A PROJECT REPORT ON

“ ROLE OF IRDA ON INSURANCE SECTOR OF INDIA ”

A Project Submitted to

University of Mumbai for Partial Completion of the Degree

of Bachelor in Commerce (Accounting and finance)

Under the Faculty of Commerce

By

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Under the Guidance of

‘ASST. PROF. DR. KISHOR CHAUHAN’

JNAN VIKAS MANDAL’S

Mohanlal Raichand Mehta College of Commerce

Diwali Maa College of Science

Amritlal Raichand Mehta College of Arts

Dr. R.T. Doshi College of Computer Science

NAAC Re-Accredited Grade 'A+' (CGPA : 3.31) (3rd Cycle)

Sector-19, Airoli, Navi Mumbai, Maharashtra 400708

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CERTIFICATE

This is to certify that **MR.TANMAY SHANTARAM SAWANT** has worked and duly completed his Project work for the degree os Bachelor in Commerce (Accounting and Finance) under the Faculty of Commerce in the subject of **ACCOUNTING FINANCE** and his project is entitled, **"ROLE OF IRDA ON INSURANCE SECTOR OF INDIA"**. Under mysupervision.

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any Degree or Diploma of any University.

It is his own work and fact reported by her personal finding and investigations.

Guiding Teacher,

ASST. PROF. DR. KISHOR CHAUHAN.

Date of submission:

DECLARATION

I the undersigned **MR.TANMAY SHANTARAM SAWANT** here by, declare that the work embodied in this project work titled **"ROLE OF IRDA ON INSURANCE SECTOR OF INDIA"**, forms my own contribution to the research work carried out by me under the guidance of **ASST. PROF. DR. KISHOR CHAUHAN** is a result of my own research work and has beenpreviously submitted to any other University for any other Degree/ Diploma to this or any other University.

Wherever reference has been made to previous works of others, it has been clearly indicated as such and included in the bibliography.

I, here by further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct.

(TANMAY SHANTARAM SAWANT)

Certified by:

ASST. PROF. DR. KISHOR CHAUHAN.

ACKNOWLEDGEMENT

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CHAPTER 1

Introduction of Insurance

Insurance is a means to protect the economic value of assets. It is a method of spreading over a large number of persons, a possible financial loss, which cannot be borne by an individual. The occurrences which cause any damage to the assetsare called perils. The damage that these perils may cause to the assets is called risk that the asset is exposed to. The concept of risk is integral to the concept of insurance. The risk means, that there is a probability of loss to an assets. Whetherthe loss will actually occur is not certain. It is the uncertainty that gives risk to therisk. If there is no risk, there is no need for insurance. Life insurance exists because there is uncertainty regarding the timing and manner of death; though itis certain.

Some assets have a value because of their income-generating capacity. Some assets may not generate an income but they have a value because of certain needs, which they fulfill. Loss of any asset could result in the loss of income or lossin the value of asset. When the asset performs as expected, the owner could manage his affairs easily and his income or value is not lost. However, when the asset is lost, damaged or destroyed or made non-functional, the owner will suffer losses because his income will be reduced or lost. Insurance is a mechanism through which assets are protected against the risk of damage or destruction.
Thus, the owners of the assets can cope with the economic consequences of suchevents. Human being is considered as an generating asset.

Insurance is a financial service. It is pooling of risks. In a contract of insurance, theinsurer undertakes in consideration of a sum of money to make good the loss suffered by the insured against a specified risk or any other contingency. There are two parties to an insurance contract, insurance company and insured party.
The document laying down the terms of the contract is called insurance policy.

The property which is insured is the subject matter of insurance. It may be insured against loss arising from uncertain events in the form of destruction or damage to the property or death or disablement of a person. The interest, whichthe insured has in the subject matter of insurance, is known as insurable interest.Depending upon the subject matter, the types of insurance are life insurance andgeneral insurance. In case of Life insurance a specified amount becomes payable on the death of the insured or upon the expiry of a specified period. General insurance covers losses caused by fire, accident and marine adventures.

Definitions:

1) Insurance is a contract between the insurer and the insured under which theinsurer undertakes to compensate the insured for the loss arising from the risk insured. In consideration the insured agrees to pay a premium regularly.

2) Insurance is a financial arrangement that redistributes the cost of unexpectedlosses.

3) According to Miller, "Insurance is a social device whereby the uncertain risks ofindividuals may agree to combine in a group and thus make certain small periodiccontributions by the individuals, providing fund out of which those who suffer losses may be reimbursed."

Indian View

In India, insurance has a deep-rooted history. It finds mention in the writings of Manu (Manusmrithi), Yagnavalkya (Dharmasastra) and Kautilya (Arthasastra). Thewritings talk in terms of pooling of resources that could be re-distributed in timesof calamities such as fire, floods, epidemics and famine. This was probably a pre- cursor to modern day insurance. Ancient Indian history has preserved the earliesttraces of insurance in the form of marine trade loans and carriers' contracts.
Insurance in India has evolved over time heavily drawing from other countries,England in particular.

1818 saw the advent of life insurance business in India with the establishment of the Oriental Life Insurance Company in Calcutta. This Company however failed in 1834. In 1829, the Madras Equitable had begun transacting life insurance businessin the Madras Presidency. 1870 saw the enactment of the British Insurance Act and in the last three decades of the nineteenth century, the Bombay Mutual (1871), Oriental (1874) and Empire of India (1897) were started in the Bombay Residency. This era, however, was dominated by foreign insurance offices which did good business in India, namely Albert Life Assurance, Royal Insurance, Liverpool and London Globe Insurance and the Indian offices were up for hard competition from the foreign companies. In 1914, the Government of India started publishing returns of Insurance Companies in India. The Indian Life Assurance Companies Act, 1912 was the first statutory measure to regulate life business. In 1928, the Indian Insurance Companies Act was enacted to enable the Government to collect statistical information about both life and non-life businesstransacted in India by Indian and foreign insurers including provident insurance societies. In 1938, with a view to protecting the interest of the Insurance public, the earlier legislation was consolidated and amended by the Insurance Act, 1938 with comprehensive provisions for effective control over the activities of insurers.

The Insurance Amendment Act of 1950 abolished Principal Agencies. However, there were a large number of insurance companies and the level of competitionwas high. There were also allegations of unfair trade practices. The Governmentof India, therefore, decided to nationalize insurance business.

An Ordinance was issued on 19th January, 1956 nationalizing the Life Insurance sector and Life Insurance Corporation came into existence in the same year. The

LIC absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies-245Indian and foreign insurers in all. The LIC had monopoly till the late 90s when the Insurance sector was reopened to the private sector.

The history of general insurance dates back to the Industrial Revolution in the west and the consequent growth of sea-faring trade and commerce in the 17th century. It came to India as a legacy of British occupation. General Insurance in India has its roots in the establishment of Triton Insurance Company Ltd., in the year 1850 in Calcutta by the British. In 1907, the Indian Mercantile Insurance Ltd,was set up. This was the first company to transact all classes of general insurancebusiness.

1957 saw the formation of the General Insurance Council, a wing of the InsuranceAssociation of India. The General Insurance Council framed a code of conduct for ensuring fair conduct and sound business practices.

In 1968, the Insurance Act was amended to regulate investments and set minimum solvency margins. The Tariff Advisory Committee was also set up then.

In 1972 with the passing of the General Insurance Business (Nationalization) Act, general insurance business was nationalized with effect from 1st January, 1973. 107 insurers were amalgamated and grouped into four companies, namely National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd and the United India Insurance Company Ltd. TheGeneral Insurance Corporation of India was incorporated as a company in 1971 and it commence business on January 1sst 1973.

This millennium has seen insurance come a full circle in a journey extending to nearly 200 years. The process of re-opening of the sector had begun in the early 1990s and the last decade and more has seen it been opened up substantially. In1993, the Government set up a committee under the chairmanship of RN Malhotra, former Governor of RBI, to propose recommendations for reforms in the insurance sector. The objective was to complement the reforms initiated in the financial sector. The committee submitted its report in 1994 wherein, amongother things, it recommended that the private sector be permitted to enter the insurance industry. They stated that foreign companies are allowed to enter byfloating Indian companies, preferably a joint venture with Indian partners.

Following the recommendations of the Malhotra Committee report, in 1999, the Insurance Regulatory and Development Authority (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. The key objectives of the IRDA include promotion of competition so as to enhance customer satisfaction throughincreased consumer choice and lower premiums, while ensuring the financial security of the insurance market.

The IRDA opened up the market in August 2000 with the invitation for applicationfor registrations. 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. In December, 2000, the subsidiaries of the General Insurance Corporation of India were restructured as independent companies and at the same time GIC was converted into a national re-insurer.
Parliament passed a bill delinking the four subsidiaries from GIC in July, 2002.

Today there are 28 general insurance companies including the ECGC and Agriculture Insurance corporation of India and 24 life insurance companiesoperating in the country.

The insurance sector is a colossal one and is growing at a speedy rate of 15-20%. Together with banking services, insurance services add 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 at thesame time strengthening the risk taking ability of the country.

Global View

Insurance regulator, IRDA has permitted insurance companies with sound financial health and minimum of three years of operations to set up businessabroad.

Since long, Companies had been seeking permission from IRDA to open foreigninsurance companies and branch offices abroad to exploit markets overseas.

IRDA has issued guidelines for Indian companies to set up life, general orreinsurance business abroad.

As per the guidelines, life and general insurance companies with a minimum networth of Rs 500 crore and Rs 250 crore respectively and can apply and seek permission to set up business abroad.

In the case of reinsurance companies, the net worth should be Rs 750 Crore.

The registered Indian insurance company should have been in operations for at least 3 years, the insurance company desiring for foreign operations will have toearn profit for three years.

IRDA the insurer is seeking to safeguard the interest of domestic policyholderssetting up overseas business will not be allowed to use the fund of domestic policyholder.

As per IRDA guidelines, The Indian insurance company shall have in place appropriate arrangements to ensure that the policyholder’s liabilities that arisefor foreign operations are adequately ring-fenced in order to protect the Indianpolicyholder.

There are 52 companies in life, general insurance and reinsurance Business inIndia. Most of them have foreign partners.

INSURANCE ACT,1938

Insurance is a scheme of economic cooperation by which members of the community share the unavoidable risks. The risks which can be insured again include fire, death, accidents and burglary. Insurance cannot prevent the occurrence of risk but it provides for the losses of risk. It is a scheme which coverslarge risk by paying small amount of capital. Insurance is a means of savings and investment Insurance can be defined as a legal contract between two parties, where by one party called the Insurer under takes to pay a fixed amount of money on the happening of a particular event, which may be certain or uncertain.The other party called the Insured pays in exchange a fixed sum known as premium. The Insurer and the Insured are also know as Assurer or Underwriter, and assured, respectively the document which embodies the contract is called the policy.

The Insurance Act was passed in 1938 and was brought into force from 1st July 1939. It was a well balanced and was the first comprehensive piece of insurance legislation in this country governing both life and non life branches of insurance. This Act provided to prevent mushrooming of companies, to enforce working onsound principles, to prevent misappropriation of funds and to protect the assets.

The Act was wide and more comprehensive. There was strict control over the insurance business. Since 1938 there were six amendments up to 1945. In 1945 it was deemed necessary to protect the interest of insured companies. Therefore a committee was appointed under the Chairmanship of Shri Kavasji Jahangir. On thebasis of the committee's recommendations, an amendment bill was made on 18th April 1950, by the parliament. As per the amended Act the total right of control was with the Central Government. It controls the insurance business by appointing Controller of Insurance. The insurance companies violating the rules and regulations are penalized under this Act.

