

## Role and Functions of Insurance Regulatory Development Authority

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We all know what is insurance and what role it plays in the economic development of our nation. By now everyone must be familiar with insurance business; it is a contract between individuals or group or businessmen & insurance companies. The extent of the insurance contracts differs i.e. some contracts are for one year and some are for twenty years or more and size of such contracts are also very large. As insurance contracts is of assurances or promises made by the insurance companies to reimburse the insured person in case of accident or mis-happening but these promises are not tangible and insurance companies deals with the huge size of contracts, so this gives rise to disputes in an industry. In order to settle down such disputes, Government of each nation appoints a regulator who looks after the activities & tries to resolve the problems. Therefore, Government of India established an agency called Insurance Regulatory and Development Authority (IRDA) to supervise & resolve the issues arising in insurance sector and even look after the development of this sector. So, this article will throw a light upon Insurance Regulatory and Development Authority (IRDA) features, role, impact, duties, powers, policies etc.

### Abstract

Insurance Regulatory and Development Authority (IRDA) is an autonomous apex statutory body which regulates and develops the insurance industry in India. It was constituted by a parliament of India act called Insurance Regulatory and Development Authority Act, 1999 and duly passed by the government of India .The agency operates its headquarters at Hyderabad, Andhra Pradesh where it shifted from Delhi in 2001. IRDA issue the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel such registration and protect the interests of the policy holders in matters concerning assigning of policy, further it regulates investment of funds by insurance companies, regulating maintenance of margin of solvency, adjudication of disputes between insurers and intermediaries or insurance intermediaries.

### Introduction

IRDA - Insurance Regulatory Development and Authority is the statutory, independent and apex body that governs and supervise the Insurance Industry in India. The IRDA Act, 1999 was passed as per the major recommendation of the Malhotra. Committee report (1994) which recommended the establishment of an independent regulatory authority for insurance sector in India. Later, it was incorporated as a statutory body in April, 2000. The IRDA Act, 1999 also allows private players to enter the insurance sector in India besides a maximum foreign equity of 26 per cent in a private insurance company having operations in India. IRDA should make sure that the insurers

are providing precise and correct information about the products offered by them for the insurance customers. IRDA should also ensure speedy settlement of genuine claims of the policyholders and prevent malpractices in the process of claims settlement. . As per current guidelines issued by IRDA, Insurance Companies are not permitted to invest in Indian Depository Receipts (IDR), while they are permitted to invest in Equity shares/Bonds/ Debentures. IRDA needs to remove this disparity to open up investment opportunity by Insurance Companies and thereby also enhance the liquidity of IDRs Hence, the present work made an attempt to study the Role of IRDA in Indian Insurance sector.

### **The Main Functions of IRDA**

The duties, powers and functions of IRDA are laid down in section 14 of IRDA Act, 1999 as: To regulate, promote and ensure orderly growth of the insurance business and re-insurance business. Issue to the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel such registration.

- (1) To protect the interest of the policy holders related to surrender value of policy, settlement of insurance claims, insurable interest, nomination by policy holders, other terms & conditions of insurance contract.
- (2) In case of General Insurance, who assess the loss of policy holder should be stated the code of conduct.
- (3) Promoting proficiency in the conduct of insurance business;
- (4) Promoting and regulating professional organizations connected with the insurance and re-insurance business;
- (5) Calling for information from, undertaking inspection of, conducting inquiries including audit of the insurers, intermediaries, insurance intermediaries and other organizations connected with the Insurance business;
- (6) Stating the form and manner in which books of account shall be kept and statement of accounts shall be rendered by insurers and other insurance intermediaries;
- (7) Regulating investment of funds by insurance companies;
- (8) Regulating maintenance of margin of solvency i.e., having sufficient funds to pay insurance claim amount;
- (9) To settle the disputes between insurers and intermediaries or insurance intermediaries
- (10) Stating the percentage of life insurance business and general insurance business to be accepted by the insurer in the rural or social sector; and
- (11) Exercising such other powers as may be prescribed.

### **Impact of Insurance Regulatory and Development Authority (IRDA)**

#### **1. Impact over Regulation of Insurance Sector**

IRDA has a great impact on the overall regulation of Indian Insurance Sector. In order to keep the

proper protection of the policy holder's interests, Insurance Regulatory and Development Authority (IRDA) has a close observation over the different activities of insurance sector in India.

## **2. Impact over Policyholders Interests Protection**

The core objective or purpose of the Insurance Regulatory and Development Authority is to protect the interests of policyholders and IRDA is trying its level best in this context.

## **3. Impact over Awareness to Insurance**

In order to increase the awareness of insurance in the society, IRDA is trying to take different steps in making the activities of insurance sector transparent.

## **4. Impact over Insurance Market**

There is great transformation in the insurance market due to the impact of Insurance Regulatory and Development Authority be it with respect to marketing, insurance products, competition & customer awareness.

