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The role of IRDA in protecting the Policy holders' interest in India

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Abstract:

Insurance Regulatory and Development Authority of India Act was passed by the Parliament in the year December 1999. The Act received President's approval in the year January 2000. The Act intends to protect the interest of the insurance policy holders. It also aims to encourage and ensure the systematic growth of the insurance industry. The Insurance Regulatory and Development Authority is a statutory body formed by the Insurance Regulatory and Development Authority of India Act, 1999. Insurance is a monetary instrument, which reduces the financial burden in the events of eventualities, and provides a financial safety. A certain type of loss can be covered by paying a small premium. In case of loss, the Insurance Company will pay a certain amount of money, which will help in reducing the financial burden.

Key Words: Insurance, IRDA, Premium, Loss

INSURANCE

There are a variety of Insurance products to cater to the different needs of different people. The customer has a lot of options to choose from depending on their needs. The customer is nowadays in place to analyze and compare the policies of various companies with one another and choose the best amongst them. The insurance industry has a large market to target. The Insurance products act more as a protection tool than as a way to save tax. As there is more demand from the customer for new, beneficial and improved insurance products, there is a healthy competition amongst the

insurers. This acts as a boon to the customer. Improved products along with attractive schemes have been designed by the public sector to give tough competition to the private sector.

The market is full of different kinds of insurance products. Price, service and products are the main factors that differentiate one product from another. No Company can introduce a new product before taking a prior approval from Insurance Regulatory and Development Authority. Insurance Regulatory and Development Authority .

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA

COMPOSITION OF THE AUTHORITY

The Authority Comprises of the following members mentioned below

1. The Authority comprises of chairman, whole time members and part time members and together they act as a group of members and work jointly not individually like Controller of Insurance.
2. The Authority will continue to work even in cases of death or resignation.
3. The Authority is a body corporate with perpetual succession and a common seal.
4. The Authority has the power to sue or can be sued in its own name.

POWERS & FUNCTIONS OF THE AUTHORITY

Section 14 of the Insurance Regulatory and Development Authority of India Act, 1999 states the powers and functions of the IRDA. The power and functions of the Authority are as follows:

1. The Authority aims to protect the interest of the insurance policyholders in the matters related to surrender value of the policy, settlement of insurance claims, insurable interest, nomination by policy holders etc.
2. The authority gives the Certificate of Registration to the applicant. It can also renew, modify, withdraw, suspend or even cancel the registration of the applicant
3. The Authority states the qualifications, code of conduct and practical training for the intermediaries and insurance agents.
4. The Authority promotes the efficiency in the conduct of the business of insurance.
5. The Authority states the code of conduct for surveyors and loss assessors.
6. The Authority promotes and controls the professional organizations that are connected with the insurance business. It levies fees and charges for carrying the purpose of this Act.

7. The Authority has the power to call for information, conduct investigation, audit and enquiry of the insurers, insurance intermediaries and organization connected with the business of insurance.
8. The Authority controls and regulate the rates, gains terms and conditions that are offered by the insurers with respect to the general insurance business.
9. The investment of funds by the insurance companies are regulated by the Authority.
10. The Authority regulates the margin of solvency.
11. The Authority provides dispute resolution between the insurers and insurance intermediaries.
12. The Authority controls the working of Tariff Advisory Committee.
13. The Authority lay down the percentage of premium income of the insurer to fund the schemes for promoting and controlling the professional organizations.
14. The Authority lay down the percentage of life insurance and general insurance business that can be carried out by the insurer in the rural or social sector.

ROLE OF INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (IRDA)

1. To protect the interest of and ensure just treatment to insurance policy holders.
2. To encourage and ensure the systematic growth of the insurance industry so as to benefit the common man and help in bringing economic growth
3. To set, promote, monitor and apply high standards of integrity, fair dealing, financial viability and capability of those it regulates.
4. To ensure clarity, preciseness, transparency while dealing with the insurance policy holder. The Authority ensure that correct information about the products and services is passed on to the policy holders along with making them aware of their responsibilities.
5. To provide dispute resolution mechanism and ensure speedy settlement of genuine claims. The Authority must check insurance scams and other misconducts.
6. To take suitable steps against circumstances where set standards do not prevail or inappropriately enforced.
7. To bring about the optimal amount of self-regulation in day-to-day activities of the industry reliable with the requirements of the prudential regulation.

