specify the structure of Authority, who are appointed by the Government of India. It is a ten member team consisting of;

- a) a Chairman;
- b) five whole-time members;
- c) four part-time members,

#### **Irdia's Head Office And Regional Offices**

IRDAI's Head Office is at Hyderabad that carries all the major activities of IRDAI including ensuring financial stability of insurers and observing market conduct of various regulated entities.

IRDAI's Regional Offices are at New Delhi & Mumbai. The Regional Office, New Delhi focuses on spreading consumer awareness and handling of Insurance grievances besides providing required support for inspection of Insurance companies and other regulated units located in the Northern Region. This office is functionally liable for licensing of Surveyors and Loss Assessors. Regional Office at Mumbai handles similar activities, as in Regional Office Delhi, pertaining to Western Region.

#### **Entities Regulated By Irdai**

1. **Life Insurance Companies** - Both public and private sector Companies
2. **General Insurance Companies** - Both public and private sector Companies which consists of some standalone Health Insurance

Companies offering health Insurance policies.

3. **Re-Insurance Companies**
4. **Agency Channel**
5. **Intermediaries** which include the following:
  - Corporate Agents
  - Brokers
  - Third Party Administrators
  - Surveyors and Loss Assessors.

**Registered Insurers In India**

**TABLE 3. REGISTERED INSURERS**

Type of Insurer	Public sector	Private sector	Total
Life	1	23	24
General	6	21	27
Health	0	6	6
Re-insurers (including Foreign Reinsurers Branches/ Lloyd's India)	1	10	11
<b>Total</b>	<b>8</b>	<b>60</b>	<b>68</b>

Source: IRDAI Annual report 2017-18

At the end of March 2018, there are 68 insurers operating in India; of which 24 are life insurers, 27 are general insurers, 6 are Standalone health insurers entirely doing health insurance business and 11 are re-insurers including foreign re-insurers branches and Lloyd’s India. Of the 68 insurers presently in operation, eight are in the public sector and the remaining sixty are in the private sector. Two specialized insurers, namely ECGC and AIC, one life insurer namely LIC of India (LIC), four in general insurance and one in reinsurance namely GIC Re. are in public sector. 23 life insurers, 21 general insurers, 6 standalone health insurers and 10 reinsurers including foreign reinsurers’ branches and Lloyd’s India are in private sector. It is determined that since the establishment of the IRDA the no. of life and non-life insurance insurers registered have been increasing and started their business in insurance arena. Most of the private players in the Indian insurance industry are a joint venture between a dominant Indian company and foreign insurers.

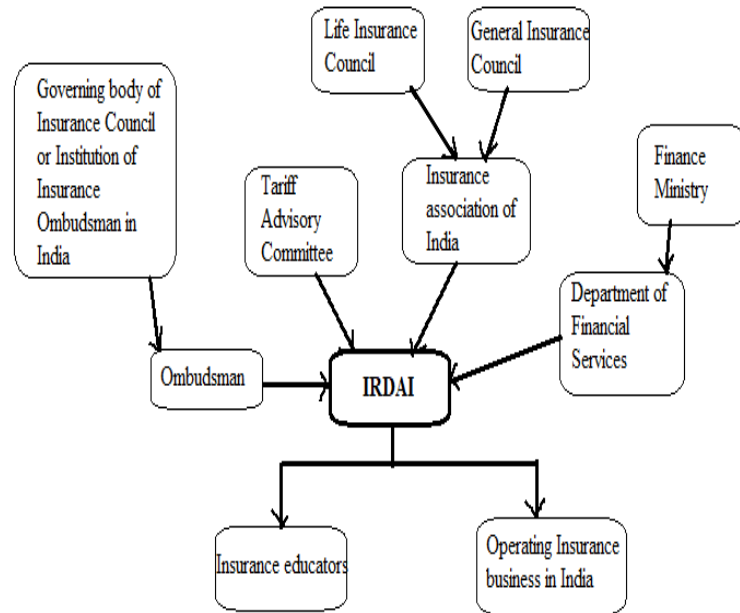


Figure-1. Functioning of Insurance Regulatory and Development authority of India

**5. SELF-REGULATORY BODIES**

**Tariff Advisory Committee:**

The Tariff Advisory Committee is a body corporate, which controls and regulates the rates, advantages, terms and conditions presented by insurers in the general insurance business. The Advisory Committee has the right to require any insurer to supply such information or statements necessary for discharge of its functions.

**Insurance Association of India, Councils and Committees:**

All insurers and provident societies incorporated or domiciled in India are members of the Insurance Association of India and if it is elsewhere other than in India are associate members of the Insurance Association. There are two councils of the Insurance Association, namely the Life Insurance Council and the General Insurance Council.

The Life Insurance Council, through its Executive Committee, conducts examinations for individuals wishing to qualify themselves as insurance agents. It also fixes the limits for actual expenses by which the insurer carrying on life insurance business or any group of insurers can exceed from the prescribed limits under the Insurance Act. Likewise, the General Insurance Council, through its Executive Committee, may fix the limits by which the actual expenses of management incurred by an insurer carrying on general insurance business may exceed the limits as prescribed in the Insurance Act.

**Insurance Ombudsman:**

The Ombudsman are appointed in accordance with the Redressal of Public Grievances Rules, 1998 to tenacity all complaints relating to settlement of claims on the part of insurance companies in a cost effective, efficient and effective manner. Any individual who has a grievance against an insurer may make a complaint to an Ombudsman within his jurisdiction, in the manner specified.

#### **Department of Financial Services**

The Department of Financial Services (DFS) supervises several key programs/initiatives and reforms of the Government concerning the Banking Sector, the Insurance Sector and the Pension Sector in India. Initiatives and reforms relating to Financial Inclusion, Social Security, and Insurance as a Risk Transfer mechanism; Credit Flow to the key sectors of the economy/ farmers/ common man are some of the key focus areas being dealt by the Department.

#### **6. CONCLUSION**

The growth Performance of the insurance business has been increased tremendously since the establishment of IRDA in India, which supervise and controlled the entire insurance industry. This authority has more functions to play in the insurance sector, which has insurance advisory committees like Tariff Advisory Committee, Department Of Financial Services, Ombudsman and Insurance Association of India. The no. of registered life insurer and non-life insurer has been increasing from one and half decades after the establishment of IRDAI. The private sector insurers have shown more significant development than public sector.

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