This Act applies to all types of insurance business life, fire, marine, etc. done by companies incorporated in India or elsewhere. This Act prohibits persons to carryinsurance business until he is:

(a) a public company,

(b) a society registered under the co-operative Act, 1912 or under any other lawof any state relating to cooperative societies, or

(c) A body corporate incorporated under the law of any country outside India notbeing the nature of private company.

To prevent the growth of small insurance companies or speculative concern theAct provided for registration of all insurers and a substantial deposit with the Reserve Bank. Registration of insurance business is a must as per the law. The authority may register the applicant as an insurer and grant him a certificate of registration can withhold or cancel the registration if any requirement is not satisfied. It is mandatory to submit the audited balance sheet and actuarial report. This law also emphasize in issues like

(a) Restriction of commission and prohibition of rebating
(b)Limitation of expenditure on commission

(c) Licensing of Insurance Agents

(d) Investments

(e) Right to investigate

(f) Prohibition of loan.

ROLE OF INSURANCE IN ECONOMIC GROWTH

Financial services play a supportive role in the basic activity of production. Insurance frees from the worries of unforeseen losses and uncertainties. It helpsthe process of the country growth in various ways

1) Insurance covers many economic risks it protects entrepreneurs against the riskof damage to or loss of the goods and other assets, which they employ manufacturing, marketing, transport and other related activities. This protection offers a kind of stability to business.

2) With the cover of Insurance on their assets, businessmen and industrialist ableto take bold decision in enlarging there field of activities, and take financial risk which they cannot otherwise take. Hence, Insurance plays a promotional role in nation-building and also increasing the number of jobs for the people.

3) Again, there is life Insurance, which plays the most useful role in the lives of Individuals; Life Insurance offers economic safety at reasonable cost to Millions offamilies in the country. In a way, this helps the government also as it lightens the governments burden of providing social welfare to affected families.

OPENING OF THE INSURANCE SECTOR

The process of re-opening of the sector had begun in the early 1990sand the last decade and more has seen it been opened up substantially. In 1993, the government set up a committee under the chairmanship of RN Malhotra, former Governor of RBI, to propose recommendations for reforms in the insurance sector. The objective was to complement the reforms in the insurance sector. Theobjective was to complement the reforms initiated in the financial sector. The committee submitted its report in 1994 where in, among other things, it recommended that the private sector be permitted to enter the insurance industry.

The government should bring down its stake in Insurance companies to 50%

Private companies with a minimum paid-up capital of 100crores should beallowed to enter the Industry.

No single company should be allowed to transact business in both the life andgeneral insurance business. The number of entrance should be controlled.

They stated that foreign companies are allowed to enter by floating Indiancompanies, preferable a joint venture with Indian partners.

Postal life Insurance should be allowed to operate inrural market.

The GIC and its subsidiaries should not hold more than 5% in my company.

1. Business Challenges

Today there are 24 general insurance companies including the ECGC andAgriculture Insurance Corporation India and 23 life insurance companiesoperating in the country various Challenges faced in Insurance Markets

2. Industry Challenge

Shifting consumer requirements (everyone wants protects tailored totem, customization).

Distribution Channel pressures and emerging consumer demands for customizinghybrid product are moving rapid product development from being a competitive advantages to a necessity.

3. Process Challenges

Lack of stream lined processes, change management, automated process Partiesthere are two parties to an Insurance contracts as:

Insurer/assurer/underwriter,Insured/assured/beneficiary

Insurer

a) Any individual or unincorporated body of individual or body corporate incorporated under the law of any country carrying on insurance business which-

I) Carries on that business in or II) Has his or its principal place of business or isdomiciled in III) With the object of obtaining insurance business, employs a representative, or maintains a place of business, in India

b) Anybody corporate carrying on the business of insurance, which is a body corporate incorporated under any law for the time being in force in or stands toany such body corporate in the relation of a subsidiary company within the meaning of the Indian Companies Act, 1913

Insurance agent

Means an insurance agent licensed under section 42 who receives or a fees to receive payment by way of commission or other remuneration in consideration ofhis soliciting or procuring.

Policy

The document laying down the term of contract is called (insurance) policy.

Principal Agent

A person who is in consideration of any commission:

1) Performs any administrative and organizing function

2)Procures general insurance business whether wholly or in part by employing orcausing to be employed insurance agents on behalf of the insurer.

Special Agent

A person, who is consideration of any commission, procures life insurance business for the insurer whether wholly or in partly by employing or causing to beemployed. Restriction on name of an insurer shall not be registered by which an insurer in existence is already registered, or so nearly resembling that name Mission to protect insurance holder.

IRDA

Insurance Act, 1938 was the first comprehensive legislation in India to regulate the business of Insurance. It aimed to consolidate and amend the law relating to the business of insurance. The Act provides for the registration of insurance companies, maintenance and security of accounts and valuation reports, investment and utilization of funds permissible, limits on expenditure, approval ofpremium rates and verifying solvency margins. The Life Insurance Corporation Act was passed by the Parliament on 18th June, 1956 and came into effect from 1st July, 1956. LIC of India commenced its functioning as a corporate body having perpetual succession and a common seal with power to acquire, hold and disposeof property and can by its name sue and be sued.

More than 75% of India’s insurable population has no life insurance cover. Healthinsurance of any kind has been negligible. The potential for the growth and spread of life insurance in India is high as in many other Asian countries. Strongereconomic growth is bound to happen in India coupled with a rapid ageing of population and a weak social security and pension system leaves a vast majority of workers with no old age income security. Various insurance schemes can help the nation with its social security problems. In the year 1990, the government feltit necessary to reform the insurance industry, to provide better coverage to the citizens and to increase the flow of long-term financial resources to finance the infrastructure growth. In 1993, the Government of India set up the Malhotra Committee to suggest reforms in the insurance industry. The committee recommended opening up of the insurance sector to provide players improving services standards and extending insurance cover to large sections of the society.The Committee also suggested to set up a statutory body called Insurance Regulatory Authority. In 1996, interim IRA was formed and in 1999 the IRD Bill was passed and in 1999 the IRDA Bill was passed in the Parliament. The IRDA Act provides for the establishment of an authority to regulate, to promote and to ensure orderly growth of the insurance industry in India. Accordingly, Insurance Regulatory Authority has been established under the Act.

With the privatization of the Indian insurance sector in 2000, competition among the insurance players has increased manifold and each insurance player is coming up with innovative channels and insurance products to meet the needs of different people. Thus, the face of the insurance in India has been changing. The IRDA Act also opened the Insurance business to foreign and private players to have a level playing field. This Act has been considered as a landmark by the insurance standards. This Act also provides that Indian Insurance Company registered under the Life Insurance Corporation Act, 1956, can conduct business in which total equity-shareholding by a foreign company should not exceed 26 percent of the paid up capital of the Indian company.

History

IRDA was setup in 2000 as an autonomous body to regulate and develop the business of insurance and reinsurance in the country as per the insurance regulatory and development authority act, 1999. The main objective of setting upIRDA was to promote market efficiency and ensure consumer protection. IRDA is the controlling and regulatory apex body in the country for insurance sector and its chairman and members are appointed by government of India.

The Authority is a ten member team of

I. A Chairman
II. Five whole time members
III. Four part-time members

(All appointed by the government of India)

Mission statement of the IRDA:

• To protect the interest of and secure fair treatment to policy
Holders.

•To bring about speedy and orderly growth of the insurance industry for thebenefit of the common man, and to provide long-term funds for acceleratinggrowth of the economy.

• To set promote, monitor and enforce high standards of integrity, financialsoundness, fair dealing, and competence of those it regulates.

•To ensure that insurance customer receive precise, clear, and correct information about products and services and make them aware of theirresponsibilities and duties in this regard.

•To ensure speedy settlement of genuine claims to prevent insurance frauds and other malpractices and put n 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 toenforce high standards of financial

Soundness amongst market players.

•To take action where such standards are inadequate or in effectively enforced.

Functions of IRDA

✓ Registration (licensing) including renewal of registration ofInsurance companies.

✓ Licensing of insurance intermediaries such as agents, surveyorsAnd loss assessors, third party administrators, brokers etc.

✓ Official approval of agent's training institutions.

✓ Monitoring all non-tariff products including pricing of products,Terms and conditions thereof, etc.

✓ Supervision of the functioning of the companies and intermediariesIncluding review of company annual statements.

✓ Formulation of regulation

✓ Enforcement of discipline.

✓ Consumer education and assistance.

Role of IRDA

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY

Role of the Insurance Regulatory and Development Authority (IRDA)

Safeguarding your rights

The Insurance Regulatory and Development Authority (IRDA) were constituted toregulate and develop insurance business in India. As a key part of its role, it is responsible to protect the rights of policyholders. In order to create awareness about IRDA, its role, duties and responsibilities are stated here under:

- IRDA provides a certificate of registration to a life insuranceCompany.
- IRDA is responsible for the renewal, modification, withdrawal, suspension or cancellation of this certificate of registration.
- IRDA frames regulations on protection of policyholders' interests.
- It offers policyholders the right to voice their complaints against insurers orinsurance companies.
- The IRDA has set up the grievance redressal cell to take up the complaints of the policyholder.

- It specifies the requisite qualifications, code of conduct and practical training forintermediaries or insurance intermediaries and agents.

- It specifies the code of conduct for surveyors and loss assessors;.

- It promotes efficiency in the conduct of insurance businesses;

- It promotes and regulates activities of professional organizations connected withlife insurance;

- It levies fees and other charges to carry out the purposes of the IRDA Act;

- It can call for information from, undertake the inspection of, conduct enquiriesand investigations including the auditing of insurers, intermediaries, insurance intermediaries and other organizations connected with the business of life insurance;

- It specifies the form and manner in which books of account should be maintained and statements of accounts should be rendered by insurers and otherinsurance intermediaries;

- It regulates the investment of funds by insurance companies;

- It regulates the maintenance of margins of solvency;

- It adjudicates disputes between insurers and intermediaries or insurance intermediaries;

- It specifies the percentage of premium income of the insurer to finance schemes for the promotion and regulation of certain specified professional organizations;

- It specifies the percentage of life insurance business to be undertaken by an insurer in the rural or social sector; and .

- It exercises any other powers as may be prescribed.

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (IRDA) ACT, 1999

An Act

To provide for the establishment of an Authority to protect the interests of holders of insurance policies, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental theretoand further to amend the Insurance Act, 1938, the Life Insurance Corporate Act, 1956 and the general Insurance Business (Nationalization) Act, 1972.

BE it enacted by Parliament in Fiftieth Year of Republic of India as follows:

PRELIMINARY

1. SHORT TITLE, EXTENT AND COMMENCEMENTa) This Act may be called theInsurance Regulatory and Development Authority Act, 1999.

b) It extends to the whole of India.

c) It shall come into force on such date as the Central Government may, bynotification in the Official Gazette, appoint:

Provided that different dates may be appointed for different provisions of this Act and any reference in any such provision to the commencement of this Act shall be construed as a reference to the coming into force of that provision.

2. DEFINITIONS

I) In this act, unless the context otherwise requires, a) “Appointed day” means thedate on which the Authority is established under sub-section (1) of section 3;

b) “Authority” means the Insurance Regulatory and Development Authorityestablished under sub-section (1) of section 3;

c) “Chairperson” means the Chairperson of the Authority:

d) “Fund” means the Insurance Regulatory and Development Authority Fundconstituted under sub-section (1) of section 16;

e) “Interim Insurance Regulatory Authority” means the Insurance Regulatory Authority set up by the Central Government through Resolution No. 17(2)/94-Ins-V, dated the 23rd January, 1996;

f) “Intermediary or Insurance Intermediary” includes insurance brokers, reinsurance brokers, insurance consultants, surveyors and loss assessors;

g) “Member” means a whole time or a part time member of the Authority and includes the Chairperson; h) “Notification” means a notification published in theOfficial Gazette;

i) “Prescribed” means prescribed by rules made under this Act;

j) “Regulation” means the regulations made by the Authority.

