

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY

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WHAT IS INSURANCE??

- ▶ Insurance in law and economics is a form of risk management primarily used to hedge against the risk of contingent loss.
- ▶ Insurance is defined as the equitable transfer of the risk of a potential loss from one entity to another, in exchange to premium.



INSURER? INSURED?

- ▶ An insurer, or insurance carrier, is a company selling the insurance.
- ▶ The insured, or policyholder, is the person or entity buying the insurance policy.



INSURANCE EVOLUTION

- ▶ 1818-Oriental Life Insurance Company-1st Insurance company.
- ▶ 1870-Bombay Mutual life Assurance society-1st life insurance company.
- ▶ 1912-The Indian life assurance Companies act enacted the 1st law to regulate the Life insurance Business
- ▶ 1928-The Indian life assurance Companies act enacted to enable the Government to collect statistical information about both Life and Non-Life insurance businesses.



- ▶ 1938-Earlier legislation consolidated and amended the Insurance act with the objective of protecting the interests of the insuring public.
- ▶ 1956-245 Indian and foreign Insurers and provident societies are taken over by Central Government and Nationalized.
- ▶ LIC formed by an act of parliament , viz .LIC act,1956 with a capital contribution of Rs.5 crore from GOI.



MISSION

a) To protect the interests of the policy holders

b) To promote, regulate and ensure orderly growth of the insurance industry and four matters connected there with or incidental there to

c) Conduction of insurance businesses across India in an ethical manner

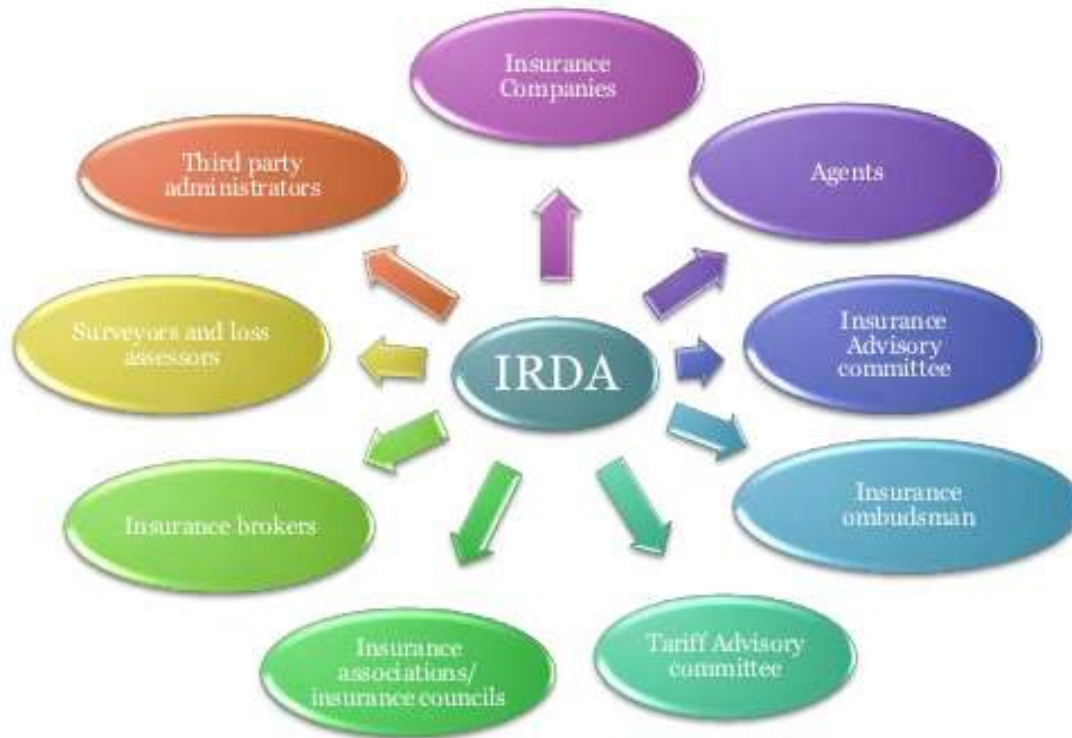


ORGANIZATIONAL STRUCTURE

- ▶ As per section 4 of IRDA Act'1999,
 - ❖ A chairman- Mr. T.S. Vijayan
 - ❖ Five full time members
 - ❖ Four part time membersAll are appointed by GOI.



IRDA's Regulatory Framework



DUTIES & RESPONSIBILITIES

According to the Section 14 of IRDA Act of 1999 there are certain duties:

- ❖ To regulate, promote and ensure orderly growth of the insurance business and re-insurance business.
- ❖ To issue a certificate of registration and powers to renew, modify, withdraw, suspend or cancel the registration.
- ❖ Protection of the interests of the policy holders.
- ❖ To specify qualifications, code of conduct and practical training for intermediaries.
- ❖ To specify the code of conduct for surveyors and loss assessors.



- ❖ To promote the efficiency in the conduct of insurance business.
- ❖ To promote and regulate the organizations connected with the insurance and re-insurance business.
- ❖ Levying fees and other charges for carrying out the purposes of this Act.
- ❖ To conduct enquiries and investigations for insurers, intermediaries, insurance intermediaries and other organizations connected with the insurance business
- ❖ To control and regulate the rates, advantages, terms and conditions that may be offered by insurers.



