

The Insurance Act, 1938

A) Important Definitions:

1. Actuary - Defined u/s 2 of Actuaries Act, 2006.

2. Authority - IRDA

3. Health Insurance Business

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graph LR; A[Health Insurance Business] --> B[medical]; A --> C[surgical]; A --> D[Hospital expense benefit]; B --> E[Inpatient]; B --> F[Outpatient]; C --> E; C --> F; E --> G[Travel cover]; E --> H[Personal accident cover]; F --> G; F --> H;
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4. "Indian Insurance" Company

Co = limited
by shares

under CA, 2013

Max 49%.

PUESC can be
held by Foreign
Investors

Sole purpose is to carry

Life
Ins.

Re-
Ins.

General
Ins.

Health
Insurance

5. Insurer

Indian
Insurance
Co.

Eg:- ICICI Prudential

Statutory
Body
Eg:- LIC

Insurance
Co-op.
society

Foreign Co. engaged in
reinsurance business through
branch. estd. in India.

Eg:- MetLife, TATA AIG etc.

6. Reinsurance - Insurer's risk by another Insurer

7. Insurance Agent - receives / agrees to receive payment by way
of commission or other remuneration in consideration of soliciting
or procuring insurance business

8. Life Insurance Business - Contracts of Insurance upon Human Life

→ Payment of money assured

→ Death
→ Happening of any contingency

→ including

Granting of disability + Double / Triple

Granting of Annuities on Human Life

Granting of super annuation allowances engaged in particular profession.

Indemnity Benefits

B] Provisions Related to Insurance:

Capital (Sec 6)

→ Life Insurance = 100 Crores [Life / General]
→ Health Insurance = 100 Crores
→ Reinsurance = 200 Crores

[Min Net Owned Funds = 5000 Crore]

Further Conditions:

- Only Equity shares + others as may be prescribed.
- Voting rights → only on equity shares
- Paid up amt is same for all shares, whether existing or new.
- Conditions shall not apply to public company which before commencement of Insurance (Amendment) Act, 1950, issued shares other than ordinary shares each having single face value or shares, paid up amount not same for all for period of 3 yrs from such commencement.

Actuarial Valuation:

- Every insurer carrying on life insurance business shall cause Investigation of Business including Valuation of liabilities,

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Atleast once a year → IRDA.

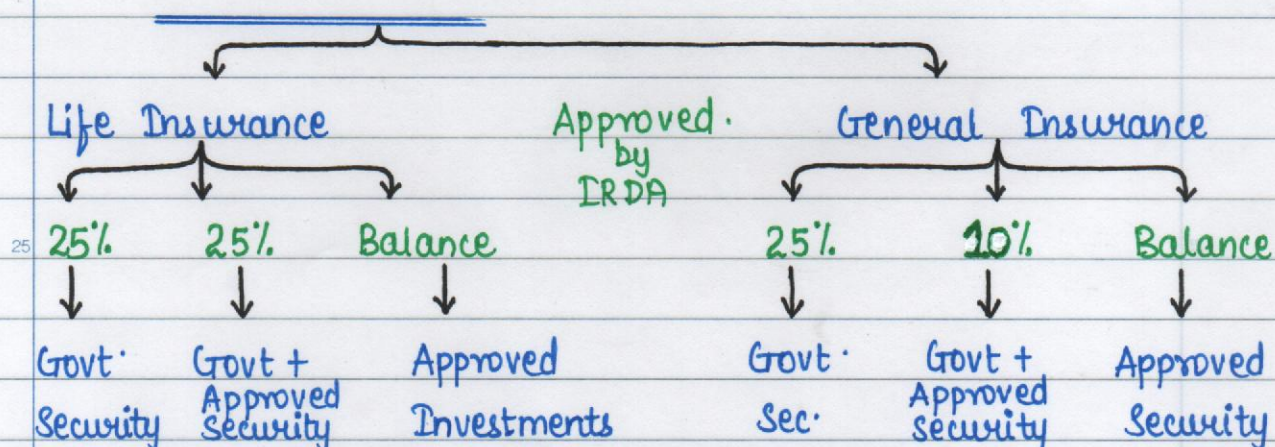
- Once a year can be extended to once in 2 yrs by IRDA.
- If Investigation made annually, statement needs to be appended once in 3 yrs.