II) Words and expressions used and not defined in this Act but defined in the insurance Act, 1938 (4 of 1938) or the Life Insurance Corporation Act, 1956 (31 of1956) or the General Insurance Business (Nationalization) Act, 1972 (57 of 1972) shall have the meanings respectively assigned to them in those Acts.

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY

3. ESTABLISHMENT AND INCORPORATION OFAUTHORITY

1) With effect from such date as the Central Government may, by notification, appoint, there shall be established, for the purposes of this Act, an Authority tobe called “the Insurance Regulatory and Development Authority”.

2) The Authority shall be a body corporate by the name aforesaid having perpetualand a common seal with power, subject to the provision of this Act, to acquire, hold and dispose of property, both movable and immovable, and to contract and shall, by the said name, sue or be sued.

3) The head office of the Authority shall be at such place as the Central Government may decide from time to time.

4) The Authority may establish office at other places in India.

4. COMPOSITION OF AUTHORITY

The Authority shall consist of the following members, namely:A] A Chairperson;
BJ Not more than five whole-time members;C] Not more than four part-time member,
To be appointed by the Central Government from amongst persons of ability, integrity and standing who have knowledge or experience in life insurance, general insurance, actuarial science, finance, economics, law, accountancy, administration or any discipline which would, in the opinion of the Central Government, be useful to the Authority: Provided that the Central Government shall, while appointing the Chairperson and the whole-time members, ensure thatat least one person each is a person having knowledge or experience in life insurance, general insurance or actuarial science, respectively.

5. TENURE OF OFFICE OF CHAIRPERSON AND OTHER MEMBERS

(1) The Chairperson and every other whole-time member shall hold office for a term of five years from the date on which he enters upon his office and shall be eligible for reappointment: Provide that no person shall hold office as a Chairperson after he has attained the age of sixty-five years; Provided further that no person shall hold office as a whole-time member after he has attained theage of sixty two years of age;

(2) A part-time member shall hold office for a term not exceeding five years fromthe date on which he enters upon his office.

(3) Notwithstanding anything contained in sub-section (1) or sun-section

(2), a member may

(a) Relinquish his office by giving in writing to the Central Government notice ofnot less than three months; or

(b) Be removed from his office in accordance with the provision of section.

6. REMOVAL FROM OFFICE

(1) The Central Government may rremoveFrom office any member who

(a) Is, or at any time has been, adjudged as an insolvent; or

(b) Has become physically or mentally incapable of acting as a member; or

(c) Has been convicted of any offence which, in the opinion of the Central Government, involves moral turpitude; or

(d) Has acquired such financial or other interest as is likely to affect prejudiciallyhis function as a member; or

e) Has so abused his position as to render his continuation in office detrimental tothe public interest.

(2) No such member shall be removed under clause (d) or clause e) of sub-section (1) unless he has been given a reasonable opportunity of being heard in thematter.

7. SALARY AND ALLOWANCES OF CHAIRPERSON AND MEMBERS

(1) the salary and allowances payable to, and other terms and condition of services of, the members other than part-time members shall be such as may beprescribed.

(2) The part-time member shall receive such allowances as may be prescribed.

(3) The salary, allowances and other conditions of services of a member shall notbe varied to his disadvantage after appointment.

8. BAR ON FUTURE EMPLOYMENT OF MEMBERS

The Chairperson and the whole-time members shall not, for a period of two yearsfrom the date on which they cease to hold office as such, except with the previous approval of the Central Government, accept-

(a) Any employment either under the Central Government or under any StateGovernment; or

(b) Any appointment in any company in the insurance sector.

9. ADMINISTRATIVE

POWER OF CHAIRPERSON

The Chairperson shall have the powers of general superintendence and directionin respect of all administrative matters of the authority.

10. MEETINGS OF AUTHORITY –

(1) The authority shall meet at such times and places and shall observe such rulesand procedures in regard to transaction of business at its meetings (including quorum at such meetings) as may be determined by the regulation.

(2) The chairperson, or if for any reason he is unable to attend a meeting of theAuthority, any other member chosen by the members present from amongst themselves at the meeting shall preside at the meeting.

(3) All questions which come up before any meeting of the Authority shall be decided by a majority of votes by the members present and voting, and in theevent of an equality of votes, the Chairperson, or in his absence, the person presiding shall have a second or casting vote.

(4) The Authority may make regulations for the transaction of business at itsmeetings.

11. VACANCIES, ETC., NOT TO INVALIDATEPROCEEDINGS OF AUTHORITY –

No act or proceeding of the Authority shall be invalid merely by reason of

(a) Any vacancy in, or any defect in the constitution of, the authority; or

(b) Any defect in the appointment of a person acting as a member of theauthority; or

C) Any irregularity in the procedure of the Authority not affecting the merits ofthe case.

12. OFFICERS AND EMPLOYEES OF AUTHORITY –

(1) The Authority may appoint officers and such other employees as it considerednecessary for efficient discharge of its function under this Act.

(2) The terms and other conditions of services of officers and other employees ofthe Authority appointed under sub-section (1) shall be governed regulations made under this Act.

Function of IRDA :

Below are the important functions of the IRDAI in the insurance industry in India :

- Grant, renew, modify, suspend, cancel or withdraw registration certificate ofthe insurance company.

- Protecting the interest of the policyholder in matter concerning the grant of policies. Settlement of claims. Nomination by policyholder, insurable interest, surrender value of the policy and other terms and conditions of the policy.

- specify code of conduct, qualification and training for intermediary or insuranceagent.
- Specify code of conduct for loss assessors and surveyors.
- Levying fees and charges for carrying out the provisions of the Act.
- Regulate and control insurance rate, terms and conditions, advantages that maybe offered by the insurance providers.

Features And Benefits Of IRDA :

- Accts as a regulator for the insurance industry.

- Protect the policyholder’s interest.

- Rules and regulations are framed by the apex body under Selection 114A of theInsurance Act, 1938.

- It is entrusted under the Insurance Act to grant the certificate of registration to new insurance companies to operate in India.

- Oversees the insurance industry’s activities to ensure sustained development ofinsurers and policyholders.

Duties And Responsibilities Of IRDA:

- 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,
- calling for information from undertaking inspection of, conducting enquiries andinvestigations including audit of the insurers, intermediaries, insurance intermediaries and other organisations connected with the insurance business.

Distinguished Between IRDA and SEBI :

1) Regulates the industry .
1) Regulates the securities and commodity industry .

2) Established in 1999.

2) Established in 1992 .

3) Protects the interests of insurance policyholders .
3) Protects the interests of investors in securities.

4) Grant certificate of registration to insurance companies to issue insurancepolicies .

4) Grant certificate of registration to stockbrokers, bankers, sub-brokers to issuedeeds.

5) Frames rules and regulations under the Insurance Regulatory and DevelopmentAuthority Act
, 5)Frames rules and regulations under the Securities and Exchange Board of India Act!!

Chapter 2 : Research Methodology

Research Methodology

The method of collecting data is primary data and secondary data. The secondarydata was identified and located by reading the various books on subject and articles published by magazines. Various websites were intensively browsed and required data was identified and located. However before making use of relevantsecondary data its accuracy, reliability and completeness were studied which published these secondary data.

Objectives

- To get an overview on IRDA.
- To study and analyse concept and philosophy of innovation in the Insurancesector.
- To know significance and reasons for innovations in Indian insurance.
- To study the various innovations that has taken place in the IRDA.
- To study the awareness among the customer about the various recentguidelines by IRDA.
- To safeguard the interest of policyholders.
- To bring quick and systematic growth in insurance sector.

Scope of the study

- The IRDA has been authorized to register the new Insurance Companies in India.
- By Insurance companies for renewal of the registration.
- IRDA are allowed to withdraw the registration of the companies and cancel the registration.
- It is also responsible for modify the registration procedure for a company.
- Specifying requisite qualification and practical training for insurance intermediary and agents.
- Adjudication of disputes between insurers and intermediaries.
- Specifying code of conduct for surveyors and loss assessors to promote efficiency in the conduct of insurance business.

Limitations

This project has been limited to the extent of few numbers of innovations which have taken place in insurance sector. Not more than 4 to 5 innovations have beencovered under each major head. The study has been only on the innovation of IRDA.

I tried my level best to get good and meaningful information and also to make myproject best among all.

Significance Of IRDA in the Insurance Sector:

India began to witness the concept of insurance through a formal channel back inthe 1800s and has seen a positive improvement ever since. This was further supported by the regulatory body that streamlined various laws and brought about the necessary amendment in the interest of the policyholders. Below mentioned are the important role of IRDA :

- First and foremost is safeguarding the policyholder's interest.

- Improve the rate at which the insurance industry is growing in an organised manner to benefit common man.

- To ensure the dealing are carried on in a fair, integral manner along with financial soundness keeping in mind the competence of the insurance company.

- To ensure faster and hassle – free settlement of genuine insurance claim.

- To address the grievance of the policyholder through a proper .

- To avoid malpractices and prevent fraud.

- To promote fairness, transparency and oversee the conduct of insurance companies in the financial markets.

- To form a reliable management system with high standard of financial stability.

SCOPE OF INSURANCE

In India, insurance is a multi-billion dollar business. The gross premium collection amounts to around 2% of GDP and is growing at a rate between 15% to 20% per annum. India has the highest number of life insurance policies in the world. The total investible funds with life Insurance Corporate of India are almost 8% of GDP.The potential for the growth and spread of life insurance in India is high.

Stronger economic growth is bound to happen in India coupled with a rapid agingof population and a weak social security and pension system leaves a vast majority of workers with no old age income security, various insurance schemes can help the nation cope with its social security problems.

With the privatization of the Indian insurance sector in 2000, competition. Amongthe insurance players is coming up with innovative channels and insurance products to meet the needs of different people. Thus, it is clear that the face of life insurance is changing.

LIC was nationalized in 1956, to increase the penetration of life insurance business in the country and to make it available to the less privileged segments ofsociety. Till 1990, the India life insurance business was completely in the hands ofLife Insurance Corporation of India. In the year 1990, the government felt it necessary to the citizens and to increase the flow of long-term financial resourcesto finance the infrastructure Growth.

In 1993, the Indian government set up the Malhotra Committee to suggest reforms in the industry. The committee, which submitted its report in 1994, recommended opening up of the insurance sector to private players by improvingopening up of the insurance sector to private players by improving services standard and extending insurance cover to large sections of the society. The committee also suggested to set up a statutory body called Insurance Regulatory Authority. In 1996, Interim IRA was formed and in 1999 the IRDA (Insurance Regulatory Development Authority) bill was passed in the Parliament.

Objectives of IRDA:

1. Policy holder protection.
2. Healthy growth of the insurance market.
3. The IRDA has a chairman and four full time and four Part timeMembers.
4. The IRDA has constituted the insurance advisory committee hasbrought out seventeen regulation.
5. In addition, representatives of consumers, industry, insurance agents, women's organization, and other interest groups are a part of this committee.
6. It has also formed a consumer advisory committee and surveyor andloss assessors committee.
7. It has a panel of eligible charted accountants to carry out investigation, inspection and so on.