- ❖ To specify the form and manner in which books of account shall be maintained.
- ❖ To regulate the investment of funds by insurance companies.
- ❖ To regulate the maintenance of margin of solvency.
- ❖ Adjudication of disputes between insurers and intermediaries.
- ❖ Supervising the functioning of the Tariff Advisory Committee.



- ❖ To specify the percentage of premium income of the insurer to finance schemes.
- ❖ To specify the percentage of life insurance business and general insurance business to be undertaken by the insurer in the rural or social sector.
- ❖ Exercising such other powers as may be prescribed.



TENURE OF OFFICE OF CHAIRPERSON AND OTHER MEMBERS

- ▶ Chairperson and every other whole-time member - 5YRS
- ▶ Maximum age of chairperson is 60yrs
- ▶ Maximum age of whole time member is 62yrs
- ▶ Part time members- not more than 5yrs



REMOVAL FROM THE OFFICE

- ▶ The Central Government may remove from office any member who-
 - ▶ is act as an insolvent.
 - ▶ has become physically or mentally incapable of acting as a member.
 - ▶ has been convicted of any offence which, in the opinion of the Central Government, involves moral turpitude.
 - ▶ has acquired such financial or other interest as is likely to affect prejudicially his functions as a member.



- ▶ Has so abused his position as to render his continuation in office detrimental to the public interest.
- ▶ 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 the matter.



OMBUDSMAN

- ▶ The institution of Insurance Ombudsman was created by Government of India Notification dated 11th November, 1998.
- ▶ Purpose is to quick disposal of the grievances of the insured.
- ▶ The institution helps to generate and sustain the faith and confidence amongst the consumers and insurers.



APPOINTMENT OF OMBUDSMAN

- ▶ The appointment has to be done with the recommendations of the committee comprising of Chairman, IRDA, Chairman, LIC, Chairman, GIC and a representative of the Central Government.



COMPLAINTS MAY RELATE TO

- ▶ Any partial or total repudiation of claims by the insurance companies.
- ▶ Dispute with regard to premium paid or payable in terms of the policy.
- ▶ Delay in settlement of claims.
- ▶ Non- issuance of any insurance document to customers after receipt of premium.



PROCESS OF LOSS ADJUSTMENT

- ▶ Inspection of the scene.
- ▶ Identification of property insured.
- ▶ Securing evidences - photographic, samples, telltale.
- ▶ Examination of probable cause - process of elimination of probable causes, acceptance of more than one probable cause of loss, elimination of loss due to exception or exclusion.
- ▶ Verification of damage - physical evidence, identification from physical evidence, absence of physical evidence, nature of goods involved, properties of goods involved, duration of fire.



- ▶ Assessment of the damage.
- ▶ Calculation of value at risk.
- ▶ Assessment.
- ▶ Concurrent and non-concurrent assessment.
- ▶ Compliance with warranties.
- ▶ Lien of financial institutions.



INTERMEDIARIES

- ▶ Agents
- ▶ Brokers
- ▶ Surveyors
- ▶ TPA Health services
- ▶ Web aggregators



CRITICS

- ▶ IRDA norm on pension products draws criticism.
 - ▶ The Insurance Regulatory and Development Authority's (IRDA) new guideline mandating a guaranteed 4.5% return on pension products has left both insurers, who offer pension products, as well as their customers unhappy . Insurers believe that the proposal may make pension products unattractive to prospective buyers.
- ▶ Standard insurance for rural, social sectors.
 - ▶ IRDA's proposal said insurers shall be given one unit credit for each life cover and each non-life cover for the sale of one standard product. It also said insurers shall not be allowed to market any other product to meet social and rural sector obligations.

▶ THE ART OF FENCE SITTING

- ▶ The very public spat between regulators SEBI and IRDA concerning the now famous Unit-Linked Insurance Plans (ULIPs).

<http://www.businessandeconomy.org/27052010/storyd.asp?sid=5268&pageno=1>

- ▶ Despite criticism over product clearance delay, IRDA won't approve mutual fund-like pension plans

The Economic Times/Mumbai/September 25, 2012



IRDA'S NEW HEALTH INSURANCE REGULATIONS - A REVIEW

- ▶ Insurers have a freedom to specify max. renewal age.
- ▶ Insurer has to now give a min. 30 days grace period for renewal.
- ▶ All health policies will now give policyholder a free-look period of 15 days.
- ▶ Every proposal for health insurance product shall provide for “nomination”. Though as per Section 39 of Insurance Act, “nomination” is optional - however, it is highly advisable.
- ▶ Insurers may provide coverage for non-allopathic treatments provided they are taken at recognized hospitals.
- ▶ Insurer has to settle claim within 30 days, cannot asked for document in one go.
- ▶ Identification card within 30days.
- ▶ products with a term of 1 year or less, at least 50% of the cost of proposal will be borne by Insurer

<http://sohamfp.com/new-health-insurance-regulations/>

THANK YOU!