Audit:

- Annually of $\left. \begin{array}{l} \text{P\&L} \\ \text{BIs} \\ \text{Revenue Alc} \end{array} \right\}$ by Auditor
- Alc's printed & 4 copies to be furnished as returns to the Authority within 6 months from end of period to they refer.
- 1 copy shall be signed by Chairman + 2 Directors + Principal Officer of Co. & if Co has MD, then by that MD
- + 1 sign $\left\{ \begin{array}{l} \text{Auditor} \rightarrow \text{who made Audit} \\ \text{Actuary} \rightarrow \text{who made Valuation.} \end{array} \right.$

Investments of Assets: (Sec 27)

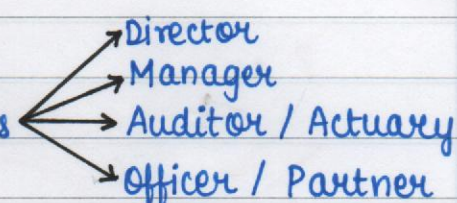
- Every Insurer at all times shall invest in Assets equivalent = Sum of his liabilities to holders of LIC
 - (-) Amount of Premium (Not yet Received + Days of Grace have not expired)
 - (-) Loans given (within surrender value of LIC)



- Invest only in approved investments
- Insurer shall invest Max 5% in controlled Funds or assets of Promoter company.

Loans:

Insurance co. shall not grant loans


Exceptions:

- Loan on Life Insurance Policy is less than Surrender Value
(Logic: Thus it becomes secured)
- Above rule shall not be applicable to insurer giving loans to Banking co. specified by IRDA (Because their main business is to give loans etc. to public)
- Above rule not applicable

If loan to subsidiary co.

- Holding co. with prior approval of IRDA.
- Sec 185 (Loans) of CA, 2013 shall not apply.

Loan by co → DIR if loan is given on DIRS Life Insurance & Surrender Value.

Prohibition of Payment by way of commission or otherwise for procuring business:

No person $\xleftrightarrow[\text{receive}]{\text{pay}}$ Commission / Remuneration etc. on any policies, soliciting / procuring business.

EXCEPT

Insurance Agent / Intermediary / Ins. Intermediary.

↓
in manner as may be specified.

Agent / Intermediary not to be a Director: Sec 48A

- No Ins. Agent / Intermediary shall remain director in Ins. Co.
- He shall vacate office after 6m. from commencement of Business Companies Act, 2013.

- IRDA may permit $\begin{cases} \text{Ins. Agent} \\ \text{Intermediary} \end{cases}$ on Board of Insurance to protect interest of policy holders.

Policy not to be called in question after 3 years

- No policy of life Insurance shall be questioned after 3yrs from

Date of Policy	Date of commencement of risk	Date of Revival	Date of Rider	L A T E R
1/12/16	5/12/16	4/12/17	10/12/17	↓

- < 3yrs $\rightarrow$ Questioned $\rightarrow$ on the ground of fraud.
- Insurer shall communicate in writing $\begin{cases} \text{Insured / Legal Representative} \\ \text{Nominee / Assignee} \end{cases}$ $\begin{cases} \text{Materials} \\ \text{Grounds} \end{cases}$

Auditor $\rightarrow$ General Insurance } Every Insurer shall furnish statement approved by
 Actuary $\rightarrow$ Life Insurance }

Assets = Market Value } as specified.
 Liabilities = Valued } by IRDA

$\downarrow$
 IRDA $\rightarrow$ 31/3/ every year $\rightarrow$ submit within days prescribed by IRDA.

Sufficiency of Assets:

1. Assets

(-) Liabilities

50 cr / 50 cr / 100 cr $\rightarrow$ Min 50% of Min. Capital (100/100/200cr)

2. Above rule not complied $\Rightarrow$ insolvent / wound up by court

$\underbrace{\hspace{10em}}$
 Application by Authority

IRDA, 1999

CG shall appoint Authority (Nature as Body corporate)
[1 member → knowledge in Life / Gen / Actuarial science]

Chairperson

Max 5 WTD

Max 4 PTD

L
A
T
E
R
↑
Holds office
5 yrs
65 yrs
(Eligible for
reappointment)

< 2 yrs
of
appointment
Max.
cannot hold
office under
CG/SG
till 62 yrs.

Resign by 3 months
prior notice / removal