TRANSFER OF ASSETS, LIABILITIES, ETC., OF INTERIM INSURANCE REGULATORYAUTHORITY

(a) All the assets and liabilities of the Interim Insurance Regulatory Authority shall stand transferred to, and vested in, the Authority. Explanation – The assets of theInterim Insurance Regulatory Authority hall be deemed to include all rights and powers, and all properties, whether movable or immovable, including, in particular, cash balances, deposits and all other interest and rights in, or arising out of, such properties as may be in the possession of the Interim Insurance Regulatory Authority and all books of account and other documents relating to the same; and liabilities shall be deemed to include all debts, liabilities and obligations of whatever kind;

(b) Without prejudice to the previous of clause (a), all debts, obligations and liabilities incurred, all contracts entered into and all matters and things engaged to be done by, with or for the Interim Insurance Regulation Authority immediatelybefore that day, for or in connection with the purpose of the said regulatory Authority, shall be deemed to have been incurred, entered into or engaged to be done by, with or for, the Authority;

c) All sums of money due to the Interim Insurance Regulatory Authority immediately before that day shall be deemed to be due to the Authority; and

(d)All suits and other legal proceedings instituted or which could have been instituted by or against the Interim Insurance Regulatory Authority Immediatelybefore that day may be continued or may be instituted by or Against the Authority.

DUTIES OF AUTHORITY

(1) Subject to the provision of this Act and any other law for the time being in force, the Authority shall have the duty to regulate, promote and ensure orderlyof the business and re-insurance business.

(2) Without prejudice to the generality of the provision contained in subSection (1), the powers and functions of the Authority shall in include,

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

(b) Protection of the interest the policy holders in matters concerning assigning ofpolicy, nomination by policy holders, insurable interest, settlement of insurance claim, surrender value of policy and other terms and conditions of contracts of insurance;

(C) Specifying requisite qualifications, code of conduct and practical training forintermediary or insurance intermediaries and agents;

(d) Specifying the code of conduct of insurance business;

(e) Promoting efficiency in the conduct of insurance business;

(f) Promoting and regulating professional organizations connected with theinsurance and re-insurance business;

(g) Levying fees and other charges for carrying out the purposes of this Act;

(h) Calling for information from, undertaking inspection of, conducting enquiriesand investigations including audit of the insurers, intermediaries, insurance intermediaries and other organizations connected with the insurance business;

(i)Control and regulation of the rates, advantages, terms and conditions that maybe 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)

j) Specifying the form and manner in which books of account shall be Maintainedand statement of accounts shall be rendered by insurers and other insurance intermediaries;

(k) Regulating investment of funds by insurance companies: (1) Regulating maintenance of margin of solvency;

(l) Adjudication of disputes between insurers and intermediaries or insurance intermediaries;

(m) Supervising the functioning of the Tariff Advisory Committee; (n)Specifying the percentage of premium income of the insurer to finance
schemes for promoting and regulating professional organizations referred to inclause (f);

(o) Specifying the percentage of life insurance business and general insurancebusiness to be undertaken by the insurer in the rural or social sector; and

(p) Exercising such other powers as may be prescribed.

FINANCE, ACCOUNTS AND AUDIT

GRANTS BY CENTRAL GOVERNMENT –

The Central Government may, after due appropriation made by Parliament by lawin this behalf, make to the Authority grants of such sums of money as the Government may think fit for being utilized for the purpose of this Act.

CONSTITUTION OF FUNDS

(1) There shall be constituted a fund to be called "the Insurance Regulatory andDevelopment Authority Fund" and there shall be credited thereto

(a) All Government grants, fees and charges received by the Authority:

(b) All sums received by the Authority from such other source as may be decidedupon by the Central Government;

(c) The percentage of prescribed premium income received from the insurer.(2)The fund shall be applied for meeting

(a) The salaries, allowances and other remuneration of the members, officers andother employees of the Authority;

(b) The other expenses of the Authority in connection with the discharge of itsfunctions and for the purposes of this Act.

ACCOUNTS AND AUDIT –

1) The Authority shall maintain proper accounts and other relevant records andprepare an annual statement of accounts in such form as may be prescribed bythe Central Government in consultation with the Comptroller and Auditor- General of India.

2) The accounts of the Authority shall be audited by the Comptroller and Auditor- General of India at such intervals as may be specified by him and any expenditureincurred in connection with such audit shall be payable by the Authority to the Comptroller and Auditor- General.

3) The Comptroller and Auditor-General Of India and any other person appointed by him in connection with the audit of the accounts of the Authority shall have the same rights, privileges and authority in connection with such audit as the Comptroller and Auditor-General generally has in connection with the audit of theGovernment accounts and, in particular, shall have the right to demand the production of books of account, connected vouchers and other documents and papers and to inspect any of the officers of the Authority.

4) The accounts of the Authority as certified by the Comptroller and Auditor- General of India or any other person appointed by him in this behalf togetherwith the audit-report thereon shall be forwarded annually to the Central Government shall cause the same to be laid before each house of Parliament.

POWER OF CENTRAL GOVERNMENT TO ISSUE DIRECTIONS

1) Without prejudice to the foregoing of this Act, the Authority shall, in exercise ofits powers or the performance of its functions under this act, be bound by such directions on questions of policy, other than those relating to technical and administrative matters, as the Central Government may give in writing to it from time to time.

PROVIDED that the Authority shall, as far as practicable, be given an opportunityto express is views before any direction is given under this sub-section.

2) The decision of the Central Government, whether a question is one of policy ornot, shall be final.

POWER OF CENTRAL GOVERNMENT TO SUPERSEDE AUTHORITY –

1) If at any time the Central Government is of the opinion

(a) That, on account of circumstances beyond the control of the Authority, it is unable to discharge the functions or perform the duties imposed on it by or underthe provisions of this Act, or

(b) That the Authority has persistently defaulted in complying with any directiongiven by the Central Government under this Act or in the discharge of the function or performance of the imposed on it by or under the provisions of this Act and as a result of such default the financial Position of the Authority or the administration of the Authority has Suffered; or

(c) That circumstances exit which render it necessary in the public interest so Todo,

The Central Government may, be notification and for reasons to be specified therein, supersede the Authority for such period, not exceeding six months, as may be specified in the notification and appoint a person to be the Controller ofInsurance under section 2B of the Insurance Act, 1938(4 of 1938), if not already done:

Provided that before issuing any such notification, not Central Government shall give a reasonable opportunity to the Authority to make representations, if any, ofthe Authority.

2) Upon the publication of a notification under sub-section (1) superseding theAuthority,

(a) The Chairperson and other members shall, as from the date of supersession,the Authority,

(b) All the powers, functions and duties which may, by or under the provisions of this Act,be exercised or discharged by or on behalf of the Authority shall, until theAuthority is reconstituted under sub-section (3). Be exercised and discharged by the Controller of insurance; and

(c) All properties owned or controlled by the Authority shall, until the Authority isreconstituted under sub-section (3), vest in the Central Government.

3) On or before the expiration of the period of super-session specified in the notification issued under sub-section (1), the Central Government shall reconstitute the Authority by a fresh appointment of its Chairperson and other members and in such case any person who had vacated his office under clause (a)of sub-section (2) shall not be deemed to be disqualified for reappointment.

4) The Central Government shall cause a copy of the notification issued under sub-section (1) and a full report to any action to be laid before each House of Parliament at the earliest.

FURNISHING OF RETURNS, ETC.,TO CENTRAL GOVERNMENT –

(1) The Authority shall furnish to the Central Government at such time and in such form and manner as may be prescribed, or as the Central Governmentmay direct to furnish such returns, statements and other particulars in regard to any furnish such return, statement and other particulars in regardto any proposed or existing program for the promotion and development ofthe insurance industry as the Central Government may, from time to time, required.

(2) Without prejudice to the provision of sub-section (1), the Authority shall. Within nine months after the close of each financial year, submit to the Central Government a report giving a true and full account of its activitiesfor promotion and development of the activities including insurance business during the previous financial year.

(3) Copies of the reports received under sub-section (2) shall be laid, as soon asmay be after they are received before each House of Parliament.

CHAIRPERSON, MEMBERS, OFFICERS AND OTHER EMPLOYEES OF AUTHORITYTO BE PUBLIC SERVANTS–

The Chairperson, members, officers and other employees of Authority shall be deemed, when acting or purporting to act in pursuance of any of the provisions ofthis Act, to be public servants within the meaning of section 21 of the Indian PenalCode (45 of 1860).

PROTECTION OF ACTION TAKEN IN GOOD FAITH –

No suit, prosecution or other legal proceedings shall lie against the Central Government or any officer of the Central Government or any member, officer orother employee of the Authority for anything which is in good faith done or intended to be done this Act or the rules or regulation made there under:

Provided that nothing in this Act shall exempt any person from any suit or otherproceedings which might, apart from this Act, be brought against him.

DELEGATION OF POWERS –

(1) The Authority may, by general or special order in writing, delegate to the Chairperson or any other member or office of the Authority subject to suchconditions, if any, as may be specified in the order such of its powers and functions under this act as it may deem necessary.

(2) The Authority may, by a general or special order in writing, also fromcommittees of the members and delegate to them the powers and functions of the Authority as may be specified by the regulation

POWER TO MAKE RULES –

1) The Central Government may, by notification, make rules for carrying Outthe provisions of the Act.

(2) In particular, and without prejudice to the generality of the foregoingpower, such rules may provide for all or any of the following matters.
Namely

a) The salary and allowances payable to, and other terms and conditions ofservices of, the members under sub-section (1) of section 7;

b) The allowances to be paid to the part-time members under sub-section (2) of section 7;

c) Such other powers that may be exercised by the authority under clause (q) of sub-section (2) of section 14;

d) The form of annual statement of accounts to be maintained by theAuthority under sub-section (1) of section 17;

e) The form and the manner in which and the time within which returns andstatements and particulars are to be furnished to the Central Government under sub-section (1) of section 20;

(f) The matters under sub-section (5) of section 25 on which the InsuranceAdvisory Committee shall advise the Authority;

(g) Any other matter which is required to be, or may be, prescribed, or inrespect of which provision is to be or may be made by rules.

ESTABLISHMET OF INSURANCE ADVISORY COMMITTEE –

1) The Authority may, by notification, establish with effect from such dateas it may specify in such notification, a Committee to be known as the Insurance Advisory Committee.

2) The Insurance Advisory Committee shall consist of not more than twenty-five members excluding ex-officio members to represent the interest of commerce, industry, transport, agriculture, consumer forums, surveyors, agents, intermediaries, organization engaged in safety and loss presentation, research bodies and employees association in the insurance Sector.

3) The Chairperson and the members of the Authority shall be the ex officioChairperson and ex-officio members of the Insurance Advisory Committee.

4) The objects of the Insurance Advisory Committee shall be to advise theAuthority on matters relating to the making of the regulations under section 26.

5) Without prejudice to the provisions of sub-section (4), the Insurance Advisory Committee may advise the Authority on such other matters asmay be prescribed.

POWER TO MAKE REGULATIONS –

(1) The Authority may, in consultation with the Insurance Advisory Committee, bynotification, make regulations consistent with this Act and the rules made there under to carry out the purposes of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power,such regulation may provide for all or any of the following matters, namely:

a) The time and places of meeting of the Authority and the procedure to be followed at such meetings including the quorum necessary for the transaction ofbusiness under sub-section (1) of section 10;

b) The transactions of business at its meetings under sub-section (4) of section 10:

c) The terms and other conditions of services of officers and other employees ofthe Authority under sub-section (2) of section 12;

d) The powers and functions which may be delegated to Committees of themembers under sub-section (2) of section 23; and

e) Any other matter which is required is required to be, or may be, specified byregulations or in respect of which provision is to be or may be made by regulations.

RULES AND REGULATION TO BE LAID BEFORE PARLIAMENT –

Every rule and every regulation made under this Act shall be laid, as soon As may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive session aforesaid, both Houses agree in making any, modification in the rule or regulation or both Houses agree that the rule or regulation should not be made, the rule or regulation shall thereafter haveeffect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule or regulation.

APPLICATION OF OTHER LAWS NOT BARRED –

The provisions of this Act shall be in addition to, and not in derogation of, theprovision of any other law for the time being in force.