FEATURES AND BENEFITS OF IRDA

Following are the salient features of the apex body, the insurance regulatory and development Authority of India:

- Acts as a regulator for the insurance industry,
- Protects the policyholder's interests.
- Rules and regulations are framed by the apex body under Section 114A of the Insurance 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 of insurers and policyholders.

OBJECTIVE OF IRDA

The main objective of the insurance Regulatory and development Authority of India is to enforce the provisions under the insurance Act. The mission statement of the IRDA is:

- To protect the interest and fair treatment of the policyholder.
- To regulate the insurance industry in fairness and ensure the financial soundness of the industry.
- To regularly frame regulations to ensure the industry operates without any ambiguity.

IMPORTANT ROLE OF IRDA IN THE INSURANCE SECTOR IN INDIA

The insurance industry in India dates back to the early 1800s and has grown over the years with better transparency and focus on protecting the interest of the policyholder. The IRDA plays an integral role in emphasizing the important of policy holders and their interest while framing rules and regulations.

- To protect the policyholder's interest.
- To help speed up the growth of the insurance industry in an orderly fashion, for the benefit of the common man.
- To provide long term funds to speed up the nation's economy.
- To promote and monitor high standards of integrity, fair dealing, financial soundness and competence of the insurance providers.
- To ensure genuine claims are settled faster and efficiently.
- To prevent malpractices and fraud, the IRDA has set up a grievance redress forum to ensure the policy holders is protected.
- To promote transparency, fairness and systematic conduct of insurance in the financial markets.

- To build a dependable management system to make sure high standards of financial stability are followed by insurers.

FUNCTIONS OF IRDA

Below are the important functions of the IRDA in the insurance industry in India-

- Grant, renew, modify, suspend, cancel or withdraw registration certificates of the insurance company.
- Protecting the interests of the policyholder in matters concerning the grant of policies, settlement of claims, nomination by policyholders, insurable interest, surrender value of the policy and other terms and conditions of the policy.
- Specify code of conduct, qualifications and training for intermediary or insurance agents.
- Specify code of conduct for loss assessors and surveyors.
- Levying fees and charges for carrying out the provisions of the Act.
- Undertaking inspection, calling for information, and investigations including an audit of insurance companies, intermediaries, and other organizations associated with the insurance business.
- Regulate and control insurance rates, terms and conditions, advantages that may be offered by the insurance providers.

Apart from the above –mentioned core functions of the IRDA, there are several functions that the regulator performs keeping the policy holder's interest as its priority.

HOW DOES IRDA WORK?

The apex body of the insurance industry, the IRDA, ensure it frames it frames rules and regulations without any ambiguity towards any particular insurance company. To ensure fairness and the financial soundness of the industry, the main work of IRDA revolves around the policy holder's interests. Refer to the following roles that the IRDA is mainly involved in:

- Issues certificate of registration to new insurance companies.
- Sets rules and regulations to ensure the interests of the policyholder are taken care of.
- Monitors all claims are settled in all fairness and that no insurer will deny any claim on their own free will.
- Regulates the code of conduct of the insurance companies, insurance intermediaries, and others associated with the insurance industry.

- Provides solutions in case of disputes through the IRDA ombudsman.
- Control the regulates the rates of insurance of prevent unwanted price hike in the insurance premium.
- The apex body is responsible for setting the minimum percentage limit of insurance companies for General and life Insurance, thereby developing both urban and rural sectors.

UNDERSTANDING THE ROLE OF IRDA IN INDIAN INSURANCE SECTOR

Many of you might Have heard the term “IRDA”. It is nothing but the abbreviation of the **insurance regulatory and development Authority**. the authority acts as the regulator of the insurance industry in India and oversees the functioning of the life insurance and general Insurance companies operating in the country. the main objective of the IRDA is to protected the interests of the policyholder and regulate the insurance industry. TO know the various functions and the role of IRDA in the Indian insurance sector, read on to learn about the apex body of insurance providers in India. The insurance Regulatory and development Authority is the main organization or supervisory body that regulates the insurance sector in the country. It sets rules and regulations for the functioning of the insurance industry. Its sole purpose is to protect the interest of policyholders and to develop the industry on the whole.

