The Insurance Regulatory and Development Authority Act 1999

OBJECTIVE OF THIS ACT

- **PROTECT INSURANCE POLICY HOLDERS**
- **REGULATE AND PROMOTE INSURANCE INDUSTRY**
- **MAKE AMENDMENTS IN:**
  1. The Insurance Act 1938
  2. The Life Insurance Corporation Act 1956
  3. The General Insurance Business Act 1972

Definitions: (Sec2)

1. **"Authority"** mean the Insurance Regulatory and Development Authority established U/S 3(1).
2. **Intermediary:** Insurance Broker, Insurance consultants, Loss Assessors, Insurance Consultants, Surveyors.
3. **"Member"** means a whole-time or a part time member of the Authority (includes Chairman)
4. **"Regulations"** means the regulations made by the Authority.

Establishment of Authority (Sec3)

1. With effect from such date as the Central Government may, by notification, appoint, there shall be established, for the purposes of this Act, an Authority to be called "the Insurance Regulatory and Development Authority"
2. **Characteristics of Authority:** The Authority shall be a body corporate by the name aforesaid having perpetual succession and a common seal with power, subject to the provisions of this Act, to acquire, hold and dispose of property, both movable and immovable, and to contract and shall, by the said name, sue or be sued.

Authority Composition (Sec4)

Chairperson and Members

A Chairperson + **Maximum 5 Whole time members** + **Maximum 4 Part-time members** = Authority

Note:

1. Authority to be appointed by Central Government.
2. Experience & Expertise in Life Insurance, General Insurance or actuarial science.

Term of Office (Member & Chairperson) Sec5

Sec5 (1) & 5(2)

Chairperson and Whole time & Part time Member

5 Years

(From the date on which he enters upon his office and shall be eligible for re-appointments)

Max Age 65 years for Chairperson

Max Age 62 years for "whole time members"

Removal and Resignation: Sec 5(3)

Relinquish His Office: Giving Notice to CG of Not less than 3 Months.

Removed From Office : In accordance with the provision of **Sec 6.** (Removal from office of chairperson and other members)

Central Govt may remove from office any member after giving **show cause notice** [Sec 6 (2)] who: is or any time has been adjudged as an insolvent **or** physically or mentally incapable **or** convicted of any offence which in opinion of CG involve moral turpitude **or** acquired such financial or other interest as is likely to affect prejudicially his function as a member **or** has abuse his position. [Sec 6 (1)]

(Sec 8) Restriction on employment of Chairperson and Whole time member is for 2 year from date of cessation of office.

Nature of Restriction: Not to accept – (a) any employment either under CG or under any SG or in any company in the Insurance sector.

Meeting of the Authority (Sec10)

- The Authority shall meet at such times and places and shall observe such rules and procedure in regards to transaction of business at its meeting as may be determined by regulation.
- If Chairperson unable to attend a meeting of the authority any other member present among themselves at the meeting shall preside at the meeting.

- All questions which come up before any meeting of the authority shall be decided by majority of votes by the members present and voting.
- In the event of equality of votes the chairperson or person presiding shall have a second or casting vote.

Vacancies not to invalidate proceeding (Sec 11): No act or proceeding of the Authority shall be invalid merely by reason of:

1. **any vacancy** in or any **defect in the constitution of the Authority**; **or**
2. any **defect in the appointment of a person** acting as a member of the Authority; **or**
3. any **irregularity in the procedure of the Authority** not effecting the merits of the case.

Duties Power and Function of Authority (Sec14) (Imp)

Duties: **Regulate, Promote** and ensure orderly **Growth of Insurance & Re-insurance business.**

Power & Functions:

a) **To applicant** : issue a certificate of registration, renew, modify, withdraw, suspend or cancel such registration
b) **For Policy Holder :** Provide protection to policy holders in matter concerning assigning of policy, nominations, insurable interest, insurance claim settlements, policy surrender value, fulfilment of conditions and terms of contract etc.
c) **For Agents & Intermediaries:** Specify code of conduct and practical training.
d) **For Surveyors:** Provide code of conduct
e) **For Insurance Business:** Promote efficiency, can do audits, inspections and conduct inquiries. Also specify the manner in which the books of accounts shall be maintained and the statement of accounts shall be rendered by insurer and insurance intermediaries.
f) **Funds Management:** Regulating investment of funds by insurance companies.
g) **Resolving Disputes:** Between Insurers and intermediaries of insurance intermediaries.
h) **Supervision** the functioning of the **Tariff Advisory Committee**
i) Specifying the percentage of life insurance business and general insurance business to be undertaken by the insurer in the rural or social sector
j) Exercising such other power as may be prescribed.

Power of Central Government to Supersede Authority (Sec19)

Central Government may supersede the Authority if it is of the opinion that-

1. on account of circumstances beyond the control of the **authority it is unable to discharge the function or perform the duties imposed** on it, or
2. the **Authority has persistently defaulted in complying with any direction given by Central government** under this act or if **not able to discharge his duties** and as a result

of such default the financial position of the Authority or the administration of the Authority has suffered, or

3. **if it is necessary in public interest** to supersede the Authority

For Supersession Central Government **shall be required to issue notification stating reason of the same** and the period shall not exceed 6 months.

Central Government shall **give opportunity to the Authority to make representations** against the proposed supersession. Also shall appoint a person to be the controller of insurance u/s 2B of the Insurance Act 1938.

Effect of Supersession:

a) Vacation of office of Chairperson and other members from the date of supersession.
b) Until the Authority is reconstituted u/s 19(3) all powers, duties and functions are to be exercised and discharged by the controller of Insurance.
c) Reconstitution of Authority shall be done by Central Government u/s 19(3).

Insurance Advisory Committee (Sec 25)

i. The Authority is established by notification from such date as it may specify in such notification, a Committee to be known as the Insurance Advisory Committee.
ii. Maximum Members not more than 25. (Excluding ex officio members)
iii. The Chairperson and the member of the Authority shall be the ex officio Chairperson and ex officio members of Insurance Advisory Committee.
iv. The main objective of Insurance Advisory Committee shall be to advise the Authority on matter relating to the making of the Regulations.
v. Also may advice on other matter also to Authority.

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