POWER TO REMOVE DIFFICULTIES –

1) If any difficulty arises in giving effect to the provisions of this Act. The Central Government may, by order published in the Official Gazette. Make such provisions not inconsistent with the provisions of this Act as may appear to be necessary for removing the difficulty:

Provided that no order shall be made under this section after the expiry of twoyear from the appointed day.

2) Every order made under this section shall be laid, as soon as may be, after it ismade, before each House of Parliament.

The composition of IRDA (Insurance Regulatory and Development Authority).Under section 4 of IRDA Act, 1999, signifies Authority

The Authority is a 10 member team who are appointment by the government ofIndia. This 10 member team comprises of the following

Members;
(a)Chairperson
(b) Five whole-time member

(c) Four part-time member

The IRDA regulations are enacted under the guidance of a statutory AdvisoryCommittee.

Main Activities of IRDA

The main activities of IRDA can be grouped into the categories as enlisted below:

A) General
B) Intermediaries
C) Actuarial
D) Administration & Operations
E) Financial Analysis
F) Analytical Research

The IRDA Law has been enacted with following expectations from IRDA:

• To protect the interests of and secure fair treatment pertaining to policyholders.

• To bring about speedy, regulated and orderly growth of the insurance industry (including annuity and superannuation payments), for the benefit of the commonman and to provide long term funds for accelerating growth of Indian economy.

• To set, promote, monitor and enforce high standards of competence, fair dealing, financial soundness and integrity of those that comes under the purviewof its jurisdiction and regulation.

• To ensure that insurance policyholders and prospective customers receive precise, clear, correct and factual information regarding Insurance products and services being offered and make them aware of their responsibilities and duties inthis regard.

• To ensure speedy settlement of genuine insurance claims, to prevent insurance frauds, misappropriation of funds and other malpractices.

• To promote, regulate and oversee effective functioning of grievance redressed machinery and disposing of grievances in a swift manner.

• To promote fairness, transparency, transparency and orderly conduct in financialmarkets dealing with insurance and build reliable MIS (Management Information Systems) to enforce high standards of financial soundness amongst market players and maintain high confidentially of data.

• To take appropriate and corrective measures where such standards felt inadequate or remain ineffectively enforced.

• To bring about optimum amount of self-regulation in day to day working of theinsurance sector consistent with the requirements of prudential regulation.

CUSTOMER PROTECTION AND INSURANCE OMBUDSMAN

For providing protection to Indian consumers against malpractices and gullible brokers who are out to fleece the customers by raking in quick profits, IRDA has appointed Ombudsman in 12 cities across India to specifically deal with InsuranceCirievances and speedy disposal of such cases. In case if a policyholder is dissatisfied by the outcome or the decision taken by the Insurance Company, suchan individual has the liberty to approach the Insurance Ombudsman as a last resort after exhausting various options. Each Ombudsman has been empowered to redress customer grievances in respect of insurance contracts on personal lineswhere the insured amount is less than Rs. 20 lakhs, in accordance with the Ombudsman Scheme. Addresses of Ombudsman can be obtained from the officesof LIC and other insurers (or Insurance Companies).

Insurance Ombudsman

The institution of Insurance Ombudsman was created by a Government of India Notification dated 11th November, 1998 with the purpose of quick disposal of thegrievances of the insured customers (or policyholder) and to mitigate their problems involved in redressed of such customer grievances. This institution is ofgreat importance and relevance for protecting the interest of policyholders as well as generating public confidence in the Insurance system and its associated processes. The institution has helped to generate and sustain the faith and confidence amongst the consumers and insurer across India.

IRDA has set up Ombudsman offices across 12 cities in India. Each ombudsman is empowered to redress customer grievances and complaints in respect of insurance contracts on personal lines where the insured amount is less than Rs 20Lakhs, in accordance with the guidelines of Ombudsman Scheme as specified in IRDA Act.

The offices of twelve Insurance Ombudsman across India are located at followingcities:

(1) Bhopal
(2)Bhubaneswar
(3)Cochin (Ernakulum)
(4)Guwahati
(5)Chandigarh
(6)New Delhi
(7)Chennai
(8)Kolkata
(9)Ahmadabad
(10)Luck now
(11)Mumbai
(12)Hyderabad

The Ombudsman may hold sitting at various places within the area of their respective jurisdictions in order to expedite disposal of complaints in a swift andamicable manner.

Appointment of Insurance Ombudsman

The governing body of insurance council issues orders pertaining to the appointment of Insurance Ombudsman on the recommendations of the committee comprising of Chairman-IRDA, Chairman-LIC, Chairman- GIC and a representative of the Central Government. Under Section 40 C of the InsuranceAct, 1938, Insurance council comprises of member of both- the Life Insurance Council and General (Non-Life) Insurance Council who are representatives of insurance companies.

Eligibility

Individuals for Insurance Ombudsman are drawn from Insurance Sector, CivilServices and Judicial Services, who are renowned and distinguished in their respective fields with a clean public image not embroiled in any controversy.

Terms of office

An Insurance Ombudsman is appointed for a term of three years or till the incumbent attains the age of 65 years, whichever is earlier. Reappointment is notpermitted under the IRDA Act.

Office Management

The Ombudsman has a secretarial staff provided by the insurance council to assisthim/her in discharging his duties in an efficient and prudent manner. The total expenses incurred on Insurance Ombudsman and staff is incurred by the Insurance companies who are the members of the insurance council in such proportion that may be Decided by the governing body- IRDA. It must be noted that members of insurance council are accorded official recognition by IRDA.

Removal from office

An Ombudsman may be removed from service for gross misconduct committed by him/her during his office tenure. The governing body may appoint any such individual that it thinks fi: to conduct an enquiry with respect to the misconduct will be sent to IRDA (Insurance Regulatory and Development Authority) which may take a suitable decision pertaining to the proposed action to be initiated against the Ombudsman. On the recommendations of IRDA, the Governing Bodymay terminate his/her services, in case found guilty.

Power of Ombudsman

Insurance Ombudsman mainly performs two types of functions as Follows:(1)Conciliation
(2) Award making

The Insurance Ombudsman is empowered to receive and consider complaints in respect of personal lines of insurance from any individual or policyholder who hasany grievance against an insurer. The complaint may relate to any grievances against the insurer as enlisted below:

(a) Any partial or total repudiation of claims by the insurance companies(b)Dispute with regard to premium paid or payable in term of the policy
(c) Dispute on the legal construction of the policy wording in case such a disputerelated to his/her claims

(d) undue delay in settlement of insurance claim and

(e) Non-issuance of any insurance document to customers after receipt Ofpremium.

(f) Disputes arising on account Claims Reimbursement for 2-8Excessive deductionsthat are made

However, an Ombudsman’s powers are restricted to insurance contracts of financial valuc not exceeding Rs. 20 lakhs. The insurance companies Are requiredto honor the awards passed by an Insurance Ombudsman within three months, based on the merit and validity of an individual claim on case-to-case basis.

Manner of Lodging Insurance related Complaints

An aggrieved person can lodge the complaint in writing which is addressed to the Insurance Ombudsman of the jurisdiction under which the office of the Insurer (orInsurance Company) falls. The complaint can also be lodged through the legal heirs of the insured policyholder. Before lodging a complaint with the Ombudsman, the following features should be kept in mind:

(1) The complainant or aggrieved should have made a representation to theinsurer named in the complaint.

(2) The insurer should have either rejected the complaint or if the complaint (or aggrieved policyholder) has not received any reply from the concerned insurancecompany within a period of one month upon receiving the complaint or the individual! Is not satisfied with the reply of the insurer.

(3) The complaint is not made later than one year after the insurer had replied inresponse to his/her queries.

(4) An aggrieved policyholder should not have approached any court, consumerforum or arbitrator before pertaining to the same case.

Recommendations made by the Ombudsman

When a complaint is settled through the mediation of the Ombudsman, he/sheshall make the recommendations which he feels and thinks is fair based on themerits, validity and circumstances of each case without any bias. Such a recommendation shall be made by the Ombudsman not later than one month upon hearing the case and copies of the same will be dispatched to the

Complainant and the insurance company concerned, who are the parties to thisdispute, If the complainant or aggrieved policyholder accepts the recommendations, he/she needs to send a communication in writing 15 days from the date of receipt by accepting the settlement.

Award

The Ombudsman shall pass an award within a period of three months from thereceipt of receiving the complaint. The awards passed by the Insurance Ombudsman are final and binding upon the insurance companies.

In case, if the policyholder is not satisfied with the award of the Ombudsman,he/she has the option of approaching other venues like Consumer Forum andCourts of Law for redressed of grievances.

Based on the regulation pertaining to protection of policy-holders. Every Insurer(or Insurance Company) shall inform the policyholder accompanied with the policy document in respect of the Insurance Ombudsman in whose jurisdiction his/her office falls. This is for the purpose of grievances redressed, if any, that may arise during the process.

A recent analysis depicting steady increase in number of complaints/grievances received by several of Ombudsman across India implies that the policyholders arereposing their confidence in the institution of Insurance Ombudsman and IRDA.

IRDA REGULATION

The following Regulations have been notified in the Gazette of India:1)Appointed Actuary
2) Actuarial Report and Abstract

3) Assets, Liabilities and Solvency Margin of Insurers
4)Licensing of Insurance Agents
5) General Insurance – Reinsurance 6)Registration of
Indian Insurance Companies7)Insurance
Advertisement and Disclosure
8)Obligations of Insurers to Rural Social Sectors 9) The IRDA (Meetings)9)The
Insurance Advisory Committee (Meetings)
10)Investments (Life and General) 11)Statements
of Accounts in a zipped file12)The IRDA (Staff)
13)Surveyors and loss Assessors
14) Reinsurance – Life
15) Modified Investment Regulations
16) Third Party Administrators
17) IRDA (Preparation of financial statements and auditor's report of
insurance Companies) Regulations, 2002

18) IRDA (Protection of Policyholders Interests) Regulations, 200219)IRDA
(Insurance Brokers) Regulations, 2002
20) IRDA (Licensing of Corporate Agents Corporate Agents) Regulations, 2002

21) IRDA (Manner of Receipt of Premium) Regulations, 2002

22) IRDA (Obligations of Insurers to Rural Social Sectors) Regulations, 2002

23) IRDA (Distribution of Surplus) Regulation, 2002

24) IRDA (Micro-Insurance) Regulations, 2005

25) Report of the KPN Committee on provisions of the Insurance Act, 1938

26) IRDA Act, 1999

27) Notification on reconstitution of the Insurance Advisory Committee

Chapter 3

Review Of Literature :

As a regulatory body, IRDAI conducts research and reviews the literature relatedto the insurance industry in India. Some of the topics that have been covered in IRDAI's review of literature include:

1. Insurance penetration and density:

IRDAI has reviewed the literature on insurance penetration and density in Indiaand other countries. The review has highlighted the low levels of insurance penetration and density in India, and the need for the insurance industry to develop innovative products to increase penetration.

2. Health insurance:

IRDAI has reviewed the literature on health insurance in India, including thechallenges faced by the industry in developing customized health insurance products, and the need for better healthcare access.

3. Innovation in insurance:

IRDAI has reviewed the literature on innovation in insurance, including the use oftechnology to improve efficiency and customer experience, and the need for insurance companies to collaborate with fintech firms and other startups to explore new distribution channels.

4. Solvency risks:

IRDAI has reviewed the literature on solvency risks in the insurance industry, including the impact of the COVID-19 pandemic on insurers' financial health, and

The need for insurance companies to maintain adequate capital buffers anddiversify their investment portfolios.

