



IRDA: REGULATOR OF INSURANCE SECTOR IN INDIA

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Abstract:

Indian insurance sector is a huge one and is growing at a speedy rate of 15-20%. Together with banking services, insurance adds 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 and strengthening the risk taking ability of the country. Insurance Regulatory and Development Authority of India is an autonomous statutory body established by the Government of India, in April 2000. The fees charged for lodging the complaint should be waived to benefit the customers, particularly poor customers. The sellers, traders should follow business ethics and try to give maximum satisfaction to the consumers and the society. The key objective behind setting up of IRDA includes regular monitoring, directing and controlling over different activities of the insurance sector in the country. It has all the authorities as the Controller of Insurance in Indian insurance sector. A brief description of role, functions and relation of IRDA with various sectors is studied in this paper.

KEYWORDS:

Indian insurance sector , infrastructure development , economic development .

INTRODUCTION:

Insurance Regulatory and Development Authority (IRDA) has been renamed as 'Insurance Regulatory and Development Authority of India'. In a press release issued on Tuesday, 30th December 2014, The Chairman of IRDA of India said that, IRDA would henceforth be known as Insurance Regulatory and Development Authority of India (IRDA of India). Chapter IV of the Ordinance contains certain amendments to The Insurance Regulation and Development Act, 1999 (41 of 1999). Section 105 of the Ordinance amends section 2 (1) (b) of the IRDA Act by inserting the words "of India" after "Development Authority". As a result of this Amendment, Insurance Regulatory and Development Authority has been renamed as "Insurance Regulatory and Development Authority of India". Therefore, it is hereby informed that, Insurance Regulatory and Development Authority (IRDA) shall henceforth be known as "Insurance Regulatory and Development Authority of India" (IRDA of India). The change in name came in to effect after the promulgation of Insurance Laws (Amendment) Ordinance, 2014, by the President of India on December 26, 2014. IRDA is a statutory body that regulates the insurance sector in India, to protect the interests of policyholders, while ensuring growth of the insurance industry along with India's economy. A statutory authority as an autonomous body was established under the provision of IRDA by the Government of India with the objective of regulating, directing and

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controlling the Insurance sector for ensuring its smooth functioning. This authority named Insurance Regulatory and Development Authority came into existence with effect from 1st April 2000. The IRDA being a National agency of the Government of India, there are numerous arrangements for taking corrective steps as to incorporate the emerging requirements of the Insurance sector in India.

The process of reopening of insurance sector had begun in the early 1990s. To complement the reforms initiated in the financial sector, Government in 1993 set up a committee under the chairmanship of Mr. R.N. Malhotra (Retired Governor, RBI), to propose recommendations for reforms in this sector. In 1994, among other things, the committee in its report recommended that, the private sector be permitted to enter the insurance industry and foreign companies be allowed to enter by floating Indian companies, preferably a joint venture with Indian partners.

Insurance Regulatory and Development Authority (IRDA) Act was passed upon the recommendations of Malhotra Committee report and 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. In August 2000 with opening up of market by IRDA, application for registrations were invited wherein 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.

ROLE OF IRDA

1. To protect the interest of and secure fair treatment to policyholders.
2. To bring about speedy and orderly growth of the insurance industry for the benefit of the common man, and to provide long term funds for accelerating growth of the economy.
3. To set, promote, monitor and enforce high standards of integrity, financial soundness, fair dealing and competence of those it regulates.
4. To ensure that insurance customers receive precise, clear and correct information about products and services and make them aware of their responsibilities and duties in this regard.
5. To ensure speedy settlement of genuine claims, to prevent insurance frauds and other malpractices and put in place effective grievance redressal machinery.
6. To promote fairness, transparency and orderly conduct in financial markets dealing with insurance and build a reliable management information system to enforce high standards of financial soundness amongst market players
7. To take action where such standards are inadequate or ineffectively enforced.
8. To bring about optimum amount of self-regulation in day to day working of the industry consistent with the requirements of prudential regulation.

Functions of IRDA

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.

Without prejudice to the generality of the provisions contained in sub-section (1), the powers and functions of the Authority shall include, issue to the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel such registration;

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, specifying requisite qualifications, code of conduct and

Practical training for intermediary or insurance intermediaries and agents specifying the

code of conduct for surveyors and loss assessors;
Promoting efficiency in the conduct of insurance business;
Promoting and regulating professional organizations connected with the insurance and re-insurance business;

Initiative of IRDA towards Consumer Awareness and Education:

The press release issued on Thursday, 4th September 2014, by the Consumer Affairs Department of IRDA states that, Members of public have been receiving a lot of spurious calls in the name of officials of Insurance Regulatory and Development Authority making fictitious and fraudulent offers. IRDA had issued a public notice on January 29, 2014 cautioning members of public to not fall prey to such offers.

Further, IRDA has informed public that:

- IRDA does not involve directly or through any representative in sale of any kind of insurance or financial products
- IRDA does not announce any bonus for policyholders or insurers.
- IRDA has put in place Grievance Redressal Cell in Consumer Affairs Department, Integrated Grievance Management System and IRDA Grievance Call Centre to provide an alternate platform for registering grievances against insurers thereby facilitating resolution of customer grievances by insurers.
- IRDA or its officials dealing with Grievance Management do not make calls in relation to complaints lodged with IRDA as IRDA plays a facilitative role and does not adjudicate upon or investigate into such complaints
- Any person making any kind of transaction with such individuals / agents will be doing the same at their own risk.

IRDA has once again urged the public to remain alert and not to fall prey to frauds or scams perpetrated by miscreants who impersonate to be employees / officers of IRDA or other insurance companies. IRDA advised that if any member of the public notices such instances, he or she may lodge a police complaint giving full details, along with the details of the caller and telephone number from which the call was received, in the local police station.

REGISTERED INSURERS IN INDIA:

Over last one and half decade a positive growth trend is seen in the registration of private insurers; a joint venture between a dominant Indian Company and foreign insurers. New players are capturing the market share of larger players as they have aggressive plans for network expansion with their foreign partners who are keen to capitalize on the enormous potential that is latent in the Indian insurance market. Of these 53 companies, eight are in public sector - two specialized insurers, viz. ECGC and AIC, one in life insurance, four in non-life insurance and one in reinsurance. The remaining forty five companies are in the private sector.

CONCLUSION:

Establishment of IRDA has brought about revolutionary changes in Insurance sector. In the last 10 years of its establishment insurance industry in India has seen tremendous growth. Before IRDA's establishment LIC single handily ruled life insurance sector and satisfied the needs of its customers, whereas GIC and its 4 subsidiaries were the sole players in non-life insurance. With advent of IRDA and opening of insurance sector for private insurers, the number of insurers increased to 24 for life and 28 for non-life insurance. Role of IRDA is very prominent in growth in insurance penetration and density, increase in number of insurers, number of policies

issued, speed of claims settlement and many more aspects. It can be said that IRDA has been successful in dealing with the discrepancies in this sector and has very well supervised and controlled the business of entire insurance industry.

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