Lecture

INSTITUTE OF ACTUARIAL
& QUANTITATIVE STUDIES

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Chapter: Unit 3 Chapter 3

Chapter Name: Legislation

Today's Agenda

1. Regulatory Authorities

2. Insurance Regulatory & Development Authority of India (IRDAI)
   a. Functions

3. Tariff Advisory Committee

4. Insurance Association of India
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      ii. Functions

5. Ombudsman

1 Regulatory authorities

- Insurance Regulatory & Development Authority
- Tariff Advisory Committee
- Ombudsman
- Insurance Association of India, Councils and Committees

2 IRDAI

- The **Insurance Regulatory and Development Authority of India** (IRDAI) is a regulatory body under the jurisdiction of Ministry of Finance , Government of India and is tasked with regulating and licensing the insurance and re- insurance industries in India.

- It was constituted by the Insurance Regulatory and Development Authority Act, 1999, an Act of Parliament passed by the Government of India.

- The powers and functions of the Authority are laid down in the IRDAI Act, 1999 and Insurance Act, 1938. The key objectives of the IRDAI include promotion of competition so as to enhance customer satisfaction through increased consumer choice and fair premiums, while ensuring the financial security of the Insurance market.

2.1 Functions - IRDAI

- Issuing, renewing, modifying, withdrawing, suspending or cancelling registrations
- Specifying qualifications, the code of conduct and training for intermediaries, agents, surveyors and loss assessors
- Promoting efficiency in the conduct of insurance businesses
- Promoting and regulating professional organizations connected with the insurance and re-insurance industry
- Regulating rates, advantages, terms and conditions which may be offered by insurers not covered by the Tariff Advisory Committee under section 64U of the Insurance Act, 1938 (4 of 1938)
- Regulating a margin of solvency
- Adjudicating disputes between insurers and intermediaries or insurance intermediaries
- Supervising the Tariff Advisory Committee
- Specifying the percentage of premium income to finance schemes for promoting and regulating professional organizations
- Specifying the percentage of life and general insurance business undertaken in the rural or social sector
- Specifying the form and the manner in which books of accounts shall be maintained, and statement of accounts shall be rendered by insurers and other insurer intermediaries

3 Tariff Advisory Committee

- The Tariff Advisory Committee (“Advisory Committee”) is a body corporate, which controls and regulates the rates, advantages, terms and conditions offered by insurers in the general insurance business. The Advisory Committee has the authority to require any insurer to supply such information or statements necessary for discharge of its functions. Any insurer failing to comply with such provisions shall be deemed to have contravened the provisions of the Insurance Act.

- Every insurer is required to make an annual payment of fees to the Advisory Committee of an amount not exceeding in case of reinsurance business in India, one percent of the total premiums in respect of facultative insurance accepted by him in India; and in case of any other insurance business, one percent of the total gross premium written direct by him in India.

4 Insurance Association of India

All insurers and provident societies incorporated or domiciled in India are members of the Insurance Association of India (“Insurance Association”) and all insurers and provident societies incorporated or domiciled elsewhere than in India are associate members of the Insurance Association.

There are two councils of the Insurance Association, namely

1. The Life Insurance Council
2. The General Insurance Council.

4.1 The Life Insurance Council

- Life Insurance Council is a forum that connects the various stakeholders of the sector. It develops and coordinates all discussions between the Government, Regulatory Board and the Public.

- Constituted under Sec.64C of Insurance Act 1938, the Life Insurance Council functions through several sub-committees and includes all life insurance companies in India. In total, there are 24 life insurers who offer a variety of traditional and new innovative products.

- It’s objective is to play a significant and complementary role in transforming India's life insurance industry into a vibrant, trustworthy and profitable service, helping people in their journey to prosperity.

4.1.1 Functions - The Life Insurance Council

- To function as an active forum to aid, advise and assist insurers in maintaining high standards of conduct and service to policyholders.
- Interact with the Government and other bodies on policy matters.
- Actively participate in spreading insurance awareness in India.
- Take steps to develop education and research in insurance.
- Help India enjoy the benefits of global practices.
- 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.

4.2 The General Insurance Council

- The General Insurance Council has been constituted under section 64C of the Insurance Act, 1938 since 2001 by the Insurance Regulatory and Development Authority of India (IRDAI).

- The General Insurance Council is an important link between the Insurance Regulatory and Development Authority of India and the non-Life insurance industry. It also pushes for the Industry's issues with the Government.

- While the Council plays the role envisaged for it by the Insurance Act, it also facilitates overall growth for the industry in a fair and equitable manner in the interest of all stake holders.

4.2.1 Functions - The General Insurance Council

a) **Main Objects**

- To aid, advise and assist insurers carrying on general insurance business in the matter of setting up equitable and clear standards of conduct and sound practice and in the matter of rendering efficient service to holders of General Insurance policies.
- To render advice to the Authority in the matter of controlling the expenses of insurers in respect of their General Insurance business in India.
- To bring to the notice of the Authority, the case of any insurer acting in a manner prejudicial to the interests of the holders of general insurance policies.
- To bring about better co-ordination and cohesion in the general insurance industry.
- To promote awareness about the role and benefits from general insurance.

4.2.1 Functions - The General Insurance Council

b) Objects incidental or ancillary to the attainment of the main objects:

- To promote, sponsor and support programmes and activities, and to take action including submitting memoranda, representations and campaigns necessary for maintaining a positive image of the General Insurance industry through media, forums and opinion makers and enhance the level of consumer confidence in the industry.
- To study, analyze and represent to Government of India, State Governments, Regulator or any other Authority to maintain and enhance, development, growth and expansion of the General Insurance sector or any other matters related to the General Insurance business in India.
- To promote and facilitate research and development in all branches and related activities of General Insurance business.
- To evolve and recommend innovative procedures and solutions for legal, technical, managerial or professional activities in the General Insurance business.
- To act as a clearing house for data collection, storage, dissemination and exchange of data, procedures and practices to be adopted in General Insurance business, etc

4.2.1 Functions - The General Insurance Council

- The income and the property of the Council, whensoever derived shall be applied solely for the promotion of the objects set forth herein read with the provisions of the Act. The income / surplus funds of the Council shall not be distributed to the Members under any circumstances. However, the Council may decide not to collect fees for any year under the provisions of Section 64L(2) of the Act.

- Proper and complete accounts shall be kept of all the sums of money received and expended by the Council/Committee and the matters in respect of which such receipts and expenditures takes place, and of property, credit and liabilities of the Council; and, subject to any reasonable restrictions as to the time and manner of inspecting the same that may be imposed in accordance with the regulations of the Council for the time being in force, the accounts shall be open for inspection by Members.

5 Ombudsman

- The Ombudsman are appointed in accordance with the Redressal of Public Grievances Rules, 1998, to resolve all complaints relating to settlement of claims on the part of insurance companies in a cost-effective, efficient and effective manner.

- The Ombudsman are also empowered to receive and consider any partial or total repudiation of claims by an insurer, any dispute in regard to the premium paid in terms of the policy, any dispute on the legal construction of the policies in as much such a dispute relates to claims, delay in settlement of claims and the non-issue of any insurance document to customers after receipt of premium.

- The Ombudsman act as a counsellor and mediator and make recommendations to both parties in the event that the complaint is settled by agreement between both the parties