5. Customer protection:

IRDAI has reviewed the literature on customer protection in the insurance industry, including the need for insurance companies to simplify policy wordings,improve the claims settlement process, and provide better disclosures to customers.

Overall, IRDAI’s review of literature helps to inform its policies and recommendations for the insurance industry in India.

IRDAI’s review of literature provides insights into the challenges and opportunities facing the insurance industry in India. By analyzing existing researchand studies, IRDAI is able to identify key trends and issues in the industry, which helps to inform its policies and recommendations for the sector.

For instance, the review of literature has helped IRDAI identify the low levels of insurance penetration in India and the need for the industry to develop innovativeproducts to increase penetration. Similarly, the review has highlighted the growing demand for health insurance in the country, which has led to IRDAI encouraging insurers to develop customized health insurance products that cater to the specific needs of different customer segments.

In addition, the review of literature has helped IRDAI identify the importance of innovation in the insurance industry, including the use of technology to improveefficiency and customer experience, and the need for insurance companies to collaborate with fintech firms and other startups to explore new distribution channels.

The review has also highlighted the need for insurance companies to focus on maintaining adequate capital buffers and diversifying their investment portfoliosto address solvency risks, particularly in the wake of the COVID-19 pandemic.

Overall, IRDAI's review of literature is a valuable tool in understanding the challenges and opportunities facing the insurance industry in India and developingpolicies and recommendations to support the growth and development of the sector.

IRDAI's review of literature is an important aspect of its research and analysisprocess, which helps to inform its policies and recommendations for the insurance industry in India. The review of literature involves a comprehensiveanalysis of existing research, studies, and reports related to the insurance industry, both in India and globally.

The aim of the review is to identify key trends, challenges, and opportunities in the industry, and to provide insights and recommendations for the development of the sector. The review covers a wide range of topics, including insurance penetration and density, health insurance, innovation in insurance, solvency risks,customer protection, and others.

IRDAI's review of literature draws on a variety of sources, including academic research, industry reports, market surveys, and other relevant publications. The analysis involves a critical evaluation of the existing literature, including its strengths and weaknesses, to identify gaps in knowledge and areas where furtherresearch is needed.

Based on its review of literature, IRDAI provides recommendations and guidelinesto insurers, intermediaries, and other stakeholders in the insurance industry. For instance, the review has led to IRDAI encouraging the development of new

Insurance products and services, promoting innovation and digitization, andstrengthening customer protection measures.

IRDAI's review of literature is a comprehensive analysis of existing research, studies, and reports related to the insurance industry in India and globally. Theaim of the review is to identify key trends, challenges, and opportunities in theindustry and provide insights and recommendations for its development.

The review covers a wide range of topics, including insurance penetration and density, health insurance, innovation in insurance, solvency risks, customer protection, and others. IRDAI draws on a variety of sources, including academicresearch, industry reports, market surveys, and other relevant publications.

IRDAI's review of literature:

1. Scope:

The review covers a wide range of topics related to the insurance industry,including trends, challenges, and opportunities.

2. Sources:

IRDAI draws on a variety of sources, including academic research, industryreports, market surveys, and other relevant publications.

3. Insights:

The review provides insights into the challenges and opportunities facing theinsurance industry in India and helps to inform IRDAI's policies and recommendations for the sector.

4. Recommendations:

Based on its review of literature, IRDAI provides recommendations and guidelinesto insurers, intermediaries, and other stakeholders in the insurance industry.

5. Focus areas:

Some of the focus areas of the review include insurance penetration, healthinsurance, innovation in insurance, solvency risks, and customer protection measures.

6. Importance:

IRDAI's review of literature is an essential component of its research and analysis process, which helps to shape its policies and recommendations for the insuranceindustry in India.

7. Identify key trends:

The review aims to identify key trends in the insurance industry in India and globally. This includes changes in consumer behavior, technological advancements, regulatory developments, and other factors that are shaping theindustry.

8. Identify challenges:

The review also aims to identify challenges facing the insurance industry. Thisincludes issues such as low insurance penetration, lack of awareness about insurance products, and customer protection concerns.

9. Identify opportunities:

The review aims to identify opportunities for growth and development in theinsurance industry. This includes new markets, emerging technologies, and innovative products and services.

10. Provide recommendations:

Based on its review of literature, IRDAI provides recommendations and guidelinesto insurers, intermediaries, and other stakeholders in the insurance industry.
These recommendations are aimed at promoting innovation, improving customerprotection, and ensuring the long-term sustainability of the industry.

11. Inform policy-making:

IRDAI's review of literature is an essential component of its research and analysis process, which helps to shape its policies and recommendations for the insuranceindustry in India. The review provides valuable insights into the challenges and opportunities facing the industry and helps to inform policy-making.

IRDAI (Insurance Regulatory and Development Authority of India) is the regulatorybody for the insurance industry in India.

IRDAI was established in 1999 as an autonomous statutory body to regulate anddevelop the insurance industry in India.

IRDAI's primary mandate is to protect the interests of policyholders, regulate the insurance industry, and promote its growth and development.

IRDAI's functions include issuing licenses to insurance companies, regulating theiractivities, promoting innovation in the industry, protecting the interests of policyholders, and developing the insurance market in India.

IRDAI is headed by a Chairman and has 10 other members appointed by the Government of India. It has several departments, including the Department of Insurance Products, Department of Policyholder Protection, and Department ofInsurance Regulation.

IRDAI has the power to issue regulations, guidelines, and circulars related to theinsurance industry, and can take enforcement actions against companies that violate its rules and reregulation

IRDAI has been actively promoting financial inclusion in the insurance sector by encouraging the development of micro-insurance products and promoting the useof technology to reach underserved populations.

IRDAI has also been promoting innovation in the insurance sector by encouragingthe development of new products and services, including those that use new technologies such as block chain and artificial intelligence.

IRDAI's review of literature is a comprehensive analysis of the insurance industry in India and globally. Its objectives are to identify key trends, challenges, and opportunities in the industry, provide recommendations and guidelines for its growth and development, and inform policy-making. The review is an essential component of IRDAI's research and analysis process and helps to shape its policiesand recommendations for the insurance industry in India.

Overall, IRDAI’s review of literature is a valuable tool in understanding the challenges and opportunities facing the insurance industry in India and developingpolicies and recommendations to support the growth and development of the sector.

Chapter 4

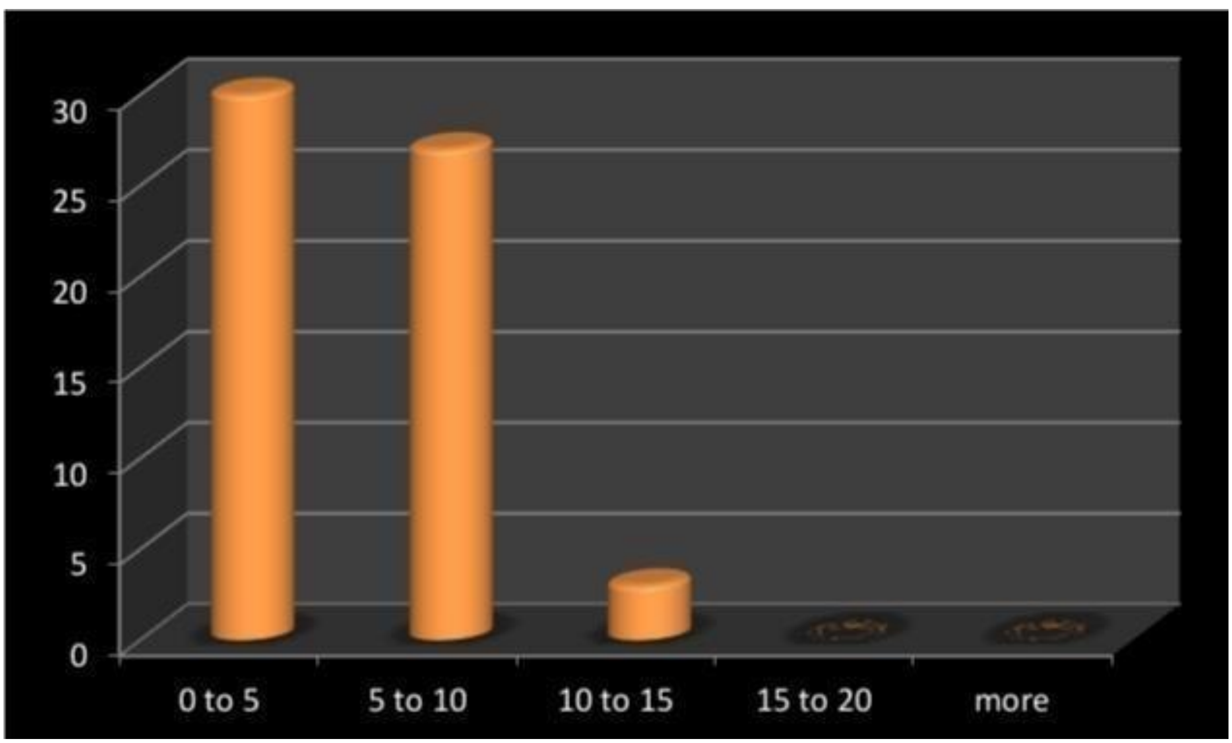
Data Analysis, Interpretation And Presentation

• PRIMARY DATA ANALYSIS

ANALYSIS OF QUESTIONNAIRE

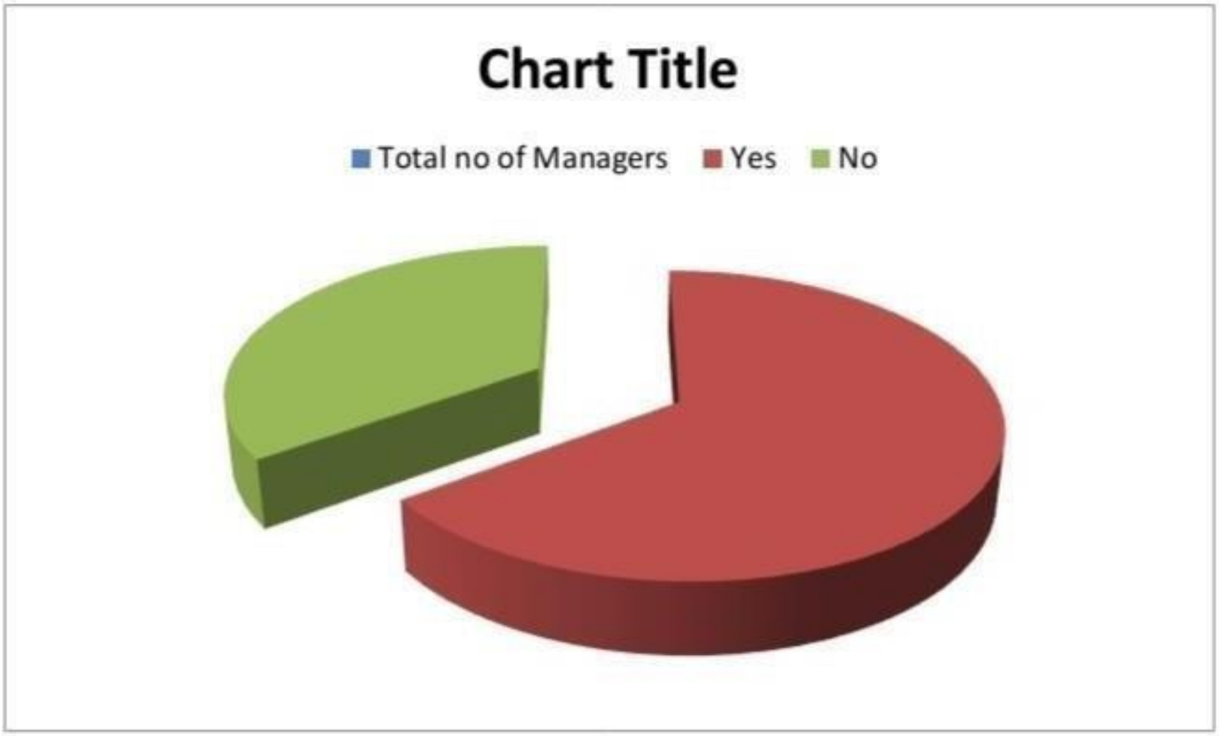
For this questionnaire I had visited ten insurance companies in Mumbai like Tata,Birla sun life and Relegate and asked senior level managers like operations head and branch managers to fill the questionnaires and following was the response which I have presented in charts and graphs.