## **5. Impact over Development of Insurance Product**

Insurance Regulatory and Development Authority (IRDA) has brought a revolution in the development of insurance products. The development of ULIPs (Unit-Linked Insurance Plans) is the result of privatization of the insurance sector.

## **6. Impact over Competition in the Insurance Sector**

Earlier there was no competition in the insurance sector but due to privatization of insurance sector & inviting private players in the insurance sector, it has given rise to competition in the insurance sector.

## **7. Impact over Saving and Investment of Individual**

Insurance Regulatory and Development Authority has made insurance so popular & profitable mode of investment and permanent place for saving amongst the individuals of society.

## **8. Impact over Government Responsibility**

Insurance Regulatory and Development Authority (IRDA) is making the government responsible & accountable in bringing uniformity in the insurance sector due to the constant increase in the number of insurers, increasing competition, number of diversifies products and diversifies activities of the insurers.

## **9. Impact over Banks and Post Offices**

Insurance has resulted in giving security against any kind of uncertainties or risks, so the insurance sector has become popular medium for savings & investments and thus has diverted the flow of funds from banks & post offices to insurance industry.

## **10. Impact over Individual Life's**

Insurance Regulatory and Development Authority has developed an understanding of the insurance by putting across a great impression over the life of a common man of the society.

## **11. Impact over Share Market**

Private insurers or players have developed ULIPs (Unit-Linked Insurance plans) in order to attract more customers and ULIPs is a result of modern insurance market. Therefore, insurance products has made simple to raise funds y the companies and has also attached many individuals of the society indirectly with the activities of share market.

## **12. Impact over Indian Economy**

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

### **Results and Discussions**

#### **Registered Insurers in India**

At end of September 2011, there are forty-nine insurance companies operating in India; of which twenty-four are in the life insurance business and another twenty-four are in general insurance business. In addition, GIC is the sole national re-insurer. Of the forty-nine companies presently in operations, eight are in the public sector: two specialized insurers, namely ECGC and AIC, one in life insurance, four in general insurance and one re-insurance. The remaining forty one companies are in the private sector.

#### **RE – INSURER**

General Insurance Corporation of India

#### **Source; IRDA Annual reports, various issues**

Growth trends in registered life in private and non life insurer have been increased over the last one and half decade. The no. of registered life insurer increased from 4 to 24 including one public sector insurer i.e. LIC, but the increase in private sector insurer is more significant during from 2000 to 2011. Non-life insurer has also increased to 25 (including 1 re-insurance) industries as in September 2011. Most of the private players in the Indian insurance industry are a joint venture between a dominant Indian company and foreign insurers. In a fragmented industry, new players are gnawing away the market share of larger players. The existing smaller players have aggressive plans for network expansion as their foreign partners are keen to capitalize on the enormous potential that is latent in the Indian life insurance market. However, it is concluded that since the establishment of the IRDA the number of life and non-life insurance insurers have registered and started their business in insurance arena.

#### **Growth of New Policies**

The IRDA in insurance industry in India has taken impressive measures in recent years and has recorded phenomenal growth complemented by country's improving economic growth. The Indian insurance industry is gaining in size and is in par with the Asian markets. The business of insurance is related to the protection of the economic values of assets of the policyholders. The

no. of new policies issued by the life insurer in accordance with IRDA is an index of growth of life insurer. The IRDA is looking at making insurance policies more invest or friendly by introducing tax exemptions on insurance policies. While IRDA is still considering a proposal by LIC to link tax relief to the term of the life insurance policy, reports suggest IRDA has backed a move to introduce separate tax exemption limit on life insurance policies.

### **Claims Settlement in Life Insurance Sector**

In the business of insurance, the timely settlement of claims is a vital function that needs no special emphasis. The claims settlement record of an insurer is, therefore, the touchstone of its performance. In order to ensure that the insurer is in position to promptly settle all its claims, it needs to do a careful evaluation of the risks that would arise out of the underwritten contracts and price their premiums accordingly. Excessive time-lags in settlement of claims or higher percentage of repudiations speak badly of the insurer's approach to its business and to its policy holders. The primary laws as well as subordinate legislations have included a number of provisions intended to protect the interests of policy holders/claimants, these provisions ensuring prompt settlement of all genuine claims. Provision 8 of the IRDA (Protection of Policy holders Interests) Regulations, 2002 lays down the guidelines on claims procedure in respect of a life insurance policy.

### **Conclusions**

The growth Performance of the insurance industry has been increased tremendously since the establishment of IRDA in India, which supervise and controll the entire insurance industry. The increase in number of insurer both in life and non-life, growth in insurance penetration and density, increase in number of policies issued and increase in the speed of claims settlement and in many more aspects the IRDA is playing a prominent role in the Indian insurance sector.

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