

**ROLE AND IMPORTANCE OF IRDA**

**D.LEELA KALYANI**  
**Research Scholar**  
**Acharya Nagarjuna University**  
**Nagarjuna Nagar**  
**Andhra Pradesh**

**Prof. R. SIVA RAMA PRASAD**  
**HOD of Commerce and Business Administration**  
**Acharya Nagarjuna University**  
**Nagarjuna Nagar**  
**Andhra Pradesh**

**Abstract**

IRDAI is an abbreviation that stands for the Insurance Regulatory and Development Authority of India. The insurance business in India is regulated by them and they supervise the functioning of Life Insurance and General Insurance companies that are operating in the country. IRDAI has set various rules and regulations for the operation of the insurance industry. Its sole objective is to defend the interest of the policyholders and ensure the growth and evolution of the insurance industry holistically. IRDAI regularly issues notices to insurance companies in case there are any changes in the rules and regulations. It leads the insurance companies to foster efficiency in the conduct of insurance business and control the rates or any other charges related to insurance.

**Key Words:** authority, business, company, development, insurance, regulation, sector

**Introduction**

The IRDAI Act provides a complete regulation of the insurance sector in India (all the insurance business in India is regulated by IRDAI). The IRDAI plays a key role in the development of regulatory mechanism of insurance in the insurance sector. A committee was established by the Government of India to examine the structure of the insurance sector and to advocate revisions to the rules and regulations to make it more effective and efficient. IRDAI was presented in the parliament in 1999. The bill was discussed and debated before it finally became the Insurance Regulatory and Development Authority of India (IRDAI) Act of 1999.

**Types of Insurance policies regulated by IRDAI:**

**The insurance industry is divided into two main categories:**

**1. Life insurance**

As the name implies, life insurance governs the plans that safeguard your life. It is a contract between an insurance policyholder and an insurance company wherein the insurer agrees to pay a sum of money in exchange for premium payments if the covered person passes away, or after the designated maturity period. Further, life insurance is of two types - term life insurance and whole life insurance.

## **2. Non-life insurance (also commonly known as general insurance)**

Everything else that is not covered under life insurance falls under non-life or general insurance. This includes - health insurance, vehicle insurance, two-wheeler insurance, home insurance, business insurance, travel insurance, etc.

### **Understanding the Role of IRDAI in Indian Insurance Sector**

The Insurance Industry in India, established back in the early 1800s, has developed over the decades with better transparency and emphasis on protecting the interest of the policyholders. Here are the roles IRDAI plays in the Indian Insurance Sector:

1. Protecting the interest of the policyholder.
2. Assist in advancing the growth of the insurance industry in an organised manner for the benefit of the common man.
3. Grant, renew, revoke, modify or suspend the registration certificate of an insurance company.
4. Safeguard the policyholder in matters concerning the grant of policies, settlement of a claim, selection of a nominee by the policyholder, surrender policy value and other such terms and conditions of the policy.
5. Provide long-term funds to accelerate the nation's economy.
6. Enforce high standards of integrity and competence among policy providers.
7. Ensure that genuine claims are settled efficiently.
8. Prevent malpractices and policy fraud by providing a grievance redressal forum for policyholders.
9. Promote fairness and transparency of insurance in financial markets.
10. To build a reliable management system to ensure that high standards are maintained and financial stability is observed by the policy providers.
11. Take appropriate actions when high standards are not maintained.
12. To ensure an optimal level of self-regulation in the insurance industry.

### **Objective of IRDAI**

The primary objective of the IRDAI is to implement the provisions under the Insurance Act. The mission statement of IRDAI is:

- a) To safeguard the interest of the policyholder and ensure his/her fair treatment.
- b) To govern the insurance industry impartially and to make sure the financial sanity of the industry remains intact.
- c) To routinely formulate regulations to ensure the insurance industry functions without any uncertainty.

### **Establishment and History of IRDAI**

The Government of India was the regulatory body for the insurance industry until the year 2000. However, in order to establish a stand-alone body, the IRDAI was built following the recommendation of the Malhotra Committee Report in 1999. By August 2000, the IRDAI began accepting applications for registrations and allowed companies through invites from different countries to invest as much as 26% in the Indian market. It has defined several rules and regulations under the Insurance Act of 1938. These regulations range from registration of insurance companies to operating in the country to protect the interest of policyholders. As of September 2020, there are 24 Life Insurance companies and 31 General Insurance companies who are registered with the IRDAI.

### **Working of IRDAI:**

IRDAI, known to be the apex body of the insurance sector, ensures that it frames rules and regulations without any uncertainty or ambiguity towards any insurance company. To ensure the integrity and financial soundness in the industry, the primary work of the IRDAI revolves around the interest of the policyholder. Let us catch a look at the various roles of the IRDAI:

1. To issue the certificate of registration to new insurance companies.
2. Establish rules and regulations to take care of the interests of the policyholders.
3. To monitor claim settlements in a fair manner, and ensure that no claim is denied by the insurance company under their free will.
4. To regulate the code of conduct of the insurance company and of those associated with the insurance industry.
5. Address issues and provide solutions in case of disputes which have risen via the IRDAI ombudsman.
6. Regulate and control the rate of insurance to impede undesirable and superfluous price hikes in insurance premiums which might cause distress to the policyholder.
7. The IRDAI is also accountable for setting a minimum percentage limit of insurance companies for both Life Insurance and General Insurance.
8. IRDAI is also responsible for granting licenses to insurance agents. It issues licenses to individuals to clear the required exam. It was integrated with the IRDAI regulations and comprised the rules for applying and acquiring an insurance agent license.