1. **How much your work experience.**



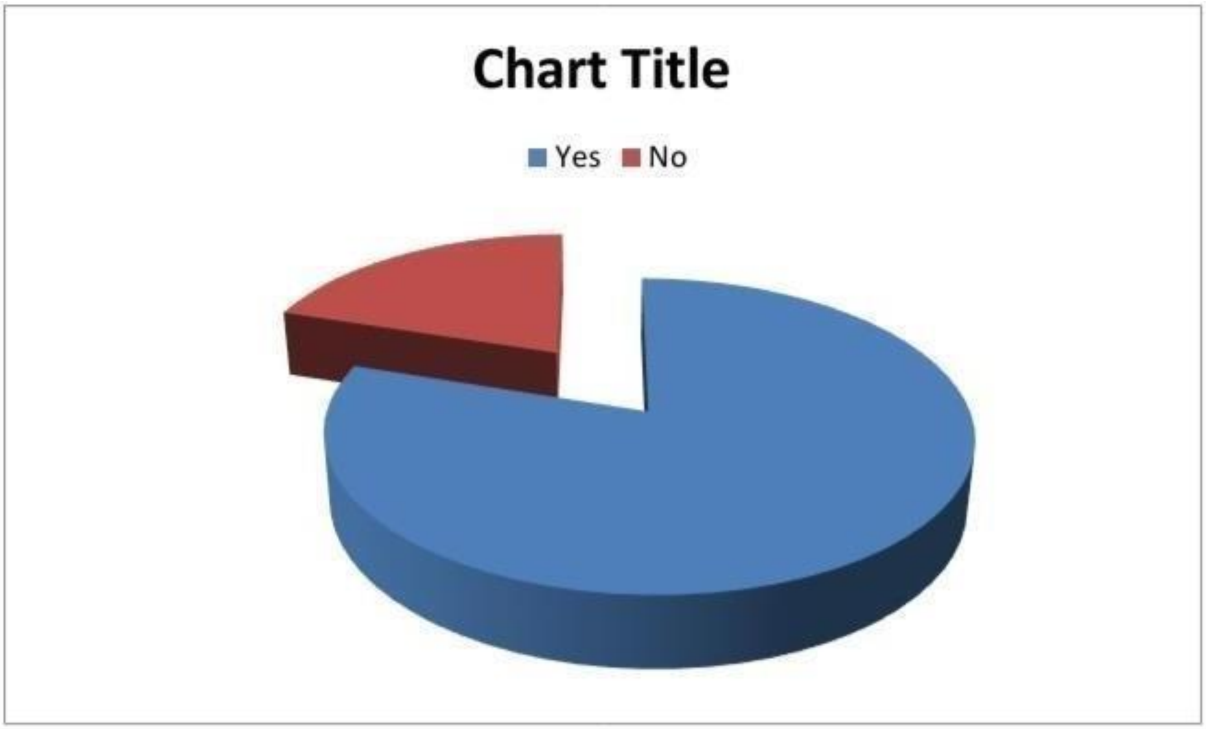
Out of 60 respondents, 30 belonged to the experience group of 0-5 years. 27 respondents belonged to the group 5-10 years. Only 3 respondents belonged to the group of 10- 15. It was found that in Dehradun city the managers was havingexperience between 0 to who have more than 15 years of experience 15 years and managers are posted to the head offices which are in Delhi or Mumbai.

2. Does IRDA interfere in the adjudication of disputes in your Company?



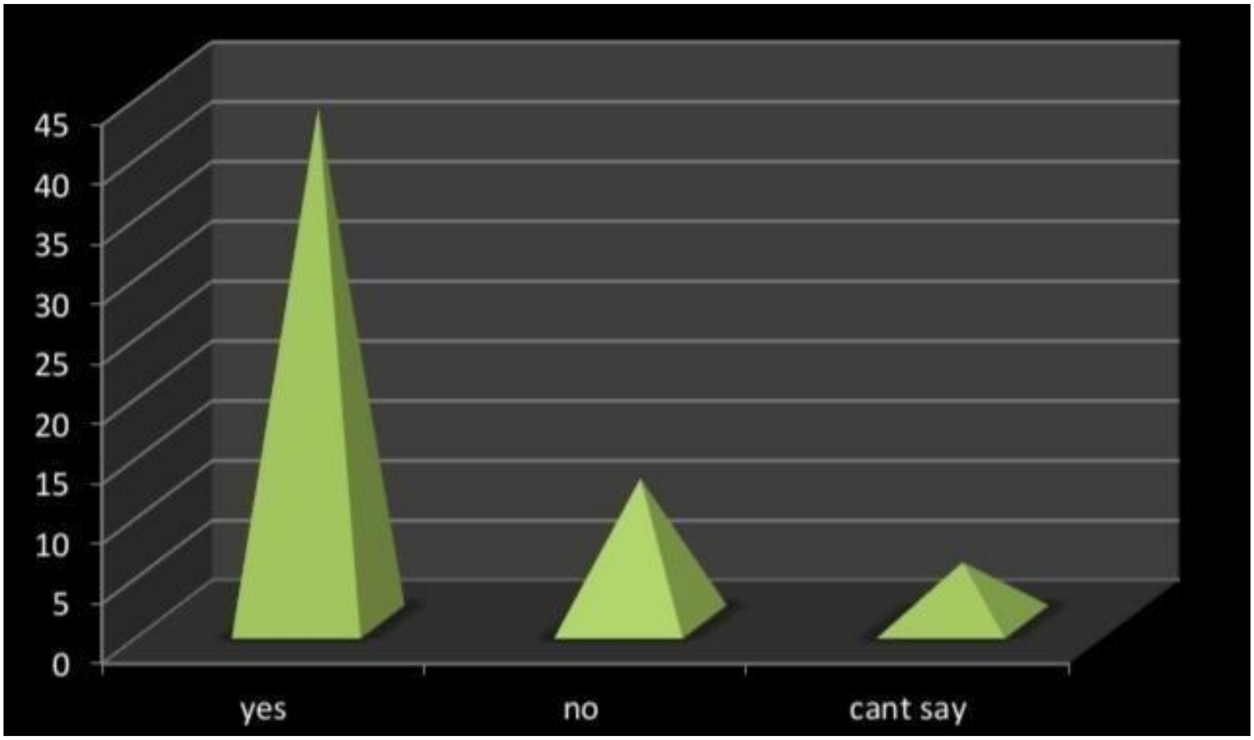
In total of 60 responses 39 managers said that IRDA interfere in the adjudication of dispute in their company while 21 said no. It was evident that those managerswho said no was actually not will to disclose the cases in which IRDA has interfered in past in their company. It is clear from the responses that IRDA monitor the working of the 20 companies closely and interfere timely and protects the interest of the policyholder. I was also told that there is ombudsmancommittee made IRDA that settle the dispute of Policyholders and companies.

3. If yes are you satisfied with the solution/suggestions provided by IRDA?



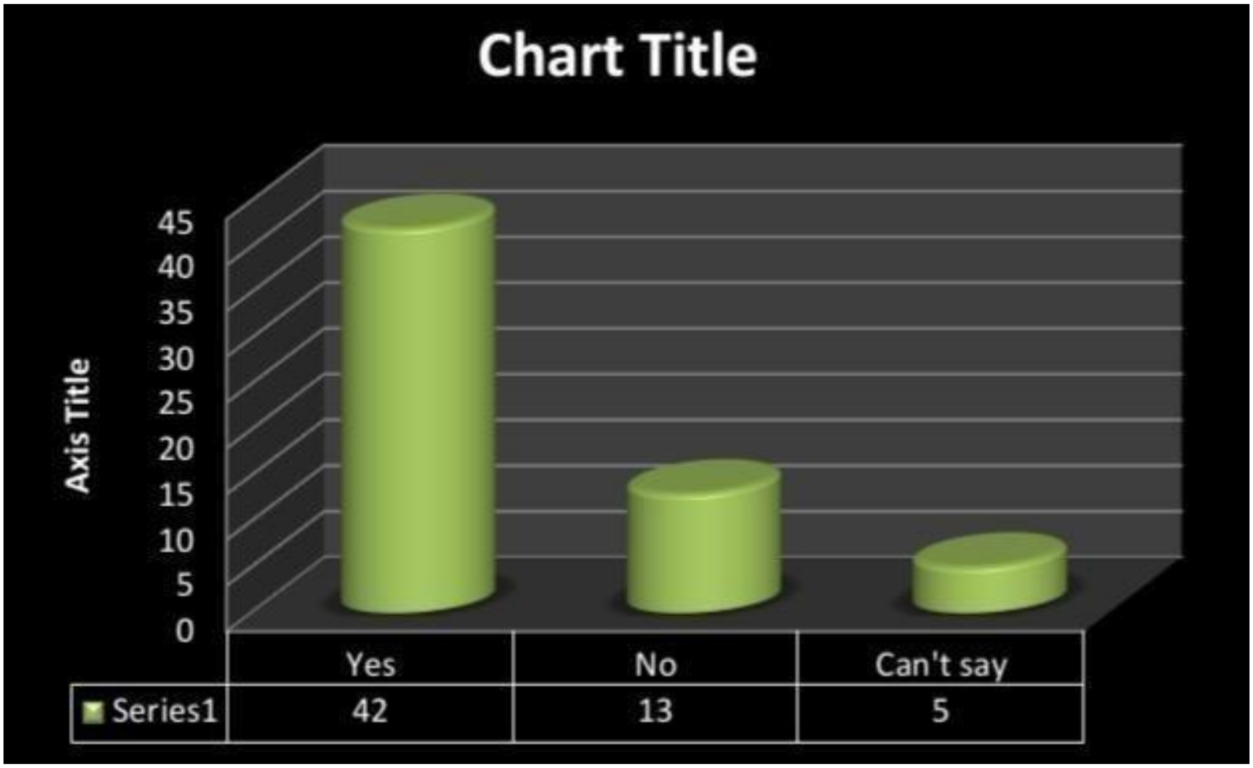
It is clear from the manager's response that IRDA is successful in providing propertraining to agents and intermediaries. 48 managers out of 60 say it which is 80% of the total response. It was found that IRDA has established had INSURANCE
INSTITUTE OF INDIA (III) that provides proper training as per IRDA'S standard.

