



# Insurance Regulatory and Development Authority

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# IRDA Act

- In order to control private sector insurance companies, the Government of India passed the IRDA Act (Insurance Regulatory and Development Authority Act, 1999) which enabled it to regulate the private sector companies in insurance business. What was the sole monopoly of the LIC is now thrown open to the private sector for covering the life and property of individuals. Now, the IRDA controls the entire insurance business in India.

# Establishment of IRDA

- The Insurance Regulatory and Development Authority of India was established on the recommendations made by the *Malhotra Committee* in its report. This committee was headed by Mr. R.N. Malhotra (retired Governor of the Reserve Bank of India). It was finally set up at New Delhi on April 2000, but later on, it was shifted to Hyderabad, Telangana in 2001. The main recommendation made by this committee was to allow the entrance of private sector companies and foreign promoters and independent regulatory authority for the Insurance sector in India.

# IRDAI's Head Office is at Hyderabad

- All the major activities of IRDAI including ensuring financial stability of insurers and monitoring market conduct of various regulated entities is carried out from the Head Office.

# 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 entities located in the Northern Region. This office is functionally responsible for licensing of Surveyors and Loss Assessors. Regional Office at Mumbai handles similar activities, as in Regional Office Delhi, pertaining to Western Region.

# Objectives of IRDA

- To carry forward the interests of the policyholders.
- To uphold the development of the Insurance industry.
- To ensure speedy resolution of claims.
- To prevent frauds and malpractices.
- To ensure fair conduct on the part of the financial market and transparency when dealing with insurance.

# Composition of IRDA

- One chairperson and not more than 9 members of whom not more than 5 would be full time members and they are appointed by the government. Those who have experience in life and general insurance, actuarial service, finance, economics etc., are appointed.

# Powers of IRDA

1. All insurance companies have to register with IRDA compulsorily.
2. Companies can undertake only insurance business.
3. The capital structure of the companies will be determined by IRDA.
4. Companies have to deposit with RBI the amount stipulated by IRDA.
5. Accounts and balance sheets of companies have to be submitted to IRDA.
6. Insurance companies have to appoint actuaries and they will value the liabilities of the insurance companies and report the same to IRDA.
7. Investment of assets will be prescribed by IRDA in the form of approved securities.



8. The nature of general insurance business will be prescribed by IRDA.

9. Statements of investment assets to be submitted to IRDA every financial year.

10. All insurance companies have to devote certain percentage of their business including insurance for crops. This should cover unorganized sector including the economically weaker sections.

11. The appointment of chief executive officer requires prior permission of the IRDA.

12. All insurance agents must obtain license from IRDA.

13. IRDA has powers for levying penalty on companies which fail to comply with the rules and regulations.

# Duties of IRDA

## **1. Regulates insurance companies**

The working of insurance companies will be regulated in the following aspects

the persons to be employed,

the nature of business,

covering of risks,

terms and agreements for covering risks etc., will be prescribed by IRDA.

## **2. Promotes insurance companies**

Corporate set-up is a must for establishing an insurance company and they have to submit periodical reports to IRDA. Different kinds of policies and different types of insurance are also suggested by IRDA to these insurance companies.

## **3. Ensures growth of insurance and reinsurance companies**

Here, the promotion of new companies is encouraged. Even banks are also permitted to promote insurance companies as a subsidiary.

# Functions of IRDA

1. Issuing certificate of registration.
2. protecting the interest of policy holders.
3. issuing license to agents.
4. Specifying code of conduct for surveyors and loss assessors.
5. Promoting efficiency in the insurance business.
6. Undertaking inspection, conducting enquiries etc., on insurance companies.
7. Control and regulations of rates, terms and conditions by insurance company to policy holders.
8. Adjudication of disputes between insurance company and others in the insurance business.
9. Fixing the percentage of insurance business to rural and social sectors.