### **Features and Benefits of IRDAI**

Some of the leading features and benefits of the Insurance Regulatory and Development Authority of India (IRDAI).

- a. Acts as a regulatory body for the insurance industry.
- b. Safeguards the interests of the policyholder.
- c. Rules and regulations are established by the IRDAI under Section 114A of the Insurance Act of 1938.
- d. IRDAI has the authority to grant certificates of registration to new insurance companies who wish to operate in India.
- e. IRDAI oversees the activities of the insurance industry to guarantee the persistent development of both the insurance company and the policyholder.
- f. IRDAI can control and regulate insurance rates, terms and conditions, and advantages that are offered by the insurance providers to the policyholders.
- g. IRDAI also undertakes inspections and conduct audits of insurance companies, mediator parties and other organisations who are associated with the insurance business to keep an eye out for malpractices and safeguard policyholders against fraud.
- h. IRDAI can specify the code of conduct, training and qualifications for insurance agents.

Since 2000, IRDA has been serving as an independent regulatory authority for the insurance industry and to instill confidence among the policyholders in the financial viability of the insurance companies. IRDA has been playing a pivotal role in the insurance sector with a fundamental commitment to discharge its mandate for orderly growth of insurance sector. IRDA has played a very important role in the growth and development of the sector by protecting policyholders' interests; registering and regulating insurance companies; licensing and establishing norms for insurance intermediaries, regulating and overseeing premium rates and terms of non-life insurance covers; specifying financial reporting norms, regulating investment of policyholders' funds and ensuring the maintenance of solvency margin by insurance companies; ensuring insurance coverage in rural areas and of vulnerable sections of society; promoting professional organisations connected with insurance and all other allied and development functions.

### **New Rules and Guidelines for Health and Mediciam 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 mediclaim insurance in 2020, and they are:

1. **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 the policy.
2. **Inclusion of Telemedicine:** 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.
3. **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.

### **Conclusion**

In 1993, Govt. of India with a view to examine the structure of the insurance industry and to recommend changes to make it more competitive and efficient, in the light of structural changes in the other segments of the financial system, appointed a committee under the chairmanship of former Governor of RBI, Sh R.N. Malhotra. The committee submitted its report in January 1994. It recommended setting up of an independent Insurance Regulatory Authority on the lines of Securities and Exchange Board of India. The Govt. accepted the recommendation and in January 1996, established an interim Insurance Regulatory Authority. In 1999, the bill titled as Insurance Regulatory and Development Authority Bill 1999 was introduced in the parliament along with three schemes containing the amendments to the Insurance Act, 1938, LIC Act 1956, General Insurance Business (Nationalisation Act 1972). After discussion and debate the Bill became an Act known as Insurance Regulatory and Development Authority (IRDA) Act, 1999. The preamble of the Act states that it is "An Act, to provide for the establishment of 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 or incidental thereto".

### **References**

1. Berman, Peter. "Rethinking Health Care Systems: Private Health Care Provision in India." Harvard School of Public Health Working Paper, November 1996.
2. Business Today. "The Monitory Group Study on Insurance I and II." March 22 and April 7, 2000.
3. Dasgupta, Samik. "RSA, Iffco-Tokio yet to appoint actuaries," Economic Times, January 23, 2001.
4. Kumari, Vaswati, "India Insurers Seek Perfect Partners." National Underwriters, March 5, 2001, 38-39.
5. Mitra, Sumit and Nayak, Shilpa. "Coming to Life." India Today, May 7, 2001.
6. Patel, Freny. "Centre wants GIC to merge unviable outfits before recast." Business Standard, April 13, 2001.
7. Roy, Abhijit. "Pension fund business in India." The Hindu, July 16, 1997, p. 25.
8. Roy, Samit. "Insurance Sector: India." Industry Sector Analysis, National Trade and Development Board, US Department of State, Washington, DC, December 1999.
9. Sigma. "World Insurance in 1999." No.9/2000. Published by SwissRe.

10. Sinha, Tapen. Pension Reform in Latin America and Its Implications for International Policymakers. Boston, USA, Huebner Series Volume No. 23, Kluwer Academic Publishers, 2000.
11. Sinha, Tapen and Sinha, Dipendra. "A Comparison of Development Prospects in India and China." Asian Economies, Vol. 27(2), June 1997, 5-31. U.S. Department of State FY 2001 Country Commercial Guide: India. Commercial Guide for India was prepared by U.S. Embassy New Delhi and released by the Bureau of Economic and Business in July 2000 for Fiscal Year 2001