

Unit- 4 : Privatization of Insurance business & IRDA Act

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* ^[1] ^[2] and duly passed by the **Government of India**. ^[3]

The agency operates its headquarters at **Hyderabad, Andhra Pradesh** where it shifted from **Delhi** in 2001. ^[4] The Insurance regulatory and Development Authority (IRDA), batted for a hike in the foreign direct investment (FDI) limit to 49 per cent in the sector from the present 26 per cent.

The *IRDA Act, 1999* was passed as per the major recommendation of the *Malhotra Committee* report (1994) which recommended 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. The FDI limit in insurance sector was raised to 49% in July 2013. It serves as 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. IRDA role ^[6] is to protect rights of policy holders & they provides registration certification to life insurance companies & responsible for renewal, modification, cancellation & suspension of this registered certificate.

Section 14 of IRDA Act, 1999 lays down the duties, powers and functions of IRDA..

Subject to the provisions of this Act and any other law for the time being in force, the Authority shall have the duty to regulate, promote and ensure orderly growth of the insurance business and re-insurance business.

1. Without prejudice to the generality of the provisions contained in sub-section (1), the powers and functions of the Authority shall include, -
 - o issue to the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel such registration;
 - o protection of the interests of the policy holders in matters concerning assigning of policy, nomination by policy holders, insurable interest, settlement of insurance claim, surrender value of policy and other terms and conditions of contracts of insurance;

- o specifying requisite qualifications, code of conduct and practical training for intermediary or insurance intermediaries and agents
- o specifying the code of conduct for surveyors and loss assessors;
- o promoting efficiency in the conduct of insurance business;
- o promoting and regulating professional organisations connected with the insurance and re-insurance business;
- o levying fees and other charges for carrying out the purposes of this Act;
- o calling for information from, undertaking inspection of, conducting enquiries and investigations including audit of the insurers, intermediaries, insurance intermediaries and other organisations connected with the insurance business;
- o control and regulation of the rates, advantages, terms and conditions that may be offered by insurers in respect of general insurance business not so controlled and regulated by the Tariff Advisory Committee under section 64U of the Insurance Act, 1938 (4 of 1938);
- o specifying the form and manner in which books of account shall be maintained and statement of accounts shall be rendered by insurers and other insurance intermediaries;
- o regulating investment of funds by insurance companies;
- o regulating maintenance of margin of solvency;
- o adjudication of disputes between insurers and intermediaries or insurance intermediaries;
- o supervising the functioning of the Tariff Advisory Committee;
- o specifying the percentage of premium income of the insurer to finance schemes for promoting and regulating professional organisations referred to in clause (f);
- o specifying the percentage of life insurance business and general insurance business to be undertaken by the insurer in the rural or social sector; and
- exercising such other powers as may be prescribed