The IRDA or IRDAI regularly issues advisories to insurance companies in case of changes to the rules and regulations. The regulator guides the insurance industry in promoting the efficiency in the conduct of insurance business all the while controlling the rates and other charges related to insurance. this article dwells on the functioning of the IRDA, features and benefits as well as answers to frequently asked questions at the end of third reading.

ESTABLISHMENT OF IRDA

The Government of India was the regulator for the insurance industry until 2000. However, to institute a stand – alone apex body, the IRDA was established in 2000 following the recommendation of the Malhotra Committee report in 1999. In august 2000, the IRDA began accepting applications for registrations through invites and allowed companies from other countries to invest up to 26 % in the market.

The IRDA has outlines several rules and regulations under section 114A of the insurance act ,1938. Regulations range from registration of insurance companies for operating in the country to protecting policyholder’s interests. as of September 2020, there are 31 General insurance companies and 24 life insurance companies who are registered with the IRD.

TYPES OF INSURANCE

Insurance is mainly divided into life and non-life / General Insurance. these are further classified into other types of insurance. Below are the types of insurance regulated by the IRDAI

- Life Insurance
 1. Term plans
 2. Endowment Policies
 3. Unit – linked Insurance Policies
 4. Retirement policies
 5. Money – back Policies
- General insurance
- Health Insurance Policies
- Vehicle /motor Insurance Policies
- Car Insurance
- Bike Insurance
- Property Insurance Policies
- Travel Insurance plans
- Gadget Insurance Plans

NEW RULES AND GUIDELINES FOR HEALTH AND MEDICLAIM INSURANCE BY IRDA

The IRDA is the apex body which is responsible for framing new rules and guidelines for health insurance in the country. the regulator has issued new IRDA rules for health and medi-claim insurance in 2020, are they are:

- **REJECTION OF CLAIMS-** The insurer cannot reject a claim if the policyholder has renewed the policy for eight years without any break or lapse . This period will be known as the moratorium period. The insurer cannot appeal to the IRDA for the rejection of the claim except in case of fraud or in case the claim is raised against the exclusion of policy .
- **INCLUSION OF TELE-MEDICINE-** With the advent of digitalization, the medical service has changed and one can consult a doctor through online consultations. IRDA has asked insurers to include telemedicine consultations in the insurance policy.

- **SETTLEMENT OF CLAIMS-** If the insurer delays settling the claim, then the insurance company is liable to pay interest on the claim amount. It should ensure the claim is settled within 30 to 45 days from the submission of the last document by the policyholder.

EFFECT OF INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (IRDA)

EFFECT ON REGULATION OF INSURANCE INDUSTRY

Insurance Regulatory and Development Authority regulates the Insurance sector. It aims to protect the interest of the insurance policy holders. It also encourages and ensure the systematic growth of the insurance industry.

EFFECT OVER PROTECTION OF POLICYHOLDERS

IRDA has great impact over the protection of policyholders. The Authority aims to provide fair treatment to all the policyholders.

EFFECT OVER AWARENESS ABOUT INSURANCE

IRDA is taking steps to increase awareness amongst the masses about the benefits of insurance. There is a separate Consumer education website of IRDA to educate people about insurance.

EFFECT OVER INSURANCE MARKET

There is a drastic effect of Insurance Regulatory and Development Authority over insurance market. IRDA regulates the insurance market and ensure the systematic and speedy growth of the insurance market.

EFFECT OVER DEVELOPMENT OF INSURANCE PRODUCT

All the insurance companies must take approval from Insurance Regulatory and Development Authority before launching any new product or before making any changes in the existing product or

withdrawing a product. The insurer who wishes to launch a new product or make changes to the existing product or withdrawing a product shall submit an application to the Authority in the prescribed form along with the necessary details and reasons for the change reasons. The authority may ask for additional information if required. If no information is asked for then the insurer can start selling the product. The insurer can introduce the new product after allowing it for 60 days for

non-life and 30 days for life for clearance by IRDA. This might be delayed due to lack of details about the product, which is necessary to assess the product before approval is given by the Authority.