# Role of IRDA

- To ensure interests and fair treatment to the insurance policy holders.
- To ensure the development of the insurance industry or sector and to impart benefits to people and long-term funds to increase the growth of the economy.
- To promote and apply high standards of integrity, fair dealing, the ability of all those companies that it administers.
- To ensure clarity and accuracy while contracting with the insurance policyholders. The Authority has to ensure that true information has been rendered regarding products and services. Also, to make policyholders aware of the different plans and policies that are being implemented by the Insurance sector.
- To provide speedy trials in case of disputes and to prevent fraud or any other misconduct.
- To initiate new standards where they are needed or where there is lack of such standards.
- To promote self-regulation in daily activities with the necessary regulations

# Effects of Insurance Regulatory and Development Authority

## I. Effects over-regulation of Insurance Sector

- IRDA has a huge impact on the Insurance sector of India. The Authority has to keep a close check on the Insurance sector to ensure that the interests of the policyholders remain intact. It regulates every activity of the insurance sector.
- Effects over Policyholders Interests Protection
- The main purpose of this Authority is to protect the interests of the policyholders and it has kept up with its purpose.
- Effects over Awareness to Insurance
- The IRDA, in order to ensure that the interests of the policyholders are protected, has to make sure that policyholders are aware of all the latest policies and plans of the Authority that would benefit them.

## II. Effects over Insurance Market

- There is a great transformation in the market due to the effects of the Insurance Regulatory and Development Authority be it with respect to marketing, insurance products, competitions and customer awareness.

## III. Effects over Development of Insurance Product

- In order to ensure the growth of the insurance market, IRDA has to introduce new methods that would help in increasing its efficiency. The development of Unit-Linked Insurance Plans is the result of privatization of the insurance sector, a step taken by the Insurance Regulatory and Development Authority of India.

## IV. Effects over Competition in the Insurance Sector

- Initially, when there was no privatisation there was no competition. The different companies in the Insurance sector had to compete amongst themselves. But, after the advent of privatization of the Insurance sector the competition has increased, now it means international competition. It has increased the level of competition.

## V. Effects over Government Responsibility

- It is because of the Insurance Regulatory and Development Authority (IRDA) that the government is doing everything possible to ensure uniformity, accountability and responsibility in the Insurance sector.

## VI. Effects over Banks and Post Offices

- Insurance has resulted in giving security against any kind of uncertainties or risks, so the Insurance sector has become a popular medium for savings and investments. Thus, the Insurance Regulatory and Development Authority has helped in diverting the flow of funds from banks and post offices to the insurance industry.

## VII. Effects over individual Life's

- Now, because of the awareness created by the Insurance Regulatory and Development Authority and the policies introduced by it has resulted in a great impact on the life of an individual.

## VIII. Effects over Share Market

- Since the Insurance Regulatory and Development Authority has introduced Unit-Linked Insurance plans (an insurance plan in which the policyholders get investment and insurance in a single plan) more and more people are trying out the plan. Therefore, with the help of insurance products can now be raised more easily for the companies and has attached many persons indirectly with the activities of the share market.

## IX. Effects over the Economy of India

- Insurance Regulatory and Development Authority effects over the economic development of the country because money invested by the investors or the individuals in various types of insurance products has channelized the funds of a country for a non-economic activity to economic activity and has made available to the government of a country in order to implement the various developmental activities in the country.



# IRDA Complaint

- In case the insurer is not happy with the workings of the insurance, then he can seek redressal by following the steps mentioned below:
- Step 1 – file your complaint in writing and attach the required documents
- Step 2 – take a written acknowledgement of your complaint with the date
- The insurance company is supposed to resolve the problem of the applicant within 15 days from the date of filing the complaint. In case, the applicant is not satisfied with the redressal, then, in that case, he can approach the Grievance Redressal Officer of its branch or any other office that he can deal with.
- Send an email to [complaint@irda.gov.in](mailto:complaint@irda.gov.in) to approach the Grievance Redressal Cell of the Consumer Affairs Department of IRDA.
- By using an Integrated Grievance Management System the applicant can register and track the complaint at [www.igms.irda.gov.in](http://www.igms.irda.gov.in).
- The applicant can then send a letter or fax to the Insurance Regulatory and Development Authority with the complaint.



*Thank you*