4. Are you satisfied with the working of IRDA?



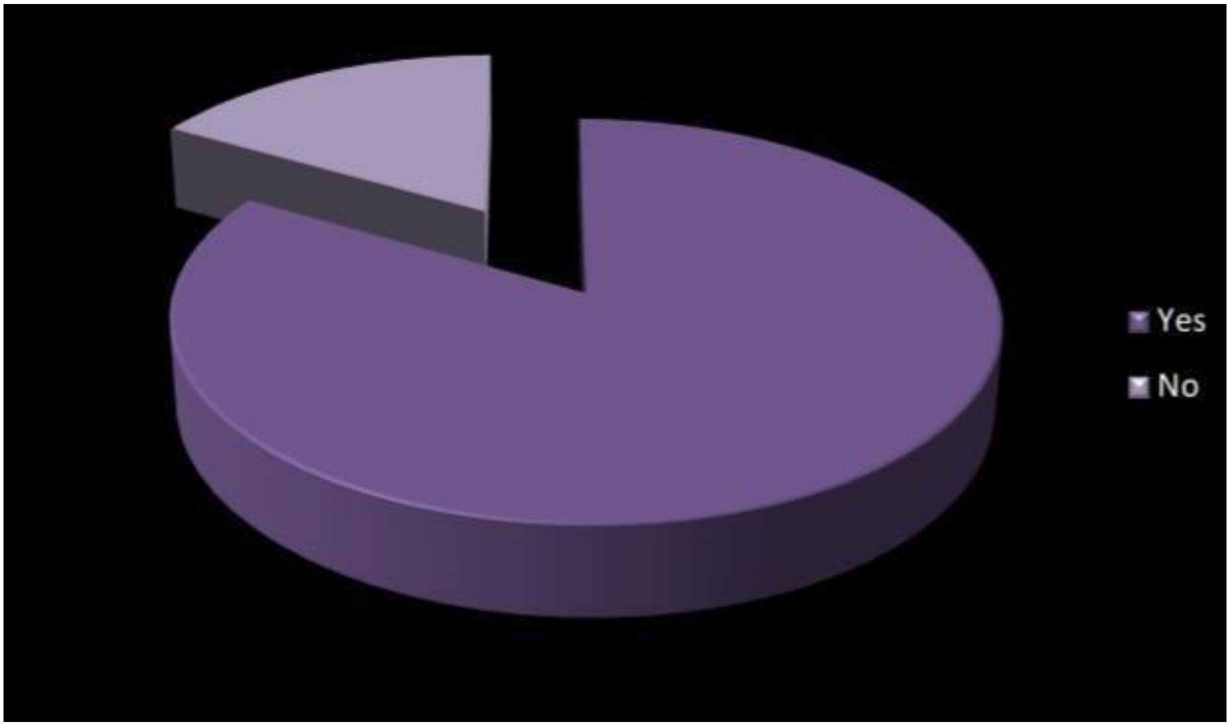
Is IRDA Out of 60 respondent 39 said it is successful in insuring orderly growth ofinsurance sector in India, 9 says it does not and 12 had no answer to this question. So 65% of total managers admit that IRDA is successful in insuring the power growth of insurance sector India a successful.

5. Do you think that IRDA is successful in putting a check on fraud companiesentering into the market?

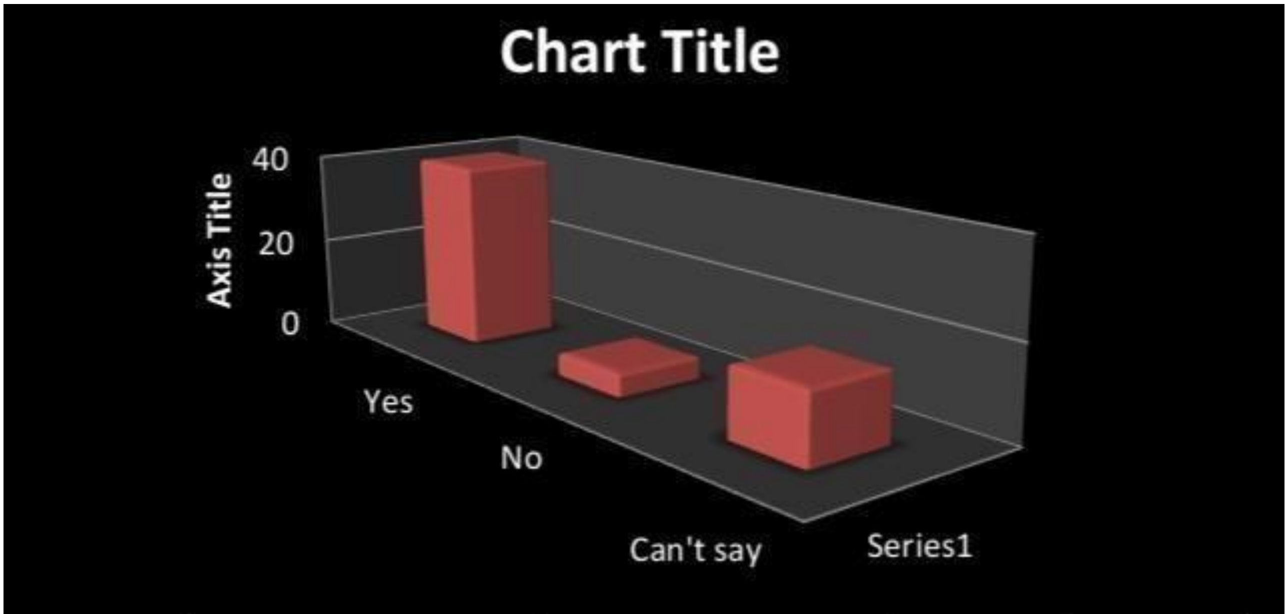


It is clear from the response that IRDA is successful putting a check on fraud Company entering in the market. As 42 managers out of 60 admits this which is70% of the total responses. IRDA has also put the 100cr margin money to be deposited in IRDA before entering into the market. This money is used to settlethe claim if company is not able to repay to their customers.

6. Is IRDA providing proper training for intermediaries and agent ?

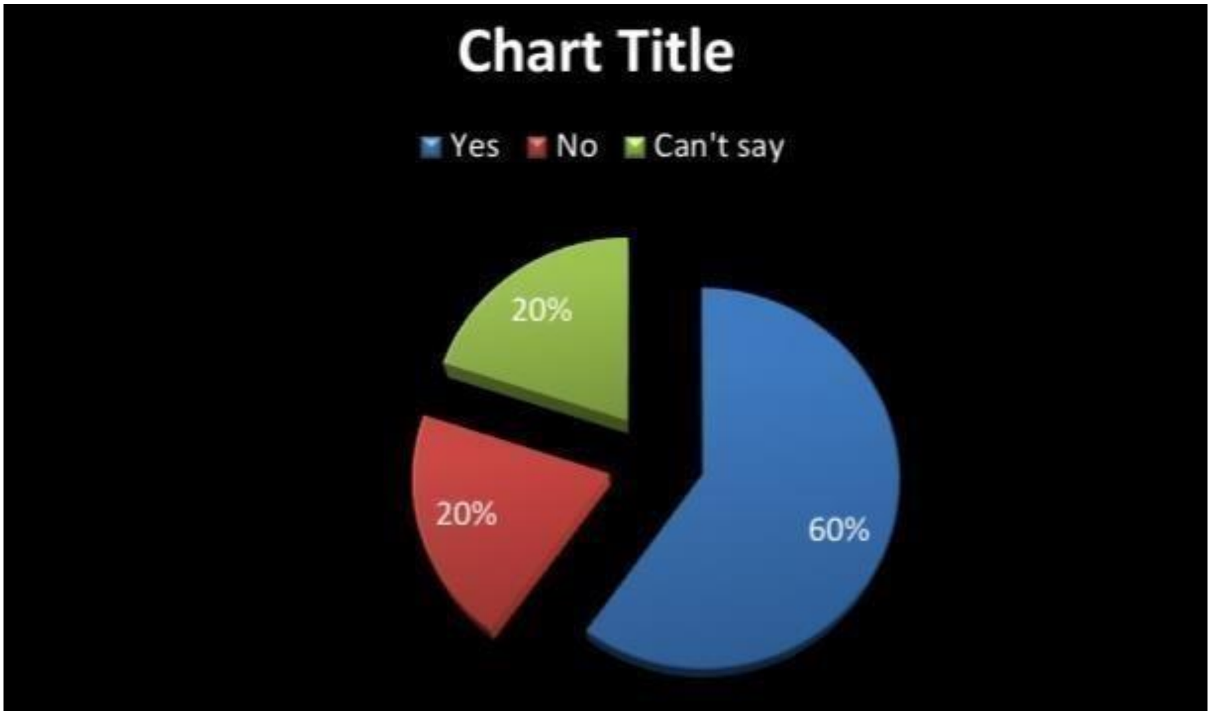


7. IRDA successful in insuring orderly growth of insurance sectors India?



	Yes	No	Can't say
Series1	40	5	15

8. Do you think that IRDA is successful in putting a check on fraud companiesentering into the market?



Chapter 5

CONCLUSIONS :

IRDA is important to keep a check on private insurance companies and growth ofinsurance sector.

It has been successful in monitoring, nurturing and grooming Insurance sector inIndia.

If we want the company to work in a proper manner without any problem thenwe have to obey the rules of IRDA.

Without IRDA all companies are like a car without a driver who can make to run their Companies without any guidance. So a driver is there to control a car to show car the right direction and run without harming others. Like driver IRDA alsoshows all directions and rules to companies by which they have to run. IRDA is successful in opening the insurance market for private and foreign companies after liberalization, insuring the orderly growth of insurance sector and protectingthe interest of policy holders. The effectiveness of IRDA depends substantially on the ability of its human resources till now IRDA is successful in keeping a check onfraud companies entering into the insurance market.

SUGGESTIONS :

As a regulatory body, IRDAI regularly makes suggestions and recommendations tothe insurance industry in India. Some of its recent suggestions are:

1. Increase in penetration of insurance: IRDAI has suggested that the insurance industry should focus on increasing insurance penetration in India, which is currently low compared to other countries. To achieve this, IRDAI recommends that insurance companies should develop innovative products and offer them ataffordable prices to a wider range of customers.

2. Adoption of technology: IRDAI has suggested that the insurance industry shouldadopt technology to improve efficiency, reduce costs, and enhance customer experience. Some of the technologies that IRDAI has recommended include blockchain, artificial intelligence, and cloud computing.

3. Enhancing customer protection: IRDAI has suggested that insurance companiesshould take steps to enhance customer protection, such as improving the claims settlement process, simplifying policy wordings, and providing better disclosuresto customers.

4. Promoting health insurance: IRDAI has recommended that the insurance industry should focus on promoting health insurance in India, given the rising healthcare costs and the need for better healthcare access. IRDAI has suggestedthat insurance companies should develop customized health insurance productsthat cater to the specific needs of different customer segments.

5. Encouraging innovation: IRDAI has suggested that the insurance industry shouldencourage innovation and experimentation in product development and distribution. To facilitate this, IRDAI has recommended the regulatory barriers be lowered, and that insurance companies be allowed to collaborate with fintech firms and other start ups.

FINDING :

As a regulatory body, IRDAI conducts research and analysis to identify trends andissues in the insurance industry. Some of its recent findings are:

1. Low penetration of insurance: IRDAI has found that insurance penetration in India is low compared to other countries, with only about 3.7% of the populationcovered by insurance. This indicates a significant opportunity for the insurance industry to expand its customer base.

2. Increasing demand for health insurance: IRDAI has found that there is a growing demand for health insurance in India, driven by rising healthcare costs and the need for better healthcare access. This presents an opportunity for insurance companies to develop customized health insurance products that caterto the specific needs of different customer segments.

3. Need for innovation: IRDAI has found that the insurance industry needs to innovate in product development and distribution to remain competitive. Thisincludes developing new products that cater to changing customer needs, adopting technology to improve efficiency and customer experience, and collaborating with fintech firms and other startups to explore new distributionchannels.

4. Importance of customer protection: IRDAI has found that customer protectionis critical for the long-term sustainability of the insurance industry. This includes improving the claims settlement process, simplifying policy wordings, and providing better disclosures to customers.

5. Solvency risks: IRDAI has identified solvency risks as a key challenge for the insurance industry, particularly in the wake of the COVID-19 pandemic. To address this, IRDAI has recommended that insurance companies focus on maintaining adequate capital buffers and diversifying their investment portfolios.

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WEBSITE :

https://www.irdai.gov.in/