EFFECT ON COMPETITION BETWEEN PRIVATE AND PUBLIC SECTOR

As there is more demand from the customer for new, beneficial and improved insurance products, there is a healthy competition amongst the insurers. This acts as a boon to the customer. Improved products along with attractive schemes has been designed by the public sector to give tough competition to the private sector.

EFFECT OVER BANKS AND POST OFFICES

With the increasing awareness amongst people about the benefits of insurance, the flow of funds has shifted to the insurance industry from Banks and Post Offices. Insurance has become a medium for not only covering losses and risks but has also become a popular way to save tax.

HIGHLIGHTS OF IRDA PROTECTION OF POLICYHOLDER'S INTEREST

In a major move to protect consumer interests and curb malpractices in India, the Insurance Regulatory and Development Authority ('IRDA'), on 30 June 2017, notified the IRDA (Protection of Policyholders' Interests) Regulations, 2017, which supersedes the existing IRDA (Protection of Policyholders' Interests) Regulations, 2002. Among other reforms, the 2017 regulations define more stringent timelines for investigation and settlement of claims.

Further, the 2017 regulations impose a Board-approved policy on insurers, with minimum disclosure requirements to counter mis-selling to policyholders. Separate regulations have been laid out for health policies in the new regulations.

The key highlights of the 2017 regulations are as follows:

APPLICABILITY

- The 2017 regulations extend their applicability to other regulated entities and distribution channels, including point of sales persons.
- Health policies have been recognized separately, different from life and general insurance policies, with separate regulations being laid out for health policies.

CHANGE IN POLICY DOCUMENTS/ PREMIUM

- To bring in transparency and counter mis-selling, the regulations require insurers to state the terms and conditions for claims and coverage terms explicitly and also disclose policy exclusions upfront under the groupings — standard, policy-specific and waived under additional premium.
- According to the 2017 regulations, insurers are required to have in place a Board approved policy with minimum disclosure requirements for protection of policyholders' interests.
- Insurers will need to display Board-approved service parameters and corresponding turnaround time on their website.
- Insurers are required to revise their policy documents in accordance with the 2017 regulations, and submit a certificate of compliance to the IRDA by 31 December 2017.
- The premium pertaining to health related or critical illness riders shall not exceed 100% of premium under the basic product, while the premium under all other life insurance riders put together shall not exceed 30% of premium under the basic product. Any benefit arising under each of these mentioned riders shall not exceed the sum assured under the basic product.

SETTLEMENT TIMELINES

- The timelines for death claims are reduced to 120 days from the date of receipt of claim intimation.
- In respect of Maturity, Survival Benefit claims and Annuities - the Life Insurer shall pay the claim on or before the due date.
- Insurers have 15 days to process the freelook cancellation to the policyholders.
- With regard to a general insurance policy, the IRDA has tightened the timelines for surveyors/ loss assessors. In case of any deviation and delay in the timelines, the surveyors are required to keep the insured informed about the progress of the report.
- Claims in respect of health policies are required to be settled within 30 days from the date of receipt of the last necessary document. In cases which warrant investigation, the claim is to be settled within 45 days.
- In case of delay in settlement of claims, the insurer is required to pay a penal interest at the rate of 2% above the bank rate. Ambiguity in respect of the duration for which interest is required to be paid has also been cleared. The insurer will be required to pay interest for the entire turnaround time and not just the period of delay. For instance, if an insurer is required

to settle a claim within 30 days but takes 35 days, the interest will be computed for 35 days, and not 5 days.

GRIEVANCE REDRESSAL

- While the former regulations required every insurer to have in place a grievance redressal mechanism, the 2017 regulations lay down the exact procedure to be followed by insurers for grievance redressal.

CONCLUSION

Indian economy is **growing** rapidly. There are several new players in the insurance industry, which has opened new opportunities and has contributed the employment generation. Insurance awareness is very important at different levels of the society. Individuals should know the importance and the consequent benefits of insurance. In order to achieve higher levels of penetration and spread of insurance among larger sections of the population, the insurance companies should pay more concentration on the rural communities rather than the urban and the higher segment of the society. With IRDA in place, the insurance sector is regulated and the interest of the policyholders is ensured. IRDA also has to bring necessary changes whenever required in consultation with the stakeholders.

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