The Insurance Act, 1938

A] Important Definitions:

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

2. **Authority** – IRDA

3. **Health Insurance Business**
   - medical
   - surgical
   - Hospital expense benefit
   - Inpatient
   - Outpatient
   - Travel cover
   - Personal accident cover

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 Indemnity Benefits
- Granting of Annuities on Human life
- Granting of super annuation allowances engaged in particular profession.

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 → P&L, B/S, Revenue A/c } by Auditor
- A/c'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 → Auditor → who made Audit
  → Actuary → who made Valuation.

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)

Approved by IRDA

Life Insurance			General Insurance		
25%	25%	Balance	25%	10%	Balance
Govt. Security	Govt + Approved Security	Approved Investments	Govt. Sec.	Govt + Approved Security	Approved Security

- 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 → Director / Manager / Auditor / Actuary / Officer / Partner

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 $\xrightarrow[\text{receive}]{\text{pay}}$ Commission / Remuneration etc. on any policies, soliciting / procuring business.

EXCEPT

Insurance Agent / Intermediary / Ins. Intermediary.

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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 Companies Act, 2013.

- IRDA may permit → Ins. Agent / → Intermediary 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
1/12/16	5/12/16	4/12/17	10/12/17

↓ LATER

- < 3yrs → Questioned → on the ground of fraud.
- Insurer shall communicate in writing → Insured / Legal Representative, → Nominee / Assignee → Materials, → Grounds

Auditor → General Insurance
Actuary → Life Insurance
} Every Insurer shall furnish statement approved by

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

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IRDA → 31/3/ every year → submit within days prescribed by IRDA.

Sufficiency of Assets:

1. Assets
   (-) Liabilities
   50 cr / 50 cr / 100 cr → Min 50% of Min. Capital (100/100/200 Cr)
2. Above rule not complied ⇒ $\underbrace{\text{insolvent / wound up by court}}_{\text{Application by Authority}}$

IRDA, 1999

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

- Chairperson
  - Holds office
  - 5 yrs
  - 65 yrs
  - LATER
  - (Eligible for reappointment)
- Max 5 WTD
  - Holds Max. till 62 yrs.
- Max 4 PTD

Chairperson, Max 5 WTD: < 2yrs of appointment cannot hold office under CG / SG

Max 5 WTD, Max 4 PTD: Resign by 3 months prior notice / removal